Board Diversity in Singapore Charities

An exploratory study on its impacts and the existing state today

July 2020
Acknowledgements

First of all, we are grateful to Conjunct Consulting for spearheading this entire project. We would also like to thank Yasmine Tan, Conjunct’s Executive Director, for her constant encouragement and support throughout the project.

We are fortunate and thankful for our Project Contributors, Mr. Shai Ganu, Managing Director of Willis Towers Watson, and Mr. Suhami Zainul Abidin, Director of Quantedge Foundation (Singapore), for their critical counsel and advice through the course of this project. Their invaluable feedback, comments and guidance brought us to where we are today.

We would also like to express our deepest appreciation and gratitude to our Project Advisor, Dr. Razwana Begum, Head of Public Safety and Security Programme at Singapore University of Social Sciences, for her unwavering support and assistance. Despite the numerous questions and queries that we have for her, she never fails to follow through on them and continually encourages and motivates the team to strive for greater heights. Her timely and insightful advice helped keep our project on track. Our heartfelt gratitude goes to Dr. Razwana for all her assistance!

This project would not have been possible if not for the hard work and determination of Project Leaders and Associate Consultants from the 3 universities, namely the National University of Singapore, Nanyang Technological University and Singapore Management University. We believe that everyone played a critical role in making this project a success and would like to extend our appreciation to all who were involved in this project in one way or another. The names of the students involved in this project are as follows.

Tan Zheng Yu
Benjamin Chung
Archana Dhinakar Bala
Natalie Ng
Nicole Lim
Kevin Darmawan

Eugene Goh
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About Conjunct Consulting

Conjunct Consulting is Southeast Asia’s first social change consultancy. We work with Social Good Organisations to help them to do good, better. We do this through consulting projects and workshops, in strategy, research and implementation.

We also leverage our cumulative work to develop insights and thought leadership for the sector. All this is possible only because of our dedicated staff and our volunteers, who bring in their professional expertise from various industries.
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Aspects of Board Diversity</td>
<td>5</td>
</tr>
<tr>
<td>Finding 1 - Effect of Board Diversity on Perception and Giving</td>
<td>6</td>
</tr>
<tr>
<td>Finding 2 - Measuring Diversity and Financial Performance</td>
<td>9</td>
</tr>
<tr>
<td>Finding 3 - State of Board Diversity in Singapore Charities</td>
<td>11</td>
</tr>
<tr>
<td>Discussion and Implications</td>
<td>14</td>
</tr>
<tr>
<td>What Can You Do?</td>
<td>15</td>
</tr>
<tr>
<td>Challenges and Future Research</td>
<td>16</td>
</tr>
<tr>
<td>References</td>
<td>17</td>
</tr>
<tr>
<td>Appendix A: Additional Insights from Survey</td>
<td>19</td>
</tr>
<tr>
<td>Appendix B: Blau’s Index &amp; Scoring of Charities</td>
<td>21</td>
</tr>
<tr>
<td>Appendix C: Regression Method</td>
<td>24</td>
</tr>
<tr>
<td>Appendix D: Regression Models and Outputs</td>
<td>25</td>
</tr>
<tr>
<td>Appendix E: Disclosure standards</td>
<td>29</td>
</tr>
</tbody>
</table>
Charities in Singapore

As of May 2020, there are 2,310 charities of which a total of 636 are classified as Institutes of Public Character (IPC). These charities - community organisations for the public benefit - are governed by the Charities Unit under the Ministry of Culture, Community and Youth (MCCY). The Charities Unit aims to help charities in Singapore achieve good governance and build trust for a thriving charity sector. To achieve this vision, the Charities Unit adopts a strategy that involves promoting good governance and best practices among charities and ensures co-regulation and culture of transparency and accountability.

Charities are accountable to the public and other stakeholders. As good governance is pivotal in charting the direction and ensuring the sustainability of a charity, it is becoming an increasingly important criterion for the public charity stakeholders to decide whether to donate or volunteer their services to a charity.

Board Diversity in Charities

As charities support beneficiaries from diverse backgrounds, it is especially important for charities to incorporate diversity into their organisation, and there is no better way to start than to build a diverse board.

A charity board which reflects the diversity of our community will be in a better position to make decisions that benefit the community it seeks to serve. The call for a diverse board is warranted just on this basis alone, but questions are often asked as to whether board diversity brings about other tangible or measurable benefits.

Role of the Board

- Provide strategic guidance, and foster the mission and vision of the organisation
- Ensure proper utilisation of the charity’s resources, protect and grow charitable assets
- Provide guidance and informed counsel to ensure the efficiency of the charity’s operations

Board members are tasked with the crucial role of guiding the charity. They guide the organisation towards a sustainable future by adopting sound and ethical governance, financial management and other policies.

Objective of research

Existing literature and research on board diversity has tended to be more focused on listed companies rather than charities.

Hence, our study seeks to investigate the importance of board diversity in charities by providing insights into how it: (a) influences public perception, and (b) impacts financial performance indicators. The research then analyses the current state of board diversity on Singapore charity boards.

Main research questions:

- How does board diversity affect public perception of Singapore charities?
- Does board diversity affect the financial performance of these charities?
- What is the current state of board diversity within Singapore charities?
Aspects of Board Diversity

Different Aspects of Diversity

Diversity can be measured from a variety of different aspects. For the purpose of our research, we have focused on 4 different aspects of board diversity - gender, ethnicity, expertise, and tenure. These aspects were chosen based on (1) availability of information, (2) their purported benefits, and (3) relevance to the Singaporean charity landscape.

Gender Diversity

Gender diversity is defined as having sufficient representation of both males and females within a board.

Numerous studies demonstrate the benefits of gender diversity. A longitudinal study of 500 listed companies in Singapore found that a company’s financial performance increases by an average of 11.8 per cent when the number of independent female board directors increases (Kan, 2018). Additionally, companies were more innovative, demonstrated stronger corporate social responsibility, and enjoyed greater trust from stakeholders (Chen, Foo & Liang, 2020). This improved performance may be attributed to the broader perspectives and problem-solving approaches brought by having more female representation.

Ethnic Diversity

Ethnic diversity is defined as having a mix of individuals from various racial, cultural and religious backgrounds.

Studies suggest that increased ethnic diversity in the boardroom can lead to better organisational performance due to enhanced perspectives and improved decision-making within the board (Brown, 2005). In the context of for-profit entities, ethnically diverse boards are better equipped to understand the needs of shareholders, who may come from diverse backgrounds (Harris, 2014).

Singapore’s multicultural society accentuates the need for adequate representation of various ethnicities on any board. Having a diverse mix of ethnicities encourages respect and sensitivity to cultural differences.

Expertise Diversity

Expertise diversity is defined as the variety of domain-related experience and skills that board members possess. Examples of such skills include social work, legal knowledge, finance/accounting, and technology.

Research on charity boards showed that increased expertise diversity is correlated with improved fundraising results and a more positive public perception of board effectiveness (Siciliano, 1996). Being the steward of a charity’s strategy and direction, it is imperative for the board to possess a diversity of skills and experience across domains. This ensures that leaders are well-equipped with the knowledge to make better decisions and more effectively solve organisational challenges.

Tenure Diversity

We define tenure diversity as the mix of tenure service or (term lengths) of directors on a board.

Directors with longer tenure generally have greater organisation-specific knowledge due to their depth of experience, allowing for educated organisational decision-making and information sharing. Conversely, directors with shorter tenure bring flexibility and new ideas (Huang & Gilles, 2018). In the context of for-profit entities, a mix of director tenure lengths is ideal to maximise potential benefits such as higher total shareholder returns, economic value-added and revenue growth (ibid.).

This study seeks to better understand the four aspects of board diversity in Singapore’s charity landscape in the following ways:

01 Firstly, to understand how board diversity influences public perception, we conducted a survey of 1000 respondents.

02 Secondly, to understand the impact of board diversity on financial performance, we ran regressions between diversity scores and charity-relevant performance metrics.

03 Lastly, we sought to understand the existing state of diversity by comparing Singapore’s charities based on the diversity present in their board composition.

The next part of this report presents our findings.
Effect of Board Diversity on Public Perception

Aim
To explore how board diversity impacts:
- a) Public perception of a charity board
- b) Giving in the form of monetary donations and volunteering

Methodology
In order to reach out to 1,000 respondents, surveys were conducted for a two-week timeframe via different modes: (a) surveys conducted around university campus; (b) surveys conducted around the city; (c) surveys participated by personal networks, social media networks; and (e) surveys participated by social good partners of Conjunct Consulting.

Among the 1,000 respondents, 281 of them indicated that they are volunteers, and they filled in an additional section of the survey regarding volunteering.

Public Perception

The following section discusses the public perception of board diversity among 1,000 respondents that were surveyed. Since the public provides the resources that are fundamental to a charity’s sustainability, their perception is a meaningful indicator of a charity’s ability to garner support and flourish.

In order to determine how the public views board diversity, the survey sought to quantify the percentage of respondents who viewed board diversity as important and how board diversity would have an impact on the decision-making ability of the board members.

<table>
<thead>
<tr>
<th>Perception of importance of board diversity to a charity</th>
<th>Perception that greater board diversity leads to better board’s decision-making ability</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1.png" alt="Pie Chart" /></td>
<td><img src="image2.png" alt="Pie Chart" /></td>
</tr>
</tbody>
</table>

- 90.2% of respondents perceive board diversity as important to a charity. This is defined as respondents who answered moderate, high and very high importance.
- 63.7% of respondents perceive that a more diverse board leads to better decision-making. This is defined as respondents who answered likely and very likely as an option.

Insight 1

It has been defined in the survey that the board sets the overall direction and strategy while providing guidance to the leadership team of the charity. From the results, we concluded that the 1,000 respondents generally thought it was important for charities to have diverse boards and that a diverse board would be able to make better decisions for the charity.

Since the public generally values board diversity for charities and perceives charities with diverse boards lead to better organisation, charities should strive to incorporate board diversity into their organisations.
Effect of Board Diversity on Giving

**Insight 2**

While a large majority of respondents found board diversity to be important and will improve board decision-making, only 27% of respondents would make donation decisions based on the diversity of a charity's board. The findings suggest that donations are still largely driven by a charity's mission, reputation and convenience of donation.

**Monetary Donations**

**Whether greater board diversity leads to increased donations** (1000 respondents)

- 27% Yes
- 73% No

27% of respondents agreed that charities with greater board diversity would lead to an increase in the amount of money donated.

**Factors which affect an individual’s decision to donate money***

- Organisation’s mission: 714
- Organisation’s reputation: 613
- Convenience of donation...
- Influence from family / friends: 338
- Board diversity: 107
- N/A: 70
- Others: 44

*Respondents were asked to select their top 3 choices

**Volunteering**

**Whether board diversity influenced choice of organisation to volunteer at** (281 respondents)

- 81.6% Yes
- 18.4% No

81.6% of volunteers felt that board diversity influenced their decision to volunteer at a charity.

**Factors which affect an individual’s decision to volunteer with a charity***

- Organisation’s mission: 209
- Accessibility, time and duration: 187
- Ability to contribute: 137
- Organisation’s reputation: 96
- Recommendation from family or...
- Diversity of volunteers or employees: 67
- Incentives: 39
- Board Diversity: 37
- Others: 18

*Respondents were asked to select their top 3 choices

**Insight 3**

Unlike monetary donations, the pie chart indicates that a significant proportion of volunteers were influenced by a charity's board diversity. However, when compared to other factors, such as the charity's mission, board diversity is a less influential factor. A possible reason is because the board has little direct impact on volunteers given their minimal interaction with volunteers.
Understanding the Gap between Perception & Giving

Why is there a gap between perception and giving?

Based on the survey findings, there is a sizable gap between the importance that the public places on board diversity and how diversity influences their giving. 90.2% of survey respondents feel that board diversity is important to a charity, but only 27% of survey respondents would reward better board diversity with increased donations.

We identified four possible reasons for this gap.

Possible reasons for the gap between perception and giving

**ASSUMPTIONS**
Respondents may assume that Singapore registered charities are well governed and adhere to the regulatory requirements and good governance standards. Unless there is adverse news about the charity.

**INTEREST ALIGNMENT**
Respondents will donate/volunteer with a charity primarily because of an organisation’s mission. This driver alone would take precedence over other factors, even if the charity has an ideal board composition.

**LACK OF UNDERSTANDING OF THEROLE OF BOARDS**
Respondents may not fully understand the roles of the board and how the board directly guides and charts the future of the charity. As a result, respondents do not consider board diversity as their number one factor in giving.

**LACK OF TRANSPARENCY OVER BOARD DIVERSITY**
There is difficulty discerning the diversity of the board solely from the charity’s website since board composition is not well reported in Singapore. Furthermore, a charity’s reputation and mission tend to be more visible than its board diversity. As such, there is generally a lack of awareness of the level of diversity of charity boards in Singapore.

Bridging the gap between perception and giving

The survey has indicated that giving is largely driven by a charity’s cause. However, it is clear that good board diversity improves the public perception of the charity and can even lead to increased donations, as indicated by 27% of the survey respondents. Therefore, we believe that it would be beneficial for charities to be more transparent about the diversity policies and the level of board diversity of the charity.
Measuring Diversity and Financial Performance

**Aim**
To understand the **impact of board diversity on performance**

**Methodology**
We identified and collected data on **board composition and financial performance metrics** from 204 Institutions of Public Character (IPC) across 6 sectors from their annual report and websites.

We used **Blau’s Index** to generate a **diversity score from 0-1** for each diversity dimension. Thereafter, we ran **regressions of each diversity measure against performance metrics** to identify correlations between board diversity and organisational performance.

**Measuring Diversity using Blau’s Index**
Blau’s Index is an established diversity measurement tool used in management studies, psychology, and sociology. It is robust in accounting for both **richness** (represented by $k$ number of groups) and **evenness** (represented by $p$ proportion of representation). We applied Blau’s Index as a standardized measure for **every form of diversity** for consistency in the data analysis.

Blau’s Index is measured by:

$$B = 1 - \sum_{k=1}^{k} p_k^2$$

where $p$ is the proportion of members in a group belonging to the $k^{th}$ category.

(More details can be found in Appendix B)

**How We Measured Financial Performance**

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Rationale</th>
<th>Source of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Generation</td>
<td>The revenue streams of an IPC reflect the IPC’s financial independence</td>
<td>Data needed to measure fund generation was available in IPCs’ financial statements which are published on charities.gov</td>
</tr>
<tr>
<td>Financial Sustainability</td>
<td>The ability of an IPC to manage its existing funds reflects financial health</td>
<td>Data needed to measure financial sustainability was available in IPCs’ financial statements which are published on charities.gov</td>
</tr>
</tbody>
</table>

**Metrics used to Measure Financial Performance**

<table>
<thead>
<tr>
<th>Fund Generation</th>
<th>Financial Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation Income Proportion</td>
<td>Solvency Ratio*</td>
</tr>
<tr>
<td>Grant Income Proportion</td>
<td>Savings Indicator*</td>
</tr>
<tr>
<td>Investment Income Proportion*</td>
<td>Administrative Efficiency Ratio</td>
</tr>
<tr>
<td>Other Revenue Proportion*</td>
<td></td>
</tr>
<tr>
<td>Fundraising Efficiency Ratio</td>
<td></td>
</tr>
</tbody>
</table>

* Indicates positive correlation found

Fund generation metrics reflect the composition of an IPC’s revenue streams, and financial sustainability metrics reflect the liquidity of the IPC. These metrics serve to convey information on each IPC’s ability to perform. (More details on the definitions of each metric can be found in Appendix C)
Measuring Diversity and Financial Performance

**Relationship between Board Diversity and Financial Performance**

Through our study, we observed positive correlations between diversity and certain measures of fund generation and financial sustainability. While this does not imply that diversity directly causes better performance, it shows that charities which are more diverse in certain areas tend to have higher performance in some financial metrics.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Fund Generation Performance</th>
<th>Financial Sustainability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Measure</strong></td>
<td>Investment income proportion</td>
<td>Other revenue proportion</td>
</tr>
<tr>
<td><strong>Definition of metric</strong></td>
<td>Proportion of income from interest, dividends, capital gains</td>
<td>Proportion of income not from donations, grants, fundraising, sponsorships</td>
</tr>
</tbody>
</table>

We found that **gender diversity is associated with greater financial sustainability**, as seen from the positive correlation between gender diversity and the saving’s indicator. Existing literature, such as Girscombe and Mattis (2002), suggest that more diverse boards have broader insights into horizon planning, risk management, and decision-making, which help achieve stronger financial sustainability.

This study also found that **ethnic diversity is positively associated with greater financial independence**, as seen from ethnic diversity’s positive correlation to other revenue proportion. Ethnic diversity is also positively associated with **financial sustainability**. Research, such as Cox and Blake (1991) and Cheuk at al. (2018), support the findings as they suggest that diverse boards have a broader and richer range of experience to draw upon, leading to **better problem-solving abilities**.

**Expertise diversity is positively related with greater fund generation performance**, as seen from the positive correlation in **investment income proportion**. Erhart et al. (2003) and Shrader et al. (1997) reason that embracing diversity implies the organisation hires from a relatively **bigger talent pool**, resulting in the recruitment of **more talented candidates that can enhance financial performance**.
State of Board Diversity in Singapore’s Charities

Aim
To understand the current state of board diversity in Singaporean charities

Methodology
Board data was obtained from 204 IPCs across 6 sectors through their organisational websites and annual reports. The directors were sorted into different categories under the different diversity dimensions. For more information on our methodology, please refer to Appendix B.

Key Findings

Analysis of Diversity Dimensions

Gender Diversity
Males are the dominant gender group, making up 67% of the charity boards studied. Although the 33% female participation rate in the charity boards covered by this study is higher than the rate in the boards of the top 100 listed companies in Singapore (estimated at 16.2% by the Council of Board Diversity, 2019), there is still much room for improvement.

Ethnic Diversity
A contributing factor for low ethnic diversity may be that Malays are strikingly underrepresented on boards - a mere 3% of board members are Malay compared to their population proportion of 15%.

Expertise Diversity
A survey by the Centre for Non-Profit Leadership in 2013 showed that directors with the following expertise (shown below) were highly sought after by Singapore’s charities. While boards have a significant proportion of finance (19%) and industry knowledge (20%) experts on average, they have very low proportions of board members with experience in technology (2%) and social work (3%).

Insight 4
The graph above shows the average scores of the different diversity aspects in Singaporean charities.

At first glance, ethnic diversity scores stand out as significantly lower with a score of 0.283. However, when accounting for Singapore’s ethnic composition, this score is less extreme. As a point of reference, boards comprising Singapore’s representative ethnic composition would get a score of 0.460.
State of Board Diversity in Singapore’s Charities

Insight 5 - Current Initiatives for Diversity

While there has been a strong push for board diversity in gender, expertise and tenure through advocacy and policies, more can be done to promote ethnic diversity (which has the lowest Blau’s Index score among the four aspects of diversity among IPCs in Singapore).

<table>
<thead>
<tr>
<th>Diversity Dimension and Average Score</th>
<th>Notable Initiatives Promoting Board Diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expertise 0.765</td>
<td>Centre for Non-Profit Leadership matches senior executives with at least 5 years of management and leadership expertise from public and private sectors with charity boards. Over 500 Board members have been matched to 190 local charities to date through their Board Match program.</td>
</tr>
<tr>
<td>Gender 0.737</td>
<td>Council for Board Diversity publishes materials and engages board chairpersons to advocate for greater representation of women on the boards of public listed companies, charities and governmental agencies, and supports this effort by creating a pipeline of board-ready women directors.</td>
</tr>
<tr>
<td>Tenure 0.682</td>
<td>Charity Council, through the Code of Governance for Charities &amp; IPCs, necessitates that charities and IPCs disclose in their Annual Reports the reasons for retaining Board member(s) who have served on the Board for more than 10 consecutive years.</td>
</tr>
<tr>
<td>Ethnicity 0.283</td>
<td>Ethnic diversity has always been an essential part of our multi-cultural and multi-religious social fabric. Despite this, there are no notable initiatives to improve the representation of ethnic minorities on the boards of charities.</td>
</tr>
</tbody>
</table>

Insight 6 - Disclosure of Diversity Information

There is room for improvement for charities in Singapore to increase the extent and quality of disclosure of board diversity as part of good governance.

<table>
<thead>
<tr>
<th>% of charities whose diversity information is available</th>
<th>Information was obtained through charity websites, annual reports and online searches. For details on the methodology used, please refer to Appendix B.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender 100%</td>
<td>Information on Gender and Ethnicity of board members’ were deduced from the combination of names and pictures available in annual reports and online searches. However, names and pictures may not accurately portray their ethnicity.</td>
</tr>
<tr>
<td>Ethnicity 98%</td>
<td>Information on Expertise of board members was obtainable because a significant number of directors’ past experiences could be found online (e.g. LinkedIn). When solely considering information disclosed by charities, this number will be much lower. In order to improve disclosure, charities could include short descriptions of their directors’ relevant past experiences in their annual reports and websites.</td>
</tr>
<tr>
<td>Expertise 94%</td>
<td>Information on Tenure of board members was obtainable from annual reports and websites. 65% of IPCs disclosed their board members’ date of appointment or tenure length. IPCs could improve disclosure by following the legislative requirement to disclose the date of appointment of board members in their annual reports.</td>
</tr>
<tr>
<td>Tenure 65%</td>
<td></td>
</tr>
</tbody>
</table>
State of Board Diversity in Singapore’s Charities

Analysis across Sectors

<table>
<thead>
<tr>
<th>Charity Sector</th>
<th>Average Gender Diversity Score</th>
<th>Average Ethnicity Diversity Score</th>
<th>Average Expertise Diversity Score</th>
<th>Average Tenure Diversity Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; Heritage</td>
<td>0.865</td>
<td>0.399</td>
<td>0.796</td>
<td>0.719</td>
</tr>
<tr>
<td>Education</td>
<td>0.623</td>
<td>0.254</td>
<td>0.853</td>
<td>0.833</td>
</tr>
<tr>
<td>Health</td>
<td>0.745</td>
<td>0.209</td>
<td>0.807</td>
<td>0.771</td>
</tr>
<tr>
<td>Others(^2)</td>
<td>0.756</td>
<td>0.379</td>
<td>0.717</td>
<td>0.576</td>
</tr>
<tr>
<td>Social and Welfare</td>
<td>0.727</td>
<td>0.251</td>
<td>0.767</td>
<td>0.603</td>
</tr>
<tr>
<td>Sports</td>
<td>0.568</td>
<td>0.248</td>
<td>0.649</td>
<td>0.727</td>
</tr>
</tbody>
</table>

\(^1\) Classifications obtained from Charity Council Singapore
\(^2\) Includes miscellaneous charities (e.g. environment related) that do not fall under the other main categories

Hypothetical Charity

As a point of reference, a charity with the diversity scores mirroring that of the Arts & Heritage sector average would have the following board profile (right).

Note that different board compositions can produce the same diversity score. The example on the right should not be taken as an ideal but as an illustrative example for better understanding.

Insight 7

**Arts & Heritage** had the highest gender diversity scores and **Sports** had the lowest

**Education** had the highest expertise diversity scores and **Sports** had the lowest

**Arts & Heritage** had the highest ethnic diversity scores and **Health** had the lowest

**Education** had the highest tenure diversity scores and **Social and Welfare** had the lowest

Correlation with Board Sizes

Additional analysis was conducted to gauge the correlation between board diversity and board size to investigate possible confounding effects of the latter.

Board sizes were determined through tertiles to maintain sufficient sample sizes - Small (7 directors or fewer), Medium (8 to 12, inclusive), and Large (13 or more).

Insight 8

The results revealed that there was no significant correlation between board size with any of the diversity aspects.

This is an interesting insight as although it might be intuitive to think that it is easier for a larger board to be more diverse, numbers show that small boards can be equally diverse.
Discussions and Implications

01 How does board diversity impact public perception and giving of charities?

Public Perception
Diversity has a positive impact on public perception of board of charities. They feel that board diversity is important, and they perceive that board diversity affects the board’s ability to make decisions.

As such, pushing for a more diverse board may improve the public’s perception of the charity.

Giving
Our findings suggest that donations are still largely driven by a charity’s mission, reputation and convenience of donation.

As for volunteering, quite a significant proportion were influenced by a charity’s board diversity in deciding their choice of organisation. However, when compared to other factors, such as the organisation’s mission, accessibility, time and duration, board diversity is a less influential factor.

As such, if a charity were to communicate to volunteers that a diverse board is important to help safeguard and guide the charity’s mission and vision, board diversity could further compel the volunteer’s choice of charity.

02 How does board diversity impact financial performance?

Performance KPIs
Looking at Singapore’s charities, we see a positive correlation between increased board diversity and the 4 metrics; investment income, other revenue generation, solvency and savings.

This reflects the importance of diversity, and studies globally have also indicated how having different perspectives and skills on the board enhances the decision-making ability of the board.

Ultimately, this will lead to better organisational performance, as measured through financial metrics.

03 What is the existing state of board diversity in Singapore charities?

Diversity Types
Across the entire charity landscape, organisations tend to have low ethnic diversity in their boards. In particular, Malays are under-represented.

Sector Trends
Charities from the Arts & Heritage and Education sectors are generally more diverse, while the board members of charities from the Sports sector are less diverse. This could be due to differing organisation purposes.

Nonetheless, charities should review their current board composition and evaluate if they are sufficiently represented across the diversity types. Diversity can be achieved regardless of board size.

In Essence...
The research revealed that:

1. From the survey: Board diversity is considered important to the public and influences their perception of a charity and their decision to volunteer.

2. From analysing the data of charities’ board diversity and its KPIs: Board diversity indeed has positive correlations with the financial performance of a charity.

3. Across the charity landscape in Singapore, the 204 IPCs performed the poorest in terms of ethnic diversity. With an increased emphasis on good board governance for charities, it is timely that Singapore charities start reviewing their board composition to achieve diversity.
What Can You Do?

As a member of the public...

You may want to take time to review the board composition of charities you donate to or volunteer at to understand who the stewards of your charity are. This information should be available, as charities are required by the Charity Code of Governance to disclose information on their board members in the Annual Reports. Compliance with such disclosure requirements indicates a well-governed charity.

Furthermore, our results also showed positive relationships between board diversity and organisational performance. A more diverse board could bring more diverse skillsets and perspectives, leading to more effective decision-making.

Hence, by giving your time and money to charities with more diverse boards, you maximise the reach and effectiveness of your giving so that beneficiaries are better served.

As a charity...

You could seek to achieve an optimally diverse board composition. Board diversity could have a positive impact on your charity. Beyond improving your charity’s reputation, it could also have other positive implications on key performance indicators such as financial sustainability and effectiveness of fund management. Hence, by striving for diversity on your boards you could improve the overall performance and effectiveness of your charity.

Increase Transparency in Board Diversity Disclosure

A step towards engaging the public on board diversity would be improving transparency on Board Diversity disclosure practices. These are some of the practices adopted by for-profit companies and overseas non-profits to increase transparency on Board Diversity policies and practices:

1. Disclosing your Board Diversity Policy
You could disclose your Board Diversity policy which would include quantifiable targets for diversity representation and the board selection process. This allows your organisation to track its progress on achieving its objectives of having a diverse board and show the public steps you have taken to do so.

2. Providing profiles of Board members in annual reports and on your website
Providing a profile of Board members with their tenure and expertise could give the public a better understanding of who sits on your board, and how their experience could contribute to the charity.

By improving transparency on Board diversity, you could further highlight to the public your commitment to having a diverse board that could better serve your charities’ beneficiaries.

Understand Your Level of Board Diversity

The first step to improving diversity is to know where you stand. To help you with this, we have developed a Board Diversity Calculator Tool that can generate the board diversity scores for your organisation. This allows you to compare your board diversity scores with the other 204 IPCs included in this study.

With the tool, you simply need to input your organisation’s board composition to obtain scores for Gender, Ethnic and Expertise diversity as well as where you stand with respect to the other 204 IPCS.

The Board Diversity Calculator is accessible by scanning the QR code or clicking on the link below:

https://tinyurl.com/calculatebd
Challenges and Future Research

Demographic distribution

This survey collected responses from 1,000 participants, ranging from below 20 to above 60 years of age. However, a majority turned out to be respondents aged between 20 to 30 years old. They are also mainly from the Chinese ethnicity.

Nevertheless, this does not negate the validity of our insights generated. Statistically, the responses from the majority were similar to most of the minority, and did not skew the data. Details can be found in Appendix A. Youths, defined as those aged between 15 to 34 years old, pride themselves on being a purpose driven generation. 90% of youths believe that it is important to contribute to society and hence, view helping the less fortunate as an important life goal (National Youth Council, 2018). This is supported by the fact that there was an increase in donation rate of youths from 2016 to 2018 (National Volunteer & Philanthropy Centre, 2018). Therefore, our survey insights would still be highly relevant.

Future Research

To have a more accurate representation of the public’s opinion, future research on this topic should gather a more even distribution of respondents that corresponds more closely to Singapore’s demographic distribution.

Availability of public information

Our primary method of data analysis involves using empirical data obtained from publicly available annual reports and organisational websites. Therefore, our analysis is necessarily limited in the following ways:

Firstly, our sample is restricted to non-profit organisations that have achieved the status of Institutions of Public Character (IPCs). Only IPCs tend to disclose such information, since they are required to under the Singapore’s Charities Act. These IPCs may not reflect the entire Singaporean charity landscape as multiple conditions have to be met to be granted IPC status.

Secondly, our analysis is limited to information that is included in annual reports. Board information such as age and citizenship are often not part of annual reports and are not publicly available. Therefore, diversity dimensions such as citizenship status, are not part of our analysis, despite their relevance. Additionally, financial data and metrics disclosed are not consistent (such as fundraising efficiency ratio, which was reported as 0 for many IPCs), limiting the metrics that could be analysed to derive insights between board diversity and organisational performance.

Thirdly, our study uses regression analyses where we compare empirical data from a large sample size to find out if there are any insightful correlations, which does not explain causation. However, secondary research can corroborate the findings from the regression and useful insights can still be drawn.

Future Research

While there has been challenges in collecting publicly available information, we believe it provides insight into the importance of board diversity, and highlights areas where there can be more advocacy for board diversity.

Moving forward, future research could focus on speaking with different stakeholders to better understand the impact of board diversity. Key stakeholders who potentially could add insight to this discussion would be high-net-worth and corporate donors, charity staff and beneficiaries. Speaking to these stakeholders could provide more conclusive insight into how diversity impacts organisational performance as well as how an organisation might attain a more optimal and diverse board composition.

A further study on the correlation between governance and board diversity could also be conducted, drawing on data from Governance Evaluation Checklist submissions, Charity Governance Awards and also Charity Transparency Awards.

In conclusion, our research has analysed the impact of board diversity on public perception and organisational performance in Singapore, but there are further research areas that could bring deeper insight to board diversity in Singapore.
References


References


Appendix A: Additional insights from survey

Qualitative Analysis

To gain a better understanding of how board diversity affects an individual’s perception of the board’s decision-making ability, we gathered qualitative responses for this question:

“How likely will a charity with greater board diversity affect the way you perceive the board’s ability to make decisions?”

From a qualitative standpoint, when respondents answered that board diversity will likely affect their perception, they feel that decisions are made more objectively and comprehensively. Meanwhile, those who said unlikely felt that there are too many variables to consider to accurately determine how board diversity affects the quality of decisions.

Among the 63.7% who mentioned very likely / likely:

- More likely not to be biased
- More perspectives accounted for
- Better company culture
- Equal opportunity for all members
- Broader range of opinions

Among the 12.5% who mentioned very unlikely / unlikely:

- Mere sake of representation (tokenism) says little about the board’s capability.
- Individual’s skills, passion and vision matters more to an organisation
- Decision-making is a factor of many different components with diversity being just one.

Demographic Analysis (Gender)

In addition, we analysed the survey results to determine if there were any differences in the way females and males responded to the questions. We gathered the following insights:

- **Enforcing a board diversity quota for charities in Singapore**
  - 52.0% of respondents indicated that it is necessary to enforce a board diversity quota.
  - Among the group of respondents, 62% of females compared to just 45% of male respondents selected “Yes” as their answer.

- **Perception of importance of board diversity to a charity**
  - Among these respondents, 56% of females felt that board diversity is of at least moderate importance to a charity compared to the 44% in males. This disparity shows that females perceive board diversity to be more important.

From these 2 questions, we gathered that **females seem to be more concerned** about the issues of diversity. This is also supported from a survey conducted by PwC in 2019 with corporate directors. The findings showed that statistically, **women feel more strongly** about the importance of **good governance** and that the issue deserves greater attention. As such, coupled with the statistical difference as observed from the survey questions, women feel more strongly about the importance of good governance and that the issue deserves greater attention.
Appendix A: Additional insights from survey

Demographic Analysis (Age, Ethnicity)

The following 2 pie charts show the distribution of ages and ethnicities of the 1,000 survey respondents.

The following bar graphs show a comparison between the responses of the different age and ethnic groups.
**Appendix B: Blau’s Index & Scoring of Charities**

**What is the Blau’s Index?**
For our study, we used the Blau’s Index as a measure of diversity. Blau’s Index is a commonly used diversity index, which provides a quantitative measure of how diverse a certain group is. Its formula is given by:

\[ B = 1 - \sum_{n=1}^{k} p_n^2 \]

where \( p \) = proportion of members in the group that are in the \( k \)th category

This will produce a score of 0 to 1, with 0 being a perfectly homogenous population with no diversity and 1 being a perfectly heterogenous population with equal distribution across infinite categories.

Given a finite \( k \) number of categories, there will exist a maximum score, which we will call \( B_{\text{max}} \).

For example, given two categories of male and female, equal distribution will produce a maximum Blau score of 0.5.

\[ B_{\text{max}} = 1 - (0.5^2 + 0.5^2) = 0.5 \]

We thus modify the formula as such:

\[ B_{\text{new}} = \frac{B}{B_{\text{max}}} \]

where \( B_{\text{max}} \) = maximum score given \( k \) number of categories

For our study, \( B_{\text{new}} \) will be the diversity score for each charity for each diversity dimension.

**WHY WE USE THE BLAU:**

1. Established in fields of management studies, sociology & psychology
2. Accounts for both richness and evenness spread of diversity
3. Easy to understand through range of score from 0 to 1
Appendix B: Blau’s Index & Scoring of Charities

How did we score diversity in charities?

Looking at the boards of 204 IPCs in Singapore, we produced a score for each diversity dimension for each organisation. This required us to (1) set the categories for each diversity dimension, (2) sort each organisation’s board into these categories to obtain a score, and (3) exclude any anomalies in our analysis.

1. Categorisation of Diversity Aspects

For each of the diversity aspects identified, segmentation of groups was done. Categorisation facilitates the subsequent calculation of Blau's index to produce a diversity score.

For **gender diversity**, the primary focus is to evaluate the proportion of women on boards as they are typically the minority group. Hence, we calculate the Blau’s index with two categories: males and females. Other possible gender categorisation types were excluded due to ambiguity and difficulty in obtaining data.

For **ethnic diversity**, we segmented directors into 4 categories comprising of the 3 main racial groups in Singapore (Chinese, Malay, and Indian), and a 4th category (Others) which typically includes Eurasians and other smaller ethnic groups in Singapore.

For **expertise diversity**, the areas of expertise most desired by and most beneficial to charities were considered. These were categorised into the following - Public Service, Finance, Legal, Education, Social Work, Technology, Industry Knowledge and Others. The first six categories were chosen based on secondary research highlighting the skills and experience most desired by charities among their board members (Centre for Non-Profit Leadership, 2013). Industry Knowledge was added as a category to include board members with specific industry knowledge that will benefit the charity. For example, a creative producer would possess the relevant Industry Knowledge for a theatrical charity in the Arts sector.

For **tenure diversity**, we converted tenure length into 4 discrete categories and categorised directors based on the quartile their tenure length falls into. The quartiles are derived from a collation of all director tenure lengths across the sample charities. The categories formed are Cat 1 (for tenure lengths between 0 to 29 months), Category 2 (for tenure lengths between 29 to 54 months), Category 3 (for tenure lengths between 55 to 106 months), and Category 4 (for tenure lengths > 106 months).

2. Sorting of directors into categories

Board information was obtained through the websites of charities and their annual reports. For each board, directors were sorted under the categories as stipulated above. For the categorisation of directors who fall under multiple categories (e.g. multiple expertise or mixed races), we placed them in the category that is of lower representation.

**Hypothetical Charity**

Charity X is an IPC in the Arts & Heritage sector, which aims to empower the disabled through the arts. They have 12 members on their board. Given the following board composition for each diversity type, its scores are calculated using the Blau’s Index.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Ethnicity</th>
<th>Expertise</th>
<th>Tenure</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Males, 6 Females</td>
<td>9 Chinese, 2 Malay, 1 Indian</td>
<td>2 each in Public Service, Finance, Legal &amp; Education, 1 each in the other 4 categories</td>
<td>3 in each tenure quartile</td>
</tr>
<tr>
<td>1.00</td>
<td>0.537</td>
<td>0.984</td>
<td>1.00</td>
</tr>
</tbody>
</table>
Appendix B: Blau’s Index & Scoring of Charities

3. Exclusion of Anomalies

Some charities in our dataset have target groups that are specific to a certain gender or ethnicity. As a result, the board of directors are less diverse as they include greater proportions of representatives of that target group.

For example, a Muslim women rights group is likely to have more women and Malays on the board of directors, rather than one that is gender and ethnically diverse. We termed these charities to be ‘biased’ in the respective categories of diversity.

We excluded these anomalies from our regressions by using a binary variable to demarcate a biased charity. The following diversity types have a binary marker for biasedness:

For **gender diversity**, charities are excluded from analysis of this diversity aspect if their target group is geared towards one gender (males or females) only.

For **ethnic diversity**, charities are excluded from analysis of this diversity aspect if their target group is geared towards one race (e.g. Chinese) only.

For **tenure diversity**, charities are excluded from analysis of this diversity aspect if the age of the organisation is less than 9 years old (established after 2011). Younger charities are likely to have a less diverse board consisting of newer directors, as the longest tenure lengths are constrained by the age of the charity itself. 9 years is the maximum tenure length where an independent director is no longer considered “independent” as part of good governance conduct in Singapore-listed companies (Tan, 2018).

**Hypothetical Charity**

Charity Z is an IPC in the Education sector that aims to provide training and classes for single-mothers in the Indian community. The organisation was established in 2016 and comprises of 6 board members.

As the charity serves a targeted group of beneficiaries belonging to a certain gender and ethnicity, it is demarcated with a binary variable and excluded from the analysis of the aforementioned two diversity types. Additionally, the charity is newly established only in 2016, which excludes it from our analysis of tenure diversity as well.

The same analysis was conducted for 204 IPCs in Singapore across 6 different sectors as classified by the Charity Council. The key findings are as illustrated in Pages 9-11.
Appendix C: Regression Method

Metrics Used to Measure Organisational Performance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Definition</th>
<th>Why this metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donation Income Proportion</td>
<td>% breakdown of sources of revenue</td>
<td>Measures dependence of charity on externally raised funds and on internally generated funds</td>
</tr>
<tr>
<td>Grant Income Proportion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income Proportion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Revenue Proportion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising Efficiency Ratio</td>
<td>(\frac{\text{Expenses + Sponsorship}}{\text{Receipts + Sponsorship}})</td>
<td>Measures operational efficiency in raising funds</td>
</tr>
<tr>
<td>Solvency Ratio</td>
<td>(\frac{\text{Net after tax income + noncash expenses}}{\text{Short term and long term liabilities}})</td>
<td>Measures the ability of charity to meet its financial obligations</td>
</tr>
<tr>
<td>Savings Indicator</td>
<td>(\frac{\text{(Revenue – Expenses)}}{\text{Expenses}})</td>
<td>Measures charity’s sustainability and ability to execute future projects</td>
</tr>
<tr>
<td>Administrative Efficiency Ratio</td>
<td>(\frac{\text{(Total Expense – Charitable Expense)}}{\text{Total Receipts}})</td>
<td>Measures operating efficiency and proportion of funding left for beneficiaries</td>
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</table>

Control Variables

Within each regression performed in this study, some control variables have been introduced to eliminate any potential biases. This ensures that the regression coefficients reflect the true effects on the performance metrics that may be accurately attributed to board diversity.

Sector dummies have been introduced in regression equations where the dependent variable may be influenced by the sector in which the charity operates. The sectors within which our sample charities fall are: Arts & Heritage, Education, Health, Social & Welfare, Sports, and Others. For instance, charities within the Health sector may have significantly higher receipts recorded under Other Income, which comprises income sources like service revenue, relative to charities within the Arts & Heritage sector. In each regression analysis, all sector dummies have been included where necessary with the exception of the Others sector dummy so as to avoid the dummy variable trap and perfect multicollinearity.

Treatment of Data

In this study, the Interquartile Range Rule was used to identify and eliminate outliers. This rule defines outliers as datapoints sitting outside of the first and third quartile by more than 1.5 times the interquartile range. As such, the bounds were defined as follows:

Lower Bound = 1st Quartile - (1.5 x Interquartile Range)
Upper Bound = 3rd Quartile + (1.5 x Interquartile Range)
Investment Income Proportion_i = \beta_0 + \delta_1 Arts & Heritage_i + \delta_2 Education_i + \delta_3 Health_i + \delta_4 Social & Welfare_i + \delta_5 Sports_i + \beta_1 Gender Blau’s_i + \beta_2 Ethnicity Blau’s_i + \beta_3 Expertise Blau’s_i + \epsilon_i

<table>
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<th>Coefficients</th>
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Other Income Proportion_i = \beta_0 + \delta_1 Arts & Heritage_i + \delta_2 Education_i + \delta_3 Health_i + \delta_4 Social & Welfare_i + \delta_5 Sports_i + \beta_1 Gender Blau’s_i + \beta_2 Ethnicity Blau’s_i + \beta_3 Expertise Blau’s_i + \epsilon_i

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N = 66
R^2 = 0.217

N = 133
R^2 = 0.217

* Significant at p = 0.10
** Significant at p = 0.05
*** Significant at p = 0.001
### Solvency Ratio

\[
\text{Solvency Ratio}_i = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i
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**N** = 125  
**R²** = 0.047

* Significant at \( p = 0.10 \)  
** Significant at \( p = 0.05 \)  
*** Significant at \( p = 0.001 \)

### Savings Indicator

\[
\text{Savings Indicator}_i = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i
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**N** = 135  
**R²** = 0.097

* Significant at \( p = 0.10 \)  
** Significant at \( p = 0.05 \)  
*** Significant at \( p = 0.001 \)
### Donation Income Proportion

\[
\text{Donation Income Proportion}_i = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i
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N = 133
R² = 0.086
* Significant at p = 0.10
** Significant at p = 0.05
*** Significant at p = 0.001

### Grant Income Proportion

\[
\text{Grant Income Proportion}_i = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i
\]

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N = 157
R² = 0.058
* Significant at p = 0.10
** Significant at p = 0.05
*** Significant at p = 0.001
## Fundraising Efficiency Ratio

\[ F_{\text{Fundraising}} = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i \]

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N = 160  
R² = 0.071

* Significant at p = 0.10  
** Significant at p = 0.05  
*** Significant at p = 0.001

## Administrative Efficiency Ratio

\[ A_{\text{Administrative}} = \beta_0 + \delta_1 \text{Arts & Heritage}_i + \delta_2 \text{Education}_i + \delta_3 \text{Health}_i + \delta_4 \text{Social & Welfare}_i + \delta_5 \text{Sports}_i + \beta_1 \text{Gender Blau's}_i + \beta_2 \text{Ethnicity Blau's}_i + \beta_3 \text{Expertise Blau's}_i + \epsilon_i \]

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N = 139  
R² = 0.057

* Significant at p = 0.10  
** Significant at p = 0.05  
*** Significant at p = 0.001
Appendix E: Disclosure Standards

Local charities and IPCs
Disclosure standards required of charities and IPCs in Singapore are outlined by two documents published by the Charity Council: the Charity Transparency Framework and, in part, The Code of Governance for Charities & IPCs.

The Charity Transparency Framework provides guided checklists to aid charities and IPCs in Singapore in preparing their disclosure documents to ensure that disclosures made are of the highest standards. To incentivise charities and IPCs to make thorough disclosures according to the standards defined by the Framework, the Framework also serves as a scoring rubric (the tiered Charity Transparency Scorecard) that helps the Charity Council to award the Charity Transparency Award to the best-scoring organisations.

On the other hand, The Code of Governance for Charities & IPCs defines both governance guidelines and disclosure standards in brief. This Code provides tiered guidelines that ensure that charities and IPCs of different tiers are subject to more comprehensive governance standards as they increase in size. Broadly, the Code provides guidelines in nine key areas: Board governance, conflict of interest, strategic planning, programme management, human resource and volunteer management, financial management and internal controls, fundraising practices, disclosure and transparency, and public image. The disclosure and transparency guidelines in this Code act as supplements to the robust disclosure standards mandated by the Charity Transparency Framework. While this Code mandates expertise diversity in the core competencies of board members (e.g. expertise in accounting, finance, legal, human resources, business and management, strategic planning, fundraising, communications and relevant sectoral knowledge (health, social services, education, arts / heritage, sports, youth, religion, the environment etc.), this Code - and indeed all other Codes in Singapore - does not mandate ethnic, age, tenure diversity. This perhaps points towards a white space that ought to be filled by future guidelines and codes to come.

For-profit companies
For-profit companies must abide by the Singapore Code of Corporate Governance (Code) issued by the Monetary Authority of Singapore (MAS) regarding board diversity disclosure. The Code which was revised on 6 August 2018 has an increased focus on board diversity, board independence and board renewal (Council For Board Diversity, n.d.). Listed companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and explain any deviations from the Code in their annual reports (Council For Board Diversity, n.d.). This is adopting the traditional “Comply or Explain” approach (Ng, S.Q., 2018). The Code requires companies to disclose in their annual reports: the board diversity policy, objectives and progress in achieving their objectives.

The US Securities and Exchange Commission in February 2019 also required companies to disclose if certain board candidates were selected by considering self-reported diversity characteristics (U.S. SEC, 2019).

Overseas charities
Overseas organisations have also implemented codes to encourage disclosure of board diversity data. Examples include the Charity Governance Code from UK introducing a new principle which states “The board’s approach to diversity supports its effectiveness, leadership and decision making” (Charity Governance Code, 2017). The new principle 6 under the Code outlines recommended practices for both small and large charities to monitor and report on diversity. The board is required to publish an annual description of what it has done to address the diversity of the board and the charity’s leadership and its performance against its diversity objectives, with an explanation where they have not been met (Charity Governance Code, 2017).