The 2024 Risk Management Survey Report for Charities

2024

Foreword

Risk management offers organisations a secure base to manoeuvre uncertainties confidently in an ever-changing global landscape. The 2024 Risk Management Survey Report for Charities was initiated to better comprehend and confront these uncertainties. The survey seeks to document the risk management procedures adopted by charities in Singapore. Our commitment extends beyond a singular survey; this is part of ongoing periodic studies of the landscape as we adapt our focus in response to the rapidly evolving global risk environment.

The survey, which has earned a 17 percent response rate, offers comprehensive and insightful reflections on charities' risk management approaches and practices. This extensive coverage allows us to confidently comment on prevalent practices and existing gaps, illuminating areas that have evolved since our last survey in 2016. Including new risk areas, particularly Business Continuity Planning (BCP), Environmental, Social, and Governance (ESG), and climate risks, demonstrates our determination to stay abreast of the shifting nature of risk in today's world. The report analyses strategic, financial, operational, compliance, and IT risks, examining observed changes over the past five years.

One heartening takeaway is the improvements in risk management practices among charities. This progression, highlighted by the significant jump in the number of entities with defined risk policies, is a testament to the growing importance placed on risk management, even among smaller charities. This positive shift, however, is not uniform, signalling that there is still room for improvement and areas that demand collective attention.

The increased understanding of various risk categories since 2016 is also worth noting. The key risks identified, such as succession planning, cybersecurity, and regulatory compliance risks, align with the concerns faced by for-profit organisations, suggesting a maturation in the charity sector's risk management practices.

Our findings on BCP, ESG, and climate risks have also served as a call to action. The clear desire for guidance in these areas, coupled with some organisations' perceived lack of urgency,

emphasises the need for more robust frameworks, resources, and training in these domains. Specifically, most respondents have recognised ESG and climate-related risks, yet only a small proportion have formal documentation to address them. Moving forward, the primary focus will have to be establishing an ESG framework and conducting training and workshops to enhance monitoring and ESG reporting.

In conclusion, it is clear that while strides have been made, more work lies ahead. In conducting this survey and future ones, we intend to provide the insights and impetus needed to drive continuous improvement in risk management practices. We remain dedicated to empowering charities with the knowledge and tools to navigate an uncertain future, ensuring their valuable work can continue unhindered.

Thank you for your engagement with this report. We look forward to working and collaborating closely with the sector towards enhanced risk management practices for all.

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About the survey

Objectives

The survey on risk management practices among Charities in Singapore was jointly conducted by the Charity Council, KPMG in Singapore, and the Singapore Institute of Technology in July and August 2023. The objective of the survey is to assess the current state of awareness and level of understanding on risk management among charities and Institutions of a Public Character (IPCs) (collectively referred to "Charities"). This is a follow up to a prior survey done in 2016 with updates on business continuity planning (BCP), ESG and climate risk.

In addition, the goal of this survey was to identify the risk management needs among Charities, facilitating the development of an updated Enterprise Risk Management Toolkit tailored to Charities and IPCs.

Survey Demographics

The online survey was made accessible to all Charities. It ran from 27 July to 31 August 2023, resulting in a total of 405 (2016: 222) responses out of the 2,379 (2016: 2,217) Charities in Singapore. The responses translate to 17 percent (2016: 10 percent). Among these responses in 2023, 233 (2016:139) were IPCs, from a population of 668 (2016: 633) IPCs in Singapore. This resulted in a response rate of 35 percent (2016: 22 percent) for IPCs. For non-IPC charities, there were 172 (2016: 83) responses out of 1,711 (2016: 1,584) non-IPC charities resulting in a response rate of 10 percent (2016: 5 percent).

This section presents the demographics of charities surveyed. Understanding these demographics is essential for tailoring risk management education and support to different segments of the charitable community to improve risk management practices.

Note: The figures presented in this document may not always add up to 100% due to rounding. Rounding was performed to the nearest whole number for simplicity and clarity.

Figure 01: Types of charities Responded

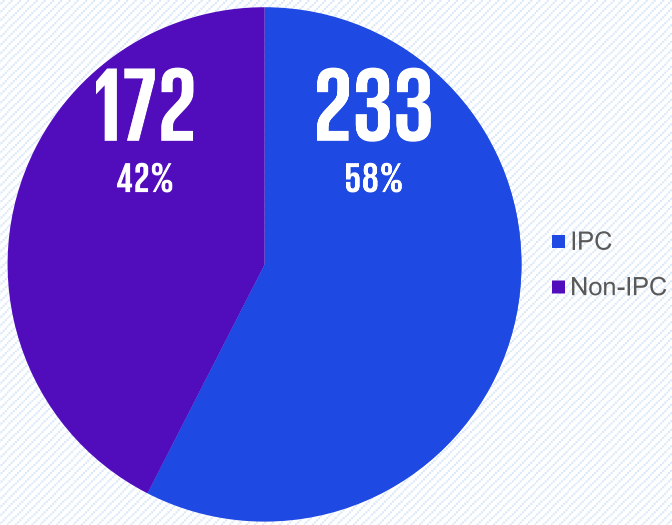


Figure 02: Respondents' Designation

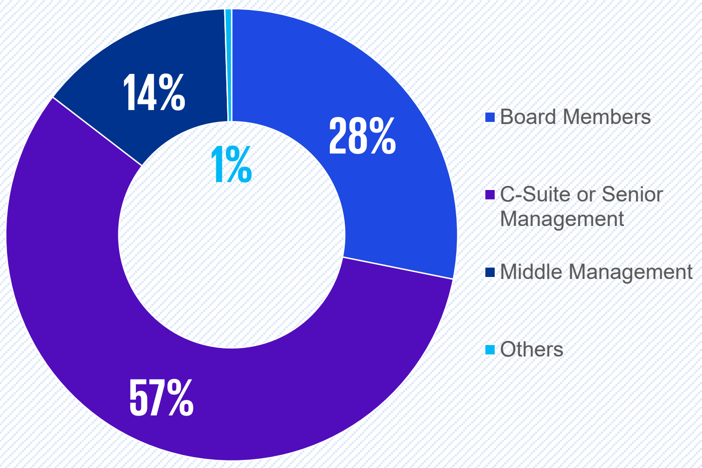


Figure 03: Respondents' Sector Administrators

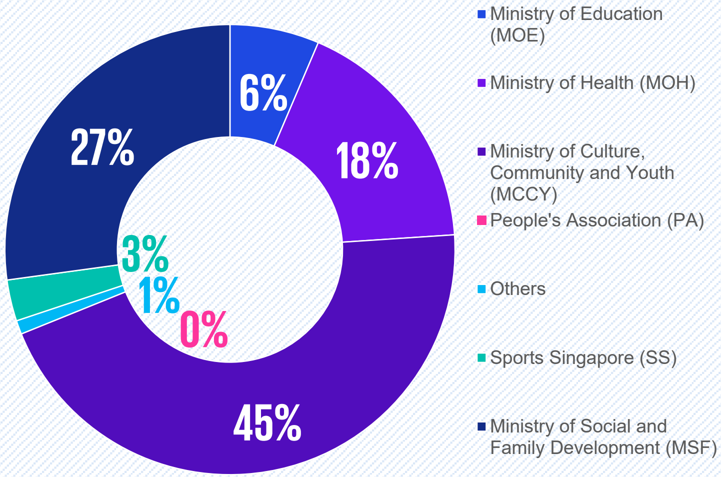


Figure 04: Respondents' Types of Charity by Sector

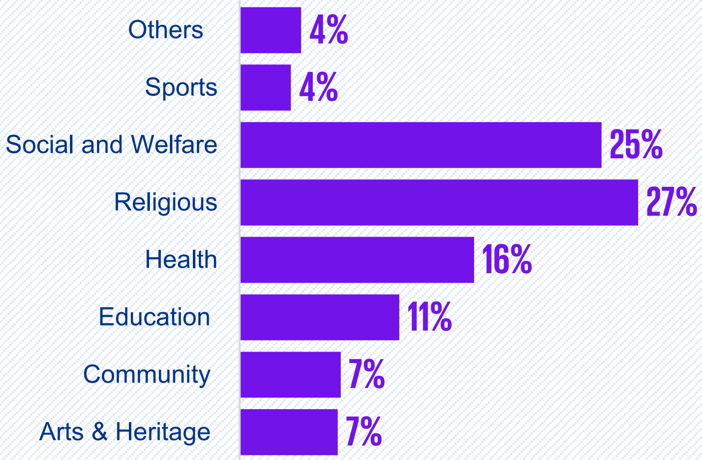


Figure 05: Number of Years as a Registered Charity

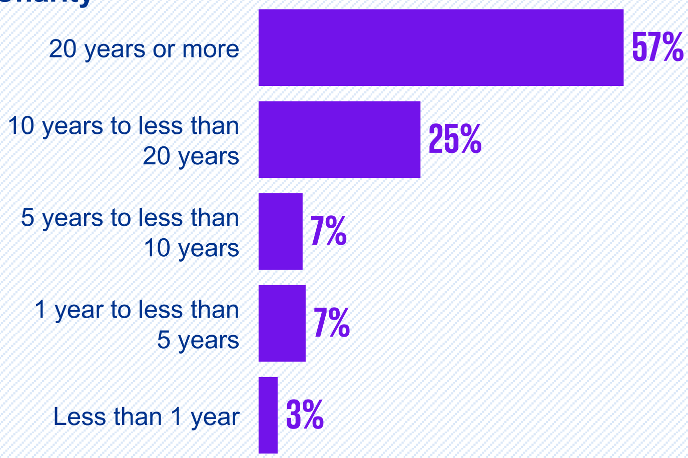


Figure 06: Respondents' Gross Annual Receipts (GAR)

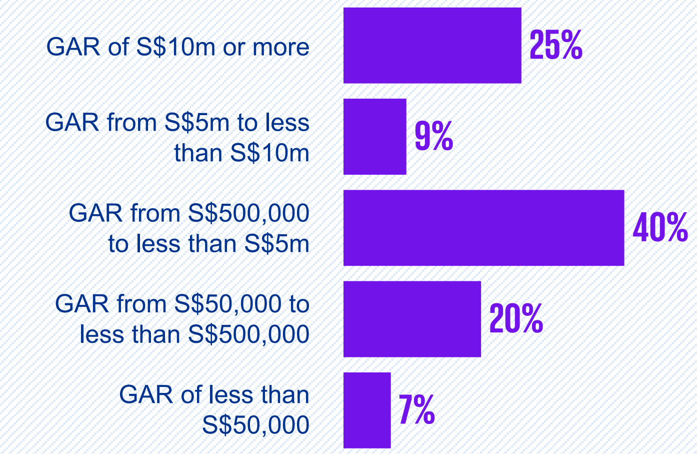


Figure 07: Respondents' Size (Number of employees)

Figure 08: Respondents' Size (Board size)

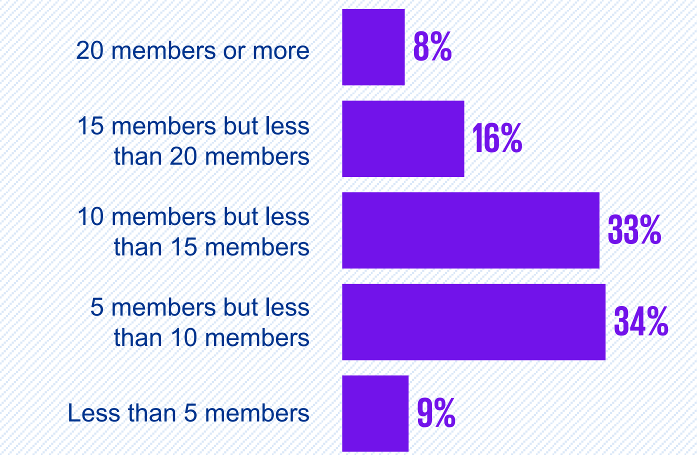
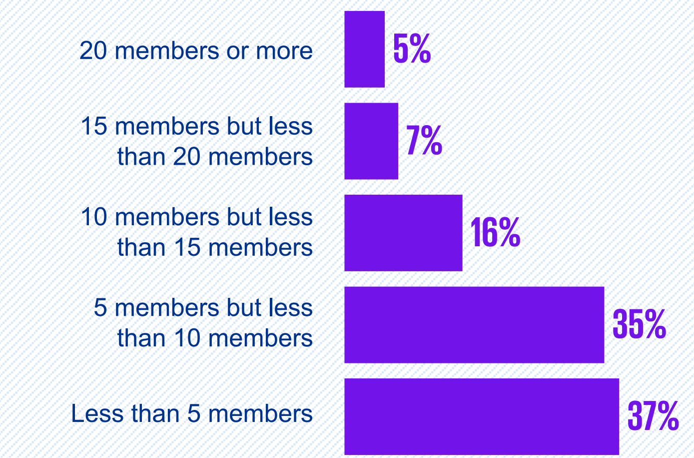


Figure 09: Respondents' Management Committee (Size)



Executive Summary

The 2023 Risk Management Survey for Charities is the most extensive survey of the risk management practices of charities in Singapore. It garnered 405 responses out of the 2,379 listed. This equates to a response rate of 17 percent which provides a credible sample to draw inferences on the current practices of risk management among Charities in Singapore. This survey draws on an earlier survey conducted in 2016 with a similar structure except the inclusion of two additional areas, namely, BCP, ESG and climate risks. For the types of risk, we have included the new categories: digitalisation and innovation risks.

The sample covers the population of the Charities well in terms of sectors, types of Charities, age of the charity, financial size, Board, management and employees. There is a greater leaning towards IPCs which form the bedrock of the charity sector in Singapore.

The general findings are that risk management practices have improved among the Charities when compared to the findings in the 2016 Survey. For defined risk policies, 53 percent of the respondents have these in place as compared to 25 percent back in 2016. This improvement is found in all size-categories except those Charities that are less than S$50,000 in gross annual receipts.

There is a significant increase in the positive perception on the need for risk management as compared to 2016. The most significant changes are among the larger Charities. The key reasons for having moderate/low priority for risk management are resource constraints and the perception that compliance with the current regulations is sufficient.

The presence of dedicated risk management function/personnel has more than doubled as compared to 2016 (2023: 44 percent versus 2016: 17 percent). It is also heartening to document that 87 percent of the respondents believe that the Board and senior management are primarily responsible for risk management of the charity.

Risk reporting is also evolving with 79 percent of the respondents providing between annual or quarterly risk reports to the Board. However, 8 percent of the respondents still do not provide any form of risk reporting and 13 percent of the respondents are unsure if there are any risk reporting.

There is a positive tracking of the awareness of the different types of risk within the five main categories of risks, namely Strategic Risk, Financial Risk, Operational Risk, Compliance Risk and IT Risk. The findings document a heightened understanding of these risks as compared to 2016. Some of the key risks identified across the different types of Charities include business continuity risk, key man/ succession planning risk, funding availability risk, talent attraction and retention risk, conflict of interest, regulatory compliance risk and cybersecurity risks. These are risks consistent with the for-profit organisations. The findings suggest that risk management is further maturing in the charity sector since the 2016 survey.

The respondents have clearly articulated that a key risk mitigation is the existence of formalised policies and procedures followed by internal audit and compliance function coupled with periodic monitoring and assessments. All these are positive progressions in the charity sector.

The three key challenges in risk management are: lack of manpower, lack of experience/expertise in risk management and lack of technical resources. Interestingly, lack of financial resources is ranked fourth.

There is strong evidence to suggest that the tone from the top i.e., endorsement of the Board for risk management drives the attitude and conduct of risk management in Charities.

For the new area of business continuity planning (BCP), there are positive findings that Charities have in place or are putting in place BCP (66 percent). Majority of the BCP are developed in-house (84 percent) while only 14 percent are developed by external consultants. There may be concerns about the quality of the in-house BCP. This is further exacerbated by the fact that only 46 percent of the Charities have conducted table-top exercises for their BCP. Consistent with the challenges of implementing risk management, Charities find the lack of experienced personnel who can craft BCP and resource constraints as key challenges in having BCP. A high percentage of respondents (28 percent) also say that there is no urgency in having a BCP. BCP is an area of risk which may require further strengthening, resourcing and attention by the regulators.

Finally, for ESG and climate risks, 63 percent of the respondents are aware of these new risks and only a small percentage (12 percent) are unaware of them. The findings suggest that the tone from the top (Board and senior management) on these risks determine whether they will be considered by the charity. Despite the high level of awareness, ESG and climate risks are still the new kid in town as only 9 percent of the respondents have formal documentations for managing them. The good news is that 30 percent of the respondents have some form of informal documentation.

Data collection to manage ESG and climate risks remains patchy. Energy consumption is the key data collected for environmental risk while the type of data collected for the social and governance aspects are diverse and sparse. Like BCP, the key reasons for not pursing ESG and climate risk are the lack of personnel (38 percent) and budget (30 percent). Again, as documented in BCP, there is a high percentage of respondents who believe that there is no urgency (34 percent) to consider these risks.

Charities are seeking guidance on ESG and climate risks, specifically in establishing an ESG framework, providing training and workshops on ESG-related matters and how to monitor and perform ESG reporting. More work is needed for ESG and climate risks as while Charities are aware of these risks, they are finding it difficult to put into practice the necessary mitigation framework. More training, resourcing and reporting frameworks may be needed to help Charities to navigate this new genre of risk.

Current state of risk management adoption

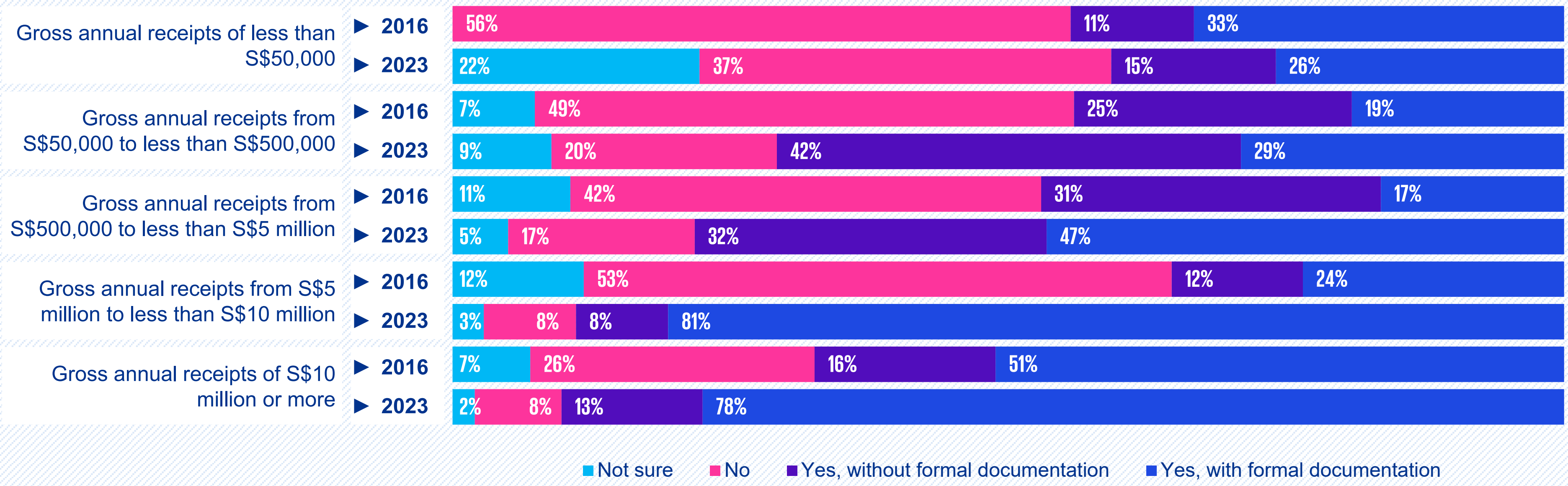
This section examines the state of risk management practices within charitable organisations, with a specific focus on the adoption of formal Enterprise Risk Management (ERM) policies.

Defined Risk Policies

The findings in the 2023 Survey indicate significant improvement.

For example, overall 53 percent of Charities report having a formal ERM policy, as compared to 25 percent of Charities in 2016. **Figure 10** shows that the existence of a formal ERM policy has increased in all size categories except for those with gross annual receipts of less than S$50,000.

Figure 10: Is there a formally defined policy/approach to manage risks within your organisation?



Perception of Risk Management

When asked about their perception of risk management, a noteworthy 75 percent of Charities say that risk management is both essential and of high priority in 2023 as compared to 33 percent in 2016. This improvement is seen in all gross annual receipts categories. The survey reveals an intriguing correlation between the size of the Charities and respondents' perception of risk awareness. As gross annual receipts increase, respondents are more likely to express a heightened level of awareness and appreciation for the significance of effective risk management.

Figure 11(a): What is the perception of your charity towards risk management?

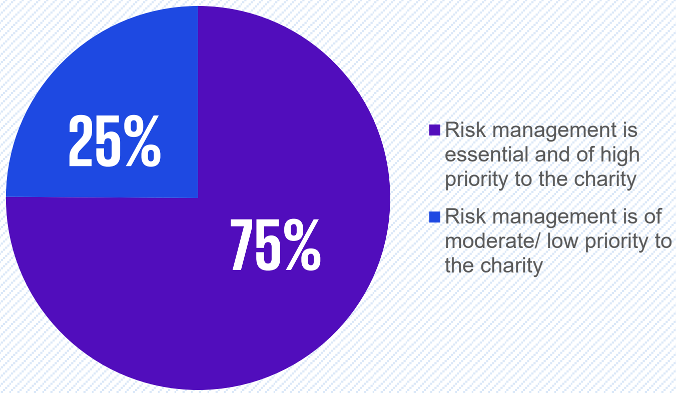


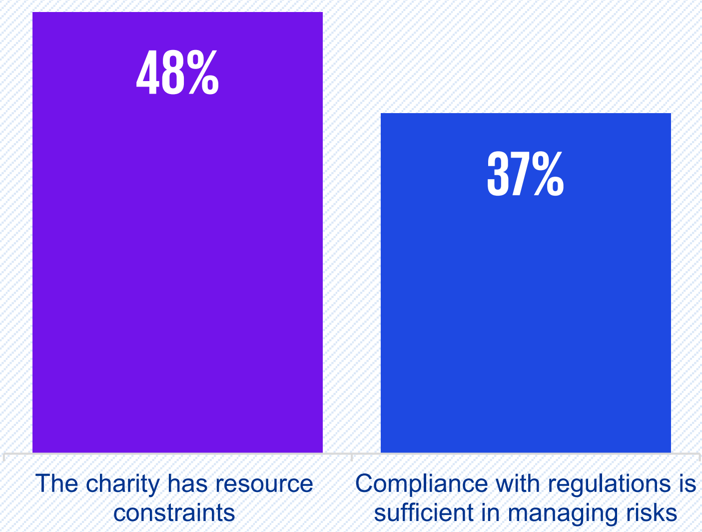
Figure 11(b): Percentage of Charities who view risk management as essential and of high priority

Gross Annual Receipts of $10m and more	Gross Annual Receipts of $5m to $10m	Gross Annual Receipts of $500k to $5m	Gross Annual Receipts of $50k to $500k	Gross Annual Receipts of <$50k
		2023		
↑ 92%	↑ 78%	↑ 71%	↑ 66%	↑ 56%
51% (2016)	**29%** (2016)	**32%** (2016)	**28%** (2016)	**33%** (2016)

Reasons for Moderate/Low Priority for Risk Management

The most prominent reason cited by respondents for rating moderate/low priority for risk management is the presence of resource constraints within their charitable organisations (48 percent). This includes limitations in terms of time, manpower, and expertise to effectively implement comprehensive risk management practices. In addition, a significant portion of respondents believe that their organisations rely on compliance with existing regulations as a sufficient approach to manage their risks (37 percent). This perspective suggests that organisations may view regulatory compliance as the primary framework for risk mitigation, potentially leading to a perception that additional risk management efforts are unnecessary.

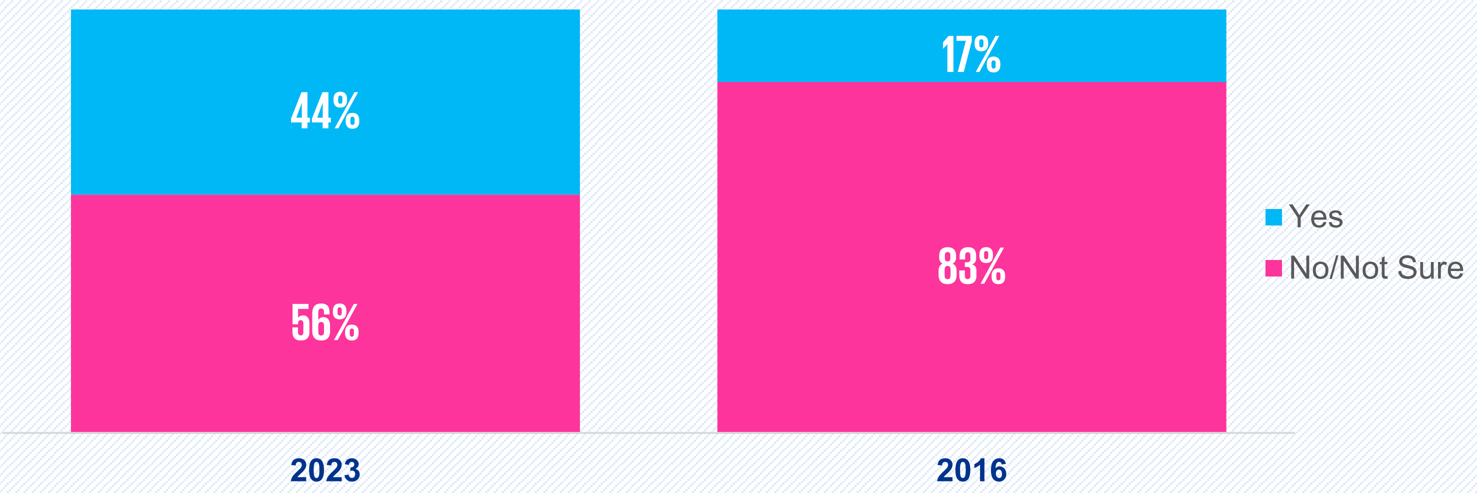
Figure 12: Key Reasons for moderate/ low priority of risk management for the charity



Presence of a Dedicated Risk Management Function/Personnel

In the 2016 survey, only 17 percent of the respondents indicated the presence of a dedicated risk management function/personnel in their Charities. In the 2023 survey, a substantial shift can be seen, with 44 percent of respondents reporting the presence of dedicated risk management function/personnel. This rise underscores a growing recognition of the importance of structured risk management practices within the sector.

Figure 13 : Does your charity have a dedicated Risk Management function / personnel?



Parties Responsible for Risk Management

In the 2023 survey, 87 percent of the respondents identify C-Suite, Board Members and Audit Committee as primary parties responsible for risk management in their Charities. This is an increase as compared to the 80 percent in 2016. This increase is a result from shifting away from internal audit as the primary party responsible for risk management and suggests that risk management is being monitored from the top.

Figure 14 : Who is primarily responsible for risk management in your charity?

Dedicated Personnel	2016	2023	Change
▶ Board Members	37%	33%	↓
▶ C-suite (i.e. CEO, CFO, CRO etc.) or Senior Management	23%	25%	↑
▶ Audit Committee	20%	29%	↑
▶ Internal Audit (IA) Function	12%	3%	↓
▶ Others	9%	10%	↑

Risk Reporting Practices

About 26 percent of the respondents indicate that their Charities provide ERM reports to the Board on a quarterly basis while 19 percent report ERM information to the Board once every 6 months. Finally, 34 percent indicate that they report on ERM matters to the Board once a year. This suggests a proactive approach to risk management, with regular updates to the Board to ensure the Board is well-informed. However, a small but noteworthy 8 percent do not provide ERM reports to the Board and 13 percent are not sure. This suggests a potential gap in risk management communication and oversight.

Figure 16 shows that 53 percent of the respondents who provide risk management reports to the board do so to inform the board of potential issues. Another 24 percent provide risk management reports to their boards for strategic planning purposes.

Figure 15: How often is risk reporting to the Board being done?

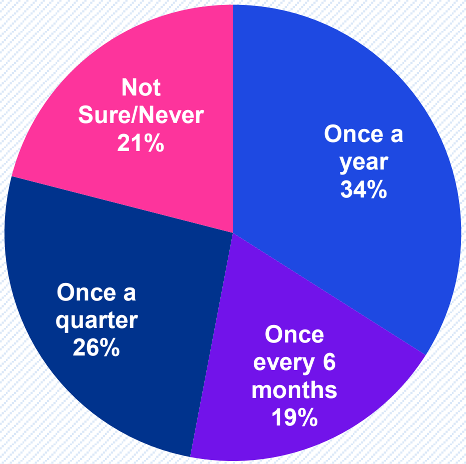
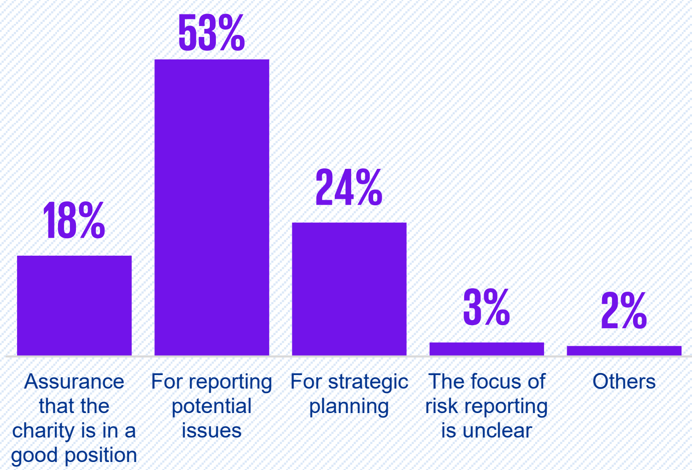


Figure 16: Reasons for Providing Risk Management Report to the Board



Types of Risks

Like any other sector, Charities face a multitude of risks that can impact their operations, financial stability, and ability to accomplish their missions. This section presents survey results which highlight the types of risks commonly faced by Charities: strategic risk, financial risk, operational risk, compliance risk and IT risk. Except for IT risk, for each of the risk category, respondents were asked to select the top five risks.

Figure 17 below shows the proportion of respondents who identified specific risks as top 5 risks. In almost all risks listed within each category, the awareness and concerns about these risks have increased. Money laundering risk has jumped by almost threefold in responses between 2023 and 2016. The only exception is operational risk.

Figure 17 : Top 5 Risks for Each Category of Risk

Types of risk	Individual risk	% of Charities that include the risk as the top 5 risks		
		2023	2016	Change
► Strategic Risk	Succession planning / Key man risk	85%	52%	▲
	Business continuity risk	72%	38%	▲
	Change in government and regulatory policy	72%	62%	▲
	Digital and innovation risk	62%	NA	NA
	Relationship management risk	49%	38%	▲

Figure 17 : Top 5 Risks for Each Category of Risk

Types of risk	Individual risk	% of Charities that include the risk as the top 5 risks		
		2023	2016	Change
▶ Financial Risk	Funding availability risk	93%	90%	▲
	Accounting and reporting risk	87%	76%	▲
	Cashflow risk and/or liquidity risk	80%	70%	▲
	Fraud risk	68%	65%	▲
	Financial liability or asset risk	68%	55%	▲
▶ Operational Risk	Talent attraction and retention risk	83%	79%	▲
	Data confidentiality risk	77%	81%	▼
	Negative media and publicity risk	67%	83%	▼
	Adverse events risk (internal and external)	65%	73%	▼
	Workplace Health and Safety risk	60%	61%	▼
▶ Compliance Risk	Regulatory compliance risk	100%	95%	▲
	Conflict of interest risk	98%	84%	▲
	Contract management risk	95%	59%	▲
	Professional liability risk	92%	76%	▲
	Money laundering risk	61%	19%	▲
▶ IT Risk	Cyber security risk	67%	65%	▲
	Critical IT system downtime risk	31%	32%	▼

Top-Tier Strategic Risk

In terms of strategic risk category, the risk associated with succession planning and key man vulnerabilities has significantly increased in prominence between 2016 and 2023. In 2016, just over half of respondents (52 percent) identified this risk, but by 2023, it had risen to 85 percent.

An intriguing shift in the business continuity risk landscape has emerged. Notably, in 2016, none of the sectors identified business continuity risk as their foremost concern within the strategic risk category. However, following the disruptive impact of the COVID-19 pandemic, a noteworthy change occurred. Presently, three sectors (Arts and Heritage, Healthcare and Social & Welfare) now regard business continuity risk as their most pertinent risk type within the strategic risk category.

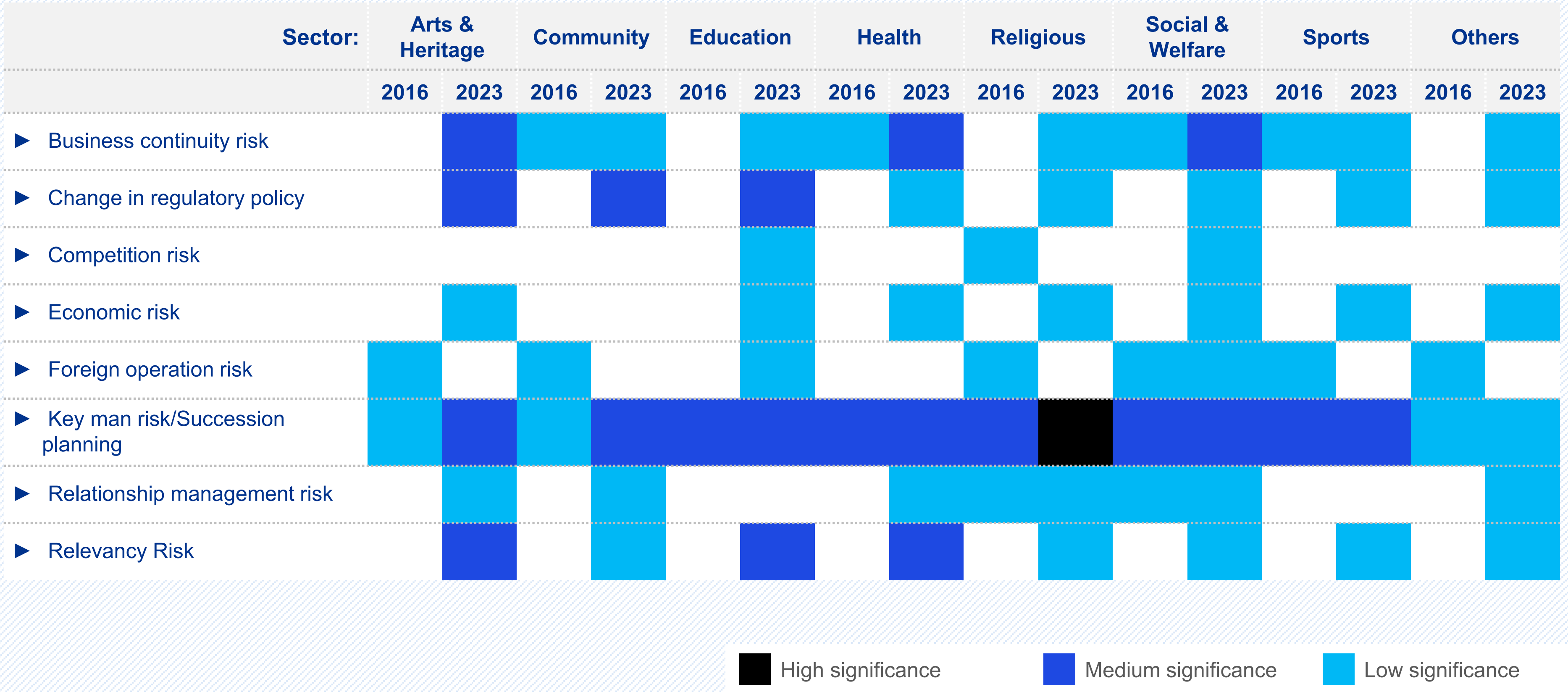
Concerns over changes in government and regulatory policy have remained relatively consistent, with 72 percent of respondents in 2023 compared to 62 percent in 2016 identifying this risk.

Relationship management risk has seen a modest increase in awareness, with 49 percent of respondents in 2023 compared to 38 percent in 2016.

Digital and innovation risk was introduced in 2023 due to the rising importance of innovation in Charities. This category highlights the potential pitfalls related to the failure to adapt and innovate effectively in a rapidly changing technological landscape. It underscores the need to manage these risks to stay competitive and relevant in the digital era.

Figure 18 shows the top-tier strategic risks selected by the respondents classified by the various types of Charities. Key man risk and succession planning is highlighted as a top-tier risk across all types of Charities in both surveys. For the religious Charities, this risk is specifically selected as the key strategic risk (represented in black).

Figure 18 : Which of the following risks are most applicable to your charity under Strategic Risk category?

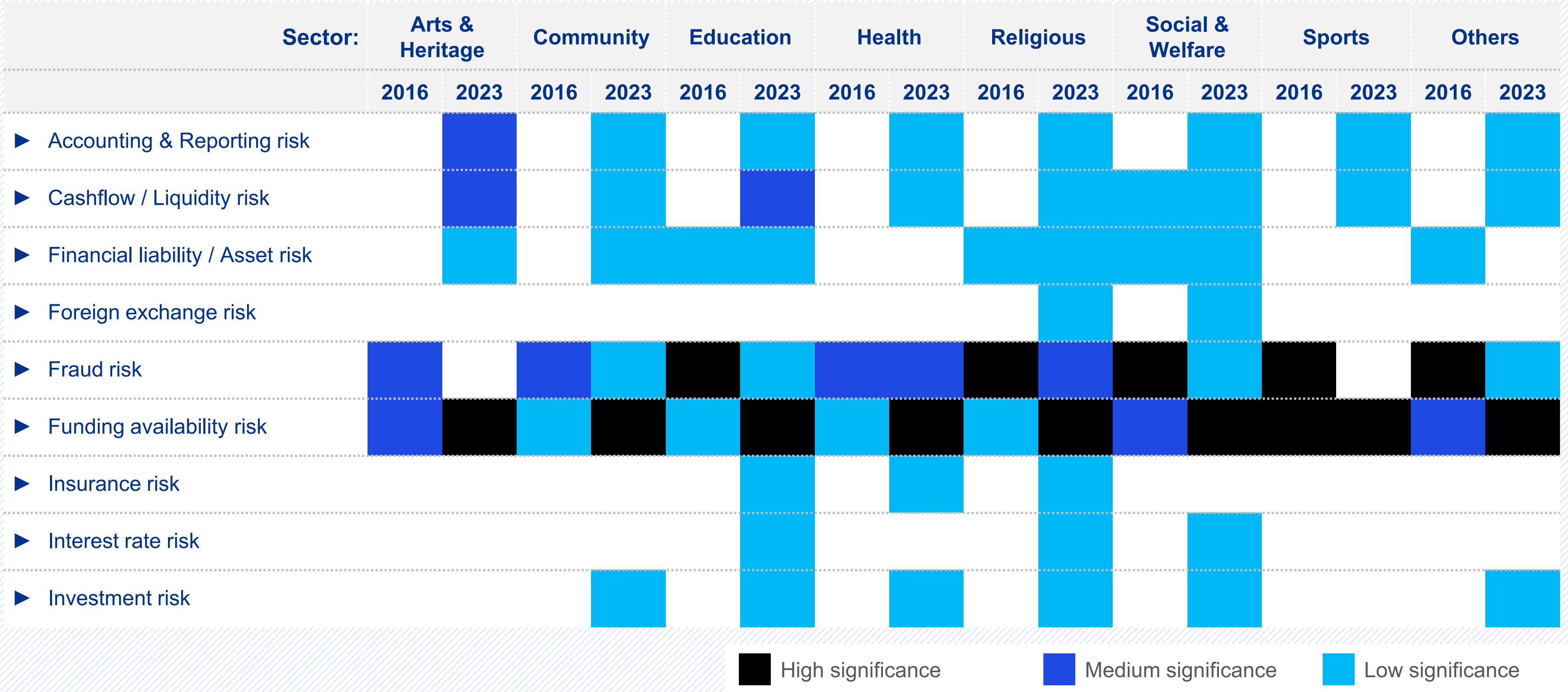


Top-Tier Financial Risk

Charities find funding availability risk to be a persistent concern. The slight increase from 90 percent in 2016 to 93 percent in 2023 indicates the ongoing challenge of securing adequate funding for charitable activities. The concern over accounting and reporting risk has increased notably from 76 percent in 2016 to 87 percent in 2023. This suggests that Charities are increasingly aware of the importance of accurate financial reporting and compliance with accounting standards. Eighty percent of respondents in 2023 identify cashflow risk and/or liquidity risk as a significant risk compared to 70 percent in 2016, indicating a growing awareness of the need for effective cashflow management. Concern over fraud risk has remained relatively stable, with 68 percent of respondents in 2023 and 65 percent in 2016 identifying it as a significant risk as Charities continue to recognise the importance of safeguarding their financial assets. There is, however, a heightened awareness of the risks associated with financial management as financial liability or asset risk has increased notably from 55 percent in 2016 to 68 percent in 2023.

Figure 19 shows the top-tier financial risks selected by the respondents classified by the various types of Charities. The most important financial risks have been identified as funding risks (19 percent) followed by accounting and reporting risk (17 percent) and cashflow risk and/or liquidity risk (16 percent) in 2023. Fraud risk was flagged as a top-tier risk in the 2016 survey. However, it seems to have decreased in importance and is replaced by funding availability risk in 2023 survey across all types of Charities.

Figure 19 : Which of the following risks are most applicable to your charity under Financial Risk category?



Top-Tier Operational Risk

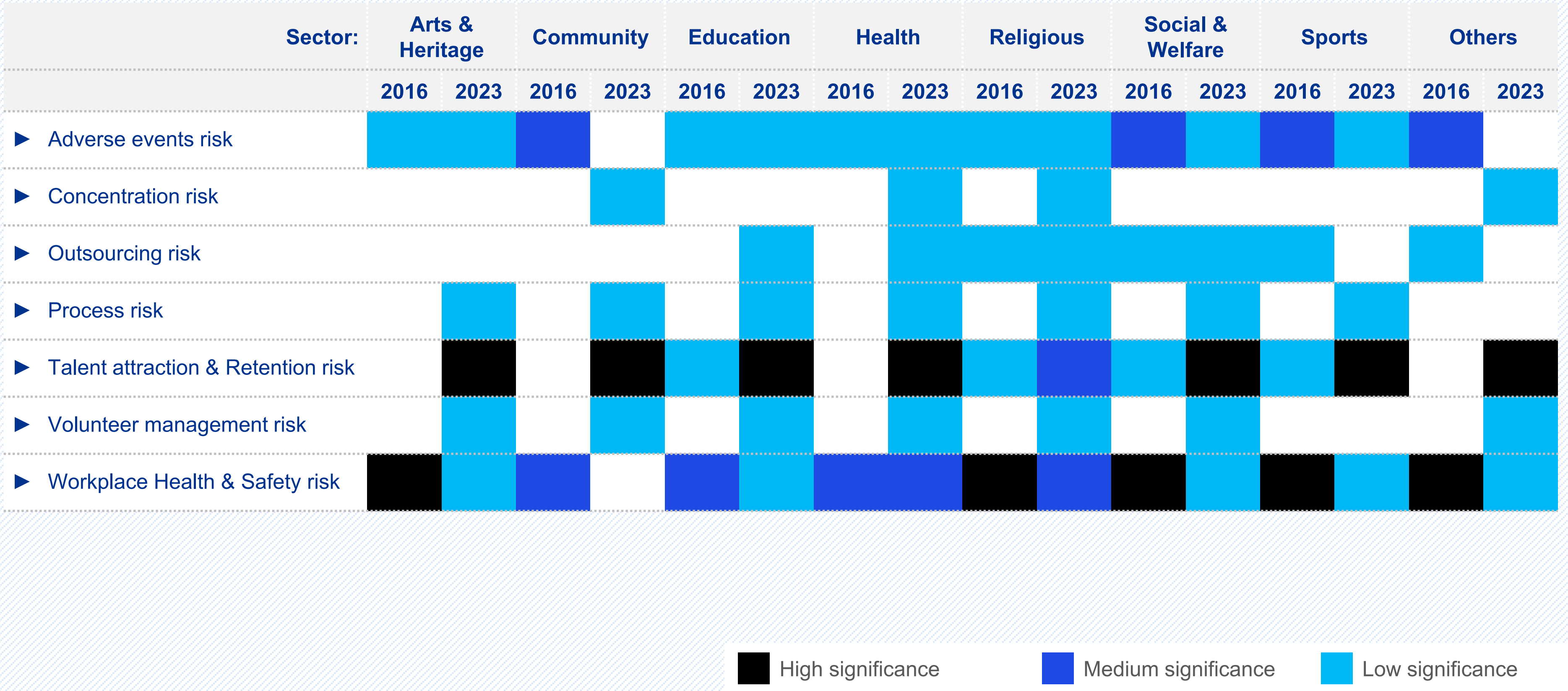
The exploration of Operational risk categories within Charities has yielded intriguing findings. In the 2016 survey, the prevailing choice among the majority of charity sectors was workplace health and safety risk. However, the findings in the 2023 survey reveal a notable shift in the operational risk category.

Talent attraction and retention risk has seen a slight increase, from 79 percent in 2016 to 83 percent in 2023, and remains the biggest operational concern for Charities, indicating the ongoing challenge of securing and retaining skilled personnel. This could be a reflection of the tight labour market post-COVID-19.

Data confidentiality risk continues to be a significant concern, although there has been a slight decrease, possibly reflecting improved data management practices. The concern over negative media and publicity risk has notably decreased, suggesting improved reputation management or a reduction in negative publicity incidents. Adverse events risk has also seen a decrease, possibly due to potential improvements in risk preparedness with lessons learnt from the pandemic. Workplace health and safety risk has remained relatively stable, with 60 percent of respondents in 2023 compared to 61 percent in 2016 identifying it as a significant risk, emphasising the ongoing importance of maintaining a safe work environment.

The observations in talent attraction and retention risk as well as workplace health and safety risk are consistent across the different types of Charities as shown in **Figure 20**.

Figure 20 : Which of the following risks are most applicable to your charity under Operational Risk category?

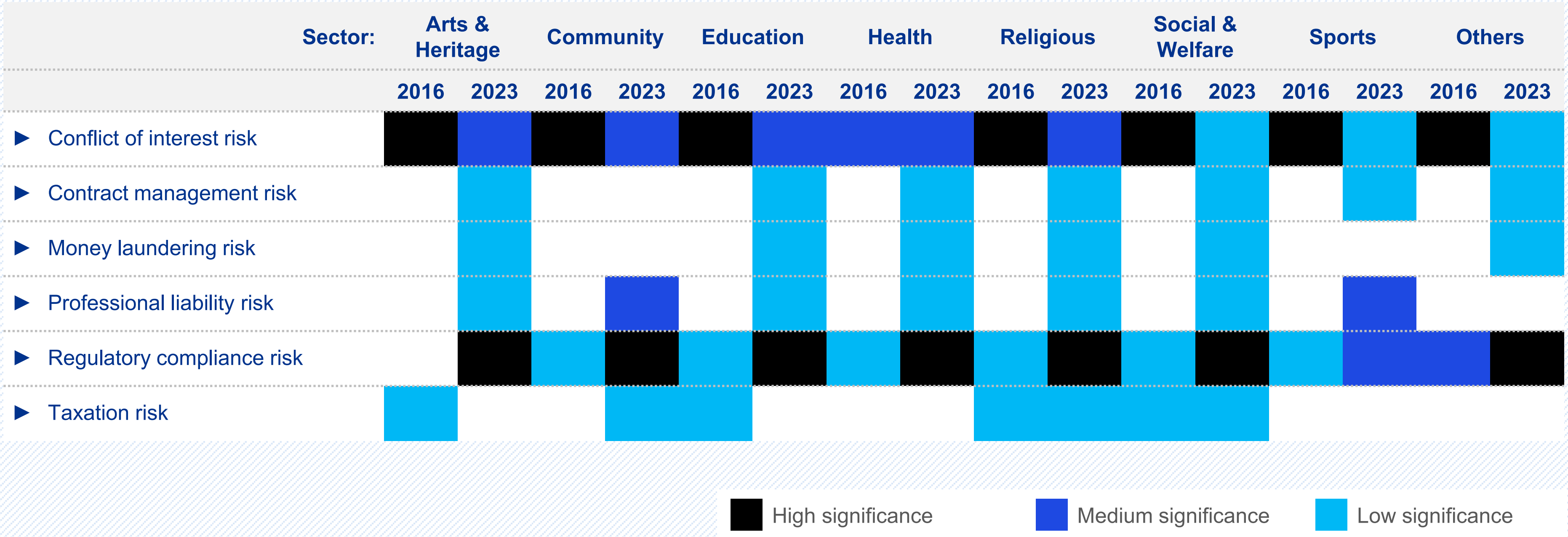


Top-Tier Compliance Risk

Charities are generally in concurrence regarding the top five Compliance risks, which are conflict of interest risk, contract management risk, money laundering risk, professional liability risk and regulatory compliance risk. This implies that Charities emphasise the importance of legal adherence and governance, ethical considerations and transparency, effective contract management and legal liabilities associated with their professional activities. Concern over money laundering risk has seen a substantial increase, indicating a heightened awareness of the need to prevent Charities from being abused for such financial misconduct. This could be result of the constant reminders by the regulators to conduct anti-money laundering checks.

Figure 21 provides valuable insights into the risk preferences of charity organisations for compliance risk category over the different types of Charities. Notably, majority of Charities have consistently chosen conflict of interest as a prominent risk in both the 2016 and 2023 surveys. Moreover, the 2023 survey results reveal another prevailing trend, with regulatory compliance risk emerging as a dominant concern within the compliance risk category.

Figure 21 : Which of the following risks are most applicable to your charity under Compliance Risk category?



Top-Tier Information Technology Risk

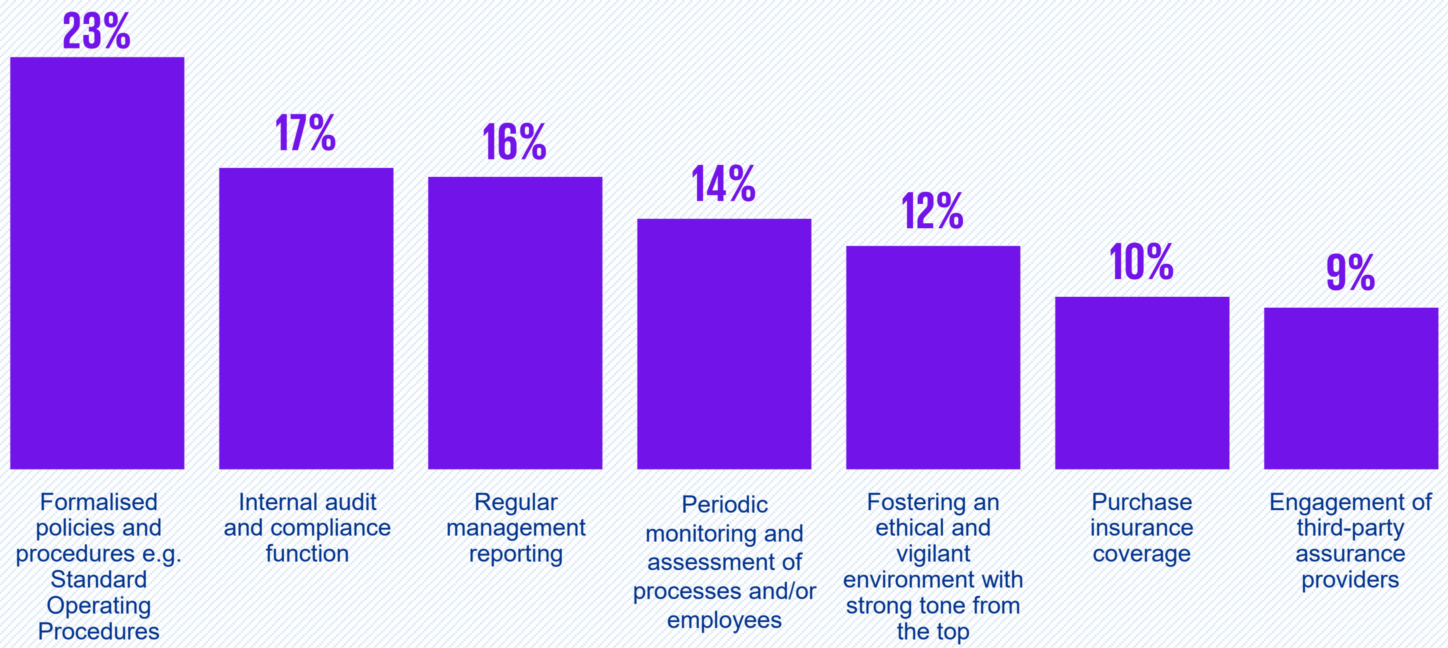
In both 2023 and 2016, Charities have expressed concerns over cybersecurity risk, with 67 percent and 65 percent of respondents identifying it as a significant issue, respectively. Cybersecurity risk can have a profound impact on Charities, as they often handle sensitive donor information and financial transactions. For healthcare Charities, this is an even greater concern because of medical confidential records. A cyber attack or data breach can result in not only financial losses but also damage to their reputation and trust among donors and beneficiaries.

Similarly, the risk of critical IT system downtime, though at a relatively lower concern level (31 percent in 2023 and 32 percent in 2016), can disrupt the daily operations of Charities. Downtime can lead to interruptions in services and delayed communication, hindering their ability to fulfil their missions effectively.

Risk Mitigations

Figure 22 shows that the most popular risk mitigation adopted by the respondents is formalised policies and procedures (23 percent) and this is followed by the deployment of internal audit and compliance function (17 percent), and regular management reporting (16 percent). Interestingly engagement of third-party assurance (9 percent) is the least preferred risk mitigation.

Figure 22: Preferred risk mitigations



Challenges in risk management

Figure 23 shows that lack of manpower (61 percent), lack of experience/expertise in risk management (59 percent) and lack of technical resources (52 percent) are the three key challenges in risk management. Interestingly, the lack of financial resources (38 percent) is ranked fourth and was not among the top three concerns.

Figure 23: Challenges in risk management

Attitudes and Conduct Towards Risk Management

Respondents were asked what best describes their attitude and conduct towards risk management. **Figure 24** shows the views of the respondents with 1 being "strongly disagree" and 5 being "strongly agree".

The top three attitudes and conducts towards risk management concern the Board and the tone of voice they set from the top, the Board having good information about risk management and the Board holding the management accountable to risk management. The responses to the three attitudes and conducts towards risk management show that a significant portion of the respondents perceive that the Board is very concerned about risk management. This conveys several positive and important messages about the Board and its approach to governance and oversight.

Figure 24: Attitudes and Conduct towards Risk Management (1 being "strongly disagree" and 5 being "strongly agree")

	Score
► The Board sets the appropriate tone from the top regarding risk management.	4.2
► Board is kept appraised of the decisions made by management on risk management.	4.2
► Board holds management accountable for risk management and mitigation.	4.2
► Management always considers all risks before determining the best course of action.	4.2
► Management communicates risks effectively.	4.0
► Employees are aware of both current and emerging potential risks.	3.7
► Employees see risky behaviours as a key issue.	3.7
► Employees understand how they can benefit from the management of risk.	3.6
► Employees take personal responsibility for identifying and managing risks.	3.6
► Employees rationalise risk behaviours which are non-compliance to regulations, code or guidelines.	3.4

Environment, Social and Governance (ESG) and Climate Risk

ESG and climate risks are emerging areas in risk management that organisations need to consider to ensure their business is sustainable. The Commissioner of Charities has introduced the concept of ESG to the charity sector in its latest version of the Code of Governance for Charities and IPCs (The Code) in April 2023. According to The Code, ESG is defined as:

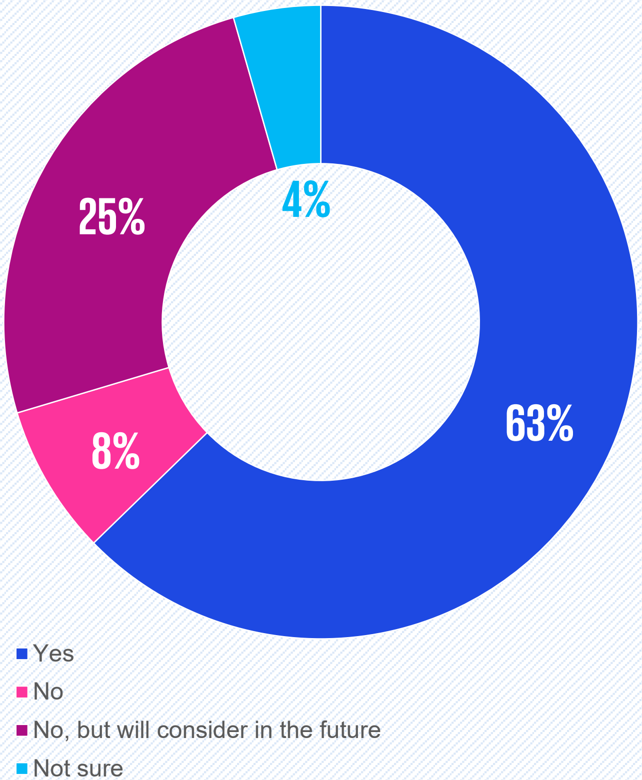
- Environment: Refers to how the Charities' action affects the environment.
- Social: Pertains to how Charities manage relationship with stakeholders.
- Governance: Relates to how Charities govern themselves.

Consistent with The Code, our survey also included ESG and climate risks questions to gain a better understanding of Charities preparedness and readiness for ESG and climate risks. The survey results suggest a positive outlook as Charities are aware of the ESG and climate risks. However, the findings also highlight significant operational challenges.

Awareness of ESG and Climate Risks

Figure 25 shows that 63 percent of the Charities indicate that they have considered or are aware of ESG and climate risks, challenges and opportunities in their charity, while 25 percent indicated they will consider them in the future. Only 8 percent and 4 percent indicate either they do not consider these risks or not sure about them respectively. The high percentage of awareness of ESG and climate risks is encouraging as this is an essential first step in managing ESG and climate risks.

Figure 25: Does your charity consider / is aware of ESG and climate risks, challenges and opportunities?



Identification of ESG and Climate Risk

Respondents believe that senior management directive (33 percent) is the most common method for identifying and assessing ESG and climate risks as shown in **Figure 26**. In-house consultation (27 percent) and Board directive (26 percent) are other common methods. The use of external consultants is still in an nascent stage of 7 percent. This result provides a good indication that senior management and Board members (59 percent) are actively involved and directing charity in their ESG and climate risks management. For an effective ESG and climate risk management, buy-in from the top is a significant key handling this new category of risk.

Figure 26: How does your charity identify and assess ESG and climate risks?

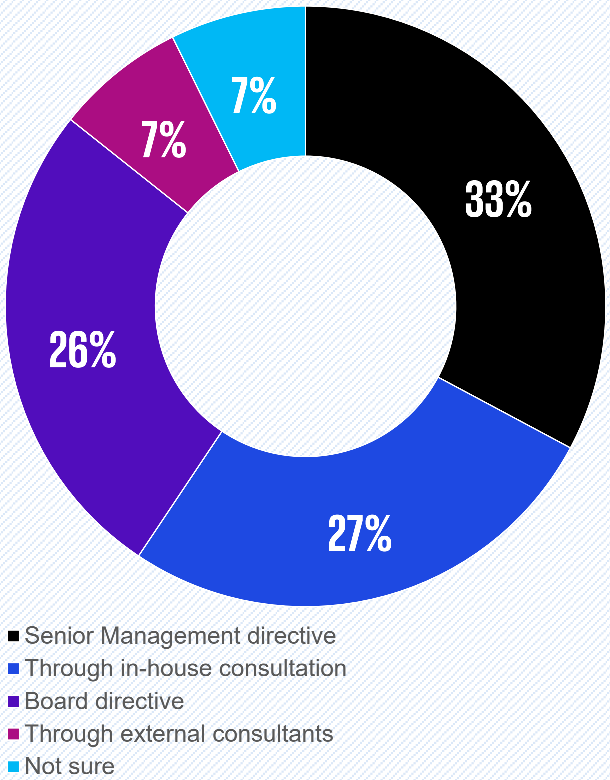
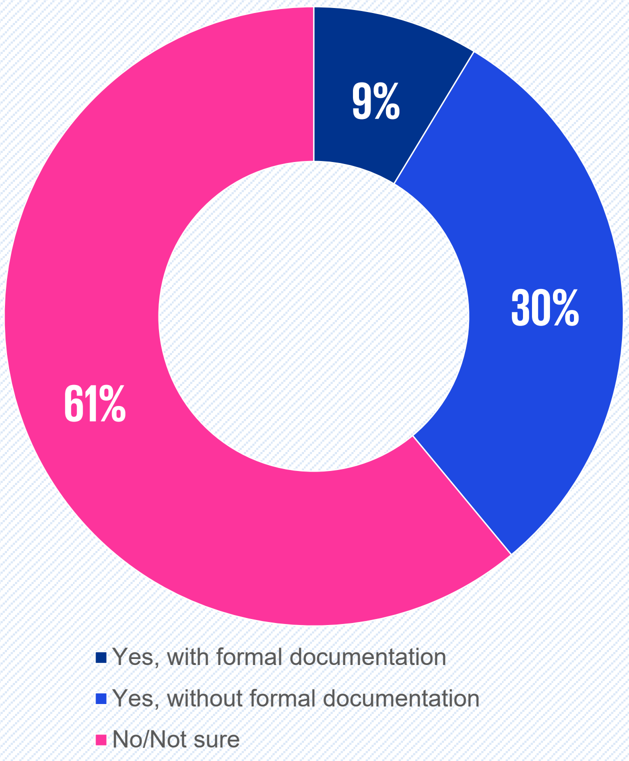


Figure 27: Does your charity have a formally defined policy/approach/roadmap for managing ESG and Climate Risks?



Existence of Defined Policy/Approach/ Roadmap for Managing ESG and Climate Risks

However, when respondents were asked about the existence of a formal defined policy/ approach/ roadmap for managing ESG and climate risks, **Figure 27** shows that only 9 percent of the respondents have put in place formal documentation for managing ESG and climate risks, while 30 percent of them use an informal approach. The remaining 61 percent of respondents either do not have a formal approach or are unsure if there is any formal approach in their charity. This seems to suggest that the while Charities are aware of ESG and climate risks in the current evolving landscape, they may have limited knowledge about what to do with ESG and climate risks or how to formalise or incorporate them into their risk management framework.

Data Collection for ESG and Climate Risks

For a better understanding on what ESG and climate risks data are being collected by the Charities, Charities with formal or informal ESG documentation were asked to indicate what kind of data they are capturing to meet the ESG and climate risks mitigations.

Environment Data

In the environmental aspect, **Figure 28** shows that among the four types of data being collected, namely greenhouse gas emissions, energy consumption, water consumption, and waste generation; energy consumption data was the most common type of data being collected (16 percent) followed by water consumption (15 percent), waste generation (9 percent), and lastly, greenhouse gas emission (5 percent).

Social Data

In the social aspect, Charities were asked what types of data on social aspects are they collecting. The social data includes gender diversity, age-based diversity, employment, development and training, and occupational health and safety. These social data were equally collected by the respondents.

Figure 28: What kind of environment data are you currently gathering or applying to support emerging ESG reporting requirements?

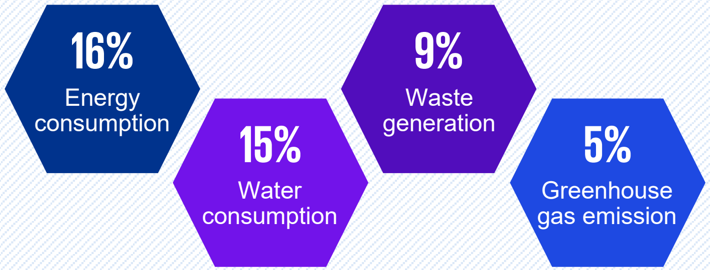
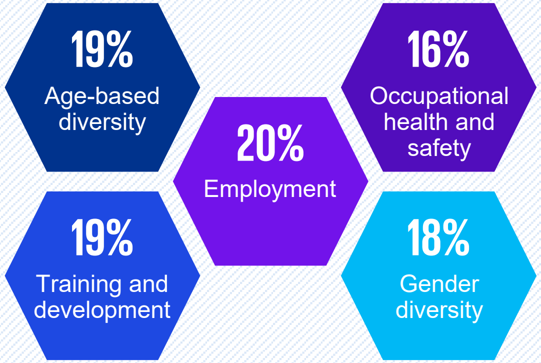


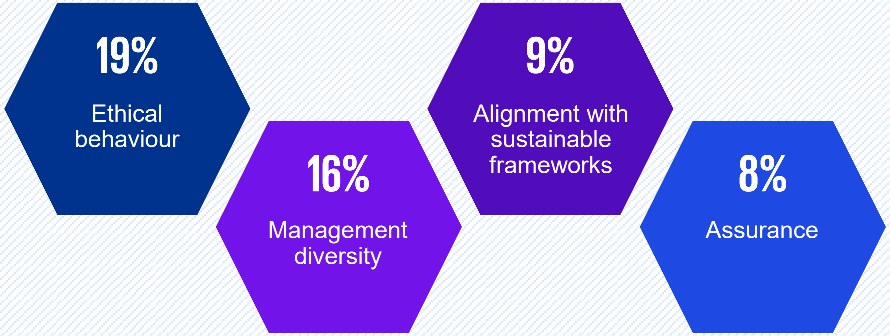
Figure 29: What kind of social data are you currently gathering or applying to support emerging ESG reporting requirements?



Governance Data

Data collection for the governance aspect includes management diversity, ethical behaviour (e.g., whistleblowing policy), alignment with sustainability frameworks, and assurance. Unsurprisingly, **Figure 30** shows that data on ethical behaviour (19 percent) was the highest among all governance topics to be collected by Charities. This is followed by management diversity (16 percent), alignment with sustainability frameworks (9 percent) and assurance (8 percent). The result is justifiable given that among the four governance topics, ethical behaviour and management diversity are not new topics, while sustainability frameworks and assurance topics are emerging areas.

Figure 30: What kind of governance data are you currently gathering or applying to support emerging ESG reporting requirements?



Reasons for Not Considering ESG and Climate Risks

For Charities that did not consider or were not aware of ESG and climate risks, challenges and opportunities, the respondents were asked to select top three reasons why their charity did not consider ESG and climate risks. The responses are summarised in **Figure 31**. The top reason for not considering ESG and climate risks is the lack of knowledgeable personnel in the area of ESG and climate risks (38 percent).

Interestingly 34 percent of the respondents perceived no urgency to have the ESG and climate-related risks considered within the charity. This also suggests that ESG and climate risks issues might not be of concern in their charity, or the respondents do not believe that ESG and climate risks issues can affect their long-term sustainability and effectiveness. This suggests the importance of increased ESG and climate risk engagements in the Charity Sector.

The final top reason is the lack of budget and the perception that implementing an ESG framework is costly.

Figure 31: Selection of the top reasons why your charity have not / did not consider including ESG and Climate risks in your charity?

38%
Lack of personnel who are able to work on these ESG and climate risks

34%
There is no urgency to have the ESG and climate risks considered within the charity

30%
Lack of budget and/or implementation of an ESG framework is costly

23%
Do not know where and how to start

15%
ESG and climate risks are not relevant to charity

12%
Staff does not feel there is a need for ESG and climate risk consideration in charity

Types of ESG Measures

As ESG and climate risks are new areas that were introduced in The Code, the respondents were asked to choose what type of guidance they would like to see in relation to ESG and climate risks implementation. **Figure 32** shows the top four types of guidance that Charities would like to see in relation to ESG and climate risk.

Considering that Charities who did not consider or were not aware of ESG and climate risks, challenges and opportunities attributed this to a lack of personnel and expertise in ESG and climate risk, it is natural that Charities would like increased guidance and support. This includes assistance with the establishment of an ESG framework, provision of training and workshops related to ESG matters, as well as monitoring and reporting on ESG related matters. Interestingly, the respondents also believe that guidance is needed for the types of ESG and climate-related data needed by the charity for reporting purposes.

Figure 32: What type of guidance would you like to see in relation to ESG and climate risk?

Business Continuity Planning (BCP)

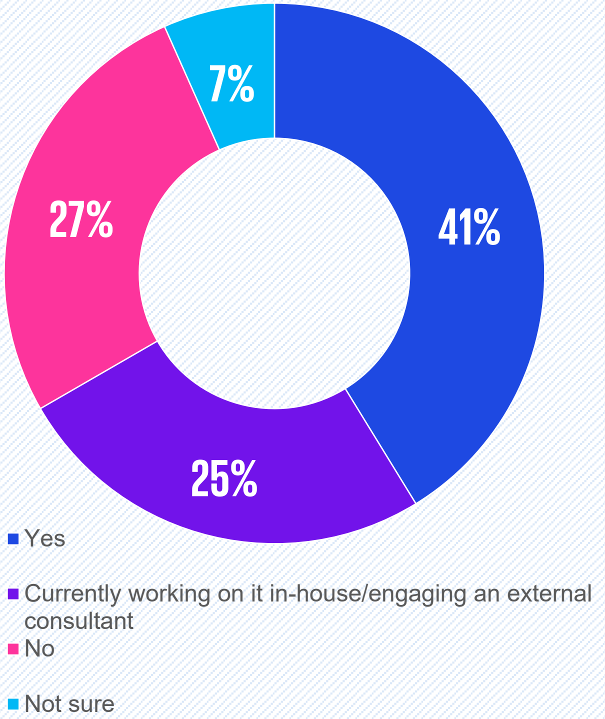
In a first for the survey, the 2023 Risk Management Survey for Charities included questions about the state of business continuity planning (BCP) in Charities. BCP refers to the process of creating a system of prevention and recovery from potential threats to an organisation. It is crucial for BCP to be used as a risk management tool for Charities to prepare for and respond to disruptions effectively. This in turn would help Charities to protect their reputation and safeguard their operations, ensuring their long-term sustainability. The pressing need for BCP has been underscored by the significant disruptions brought by the recent global pandemic.

Figure 33 shows that 41 percent of Charities have a BCP in place, with a further 25 percent currently working on it. There is, however, 27 percent of Charities which still do not have a BCP.

For those who responded that they have a BCP in place, they were asked how the BCP was set up. An overwhelming 84 percent indicate that the BCP was developed in-house while 14 percent was developed by engaging consultants.

They were also asked if they have done a table-top exercise of their BCP. Conducting table-top exercises is an essential part of a comprehensive BCP process as it helps to assess the effectiveness of the BCP and strengthens the preparedness of the Charities in the face of disruptions. Hence, it raises a concern that less than half (46 percent) have indicated 'yes', while 41 percent have indicated 'no', and the remaining 13 percent are unsure.

Figure 33: Does your charity have a Business Continuity Plan (BCP)?

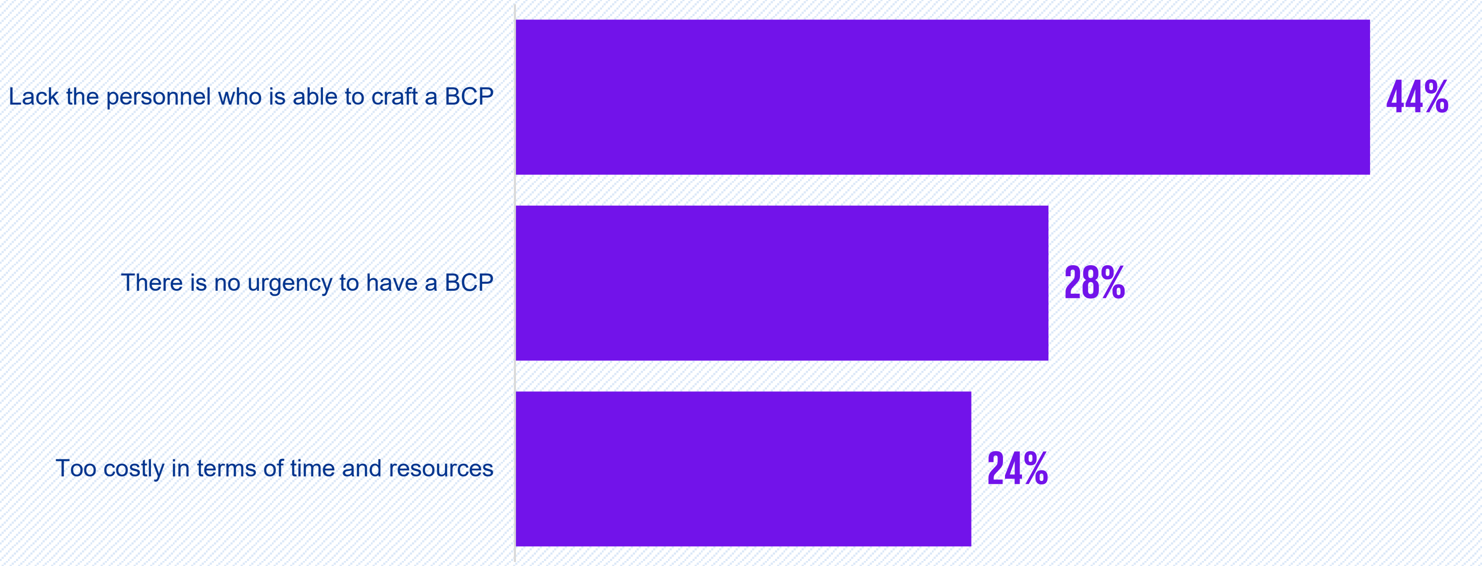


1. Table-top exercise is a business continuity activity that takes participants through the process of dealing with a simulated business continuity scenario/threat.

For Charities who responded that their Charities do not have a BCP in place, they were asked to indicate the reasons. **Figure 34** shows the top three responses.

The responses reflect that many Charities lack the expertise and resources to craft a BCP. Specifically, the survey results show that this challenge is prevalent among Charities with fewer than ten employees (i.e., smaller Charities). It is also a concern that several Charities do not see an urgency to have a BCP especially among the smaller Charities. This signals a need to educate these Charities on the importance of having a BCP and encourage them to tap on training or education funding and grants to put in place BCP in their Charities. Smaller Charities may need more help.

Figure 34: Percentage of Charities selecting as Top 3 reasons



Conclusion

The 2023 Risk Management Survey for Charities is a significant step forward in creating baseline measurements of the state of risk management among the Charities in Singapore. The findings point to a significant improvement in the sector since the first survey was conducted in 2016. While new risks have emerged, these are not very different from for-profit organisations. These risks include business continuity risk, key man / succession planning risk, funding availability risk, talent attraction and retention risk, conflict of interest, regulatory compliance risk, cybersecurity risks and ESG and climate-related risks.

Of special interest in this survey are the emergence of two new genre of risks for Charities which were not covered in the 2016 survey, namely, business continuity planning and ESG and climate-related risks. There is some awareness on the ground on these two new risks, but implementation can be further improved. Significant help will be needed to overcome the challenges in these two new risk categories. This includes more education, training, fundings and reporting frameworks to provide structure and guidance to help Charities to understand these risks and to build their mitigation plans.

In conclusion, this survey has served its purpose to track the progression of the risk management of Charities in Singapore since the first pulse study was conducted in 2016.

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