

AICD Member Consultation - prospective Constitution Amendments 2025

Discussion paper on proposed remuneration of AICD Directors

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Executive summary

The Australian Institute of Company Directors (AICD) is a national membership organisation with its Purpose to **‘strengthen society through world-class governance’**. The AICD aims to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. This is achieved through governance education, Director development and advocacy.

Membership comprises more than 52,000 directors and senior leaders from business, government and the not-for-profit (NFP) sectors across Australia.

With offices in all Australian states and territories, members are served through a unified management structure with a head office in Sydney. The State and Territory Divisions provide reach and promote community in their respective regions.

The AICD is:

- A public company limited by guarantee and is a national organisation with eight state and territory divisions (Division Councils); and
- A registered not-for-profit entity under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth).

The AICD Board consists of up to 13 directors. It is comprised of four national directors, eight division directors, and a Managing Director & CEO. The AICD’s website includes additional information on the AICD’s governance arrangements, which can be found [here](#).

WHAT IS THIS MEMBER CONSULTATION REGARDING?

Currently, non-executive directors of the AICD (AICD directors) are not remunerated and the organisation’s Constitution prohibits payment to AICD’s directors.

The AICD Board is consulting with members in relation to prospective constitutional amendments to allow the remuneration of AICD directors.

All member feedback will be considered and, if there is general support for the concept, members will receive additional information, including a revised proposed Constitution, with a view to obtaining formal approval by special resolution at the 2025 AGM.

WHY IS THE AICD PROPOSING REMUNERATION OF AICD DIRECTORS?

Trends in the not-for-profit sector indicate a sound evidence-based rationale for remunerating the AICD directors. Many large NFP organisations have moved towards paying their directors given the increasing expectations and complexities of governance.

The AICD Board regularly reviews its governance structure and composition. It has become evident that the current constitutional constraints of not remunerating AICD directors may no longer be appropriate.

HOW CAN MEMBERS PROVIDE FEEDBACK?

Members are encouraged to review this discussion paper and are invited to provide feedback during the consultation period of 9 May to 13 June 2025.

Members can provide feedback via this [digital form](#), directly via email to companysecretariat@aicd.com.au or by participating in person or virtually at one of the planned AICD Constitution Amendments [Town Halls](#).

1. Introduction

- 1.1 This Discussion Paper has been prepared to provide background information to members of the Australian Institute of Company Directors (AICD) concerning prospective constitutional amendments to allow the remuneration of AICD directors. It is important to ensure that the structure and workings of any proposed amendments are clearly understood and supported by members.
- 1.2 It is the intention of the AICD Board to consult widely with members to gain their valued input on the proposals. Following that consultation, should members generally appear to be in support of the proposal, a special resolution will be put at the 2025 AGM for consideration by the members.
- 1.3 For the avoidance of doubt, the proposal outlined in this paper relates to the remuneration of AICD's non-executive directors and excludes the executive director role of the Managing Director & Chief Executive Officer.

2. Background

- 2.1 Currently, the AICD's Constitution prohibits the payment to AICD directors for acting as a director on the AICD Board. AICD directors are reimbursed for travel and accommodation expenses incurred for performing their duties as a director and the AICD provides AICD directors with complimentary registration for all AICD courses, webinars and events.
- 2.2 These arrangements of not remunerating AICD directors are consistent with the historical practices of many NFP organisations, where non-executive directors (or management committee members) and board members (**directors**) of NFP/community-based organisations have generally served in a voluntary capacity. However, over time, the question of whether to remunerate directors in the NFP sector has gained traction, especially for larger NFP/ACNC registered organisations, where regulatory compliance demands, governance complexities, responsibilities of office, personal liability risks and time and performance demands continue to increase, and as calls for board composition diversity escalate.
- 2.3 This trend towards remuneration of directors for larger NFP/ACNC registered organisations has evolved significantly. As evidenced by the findings from the AICD's **Not-for-profit Governance and Performance Study**, 16th Edition (2024-25), around 49% of larger NFP organisations with a revenue base over \$50million p.a. remunerate their directors. This percentage has continued to rise over recent years based on the AICD's successive survey study results.
- 2.4 The AICD Board regularly reviews its governance structure and composition. There is a concern that the current constitutional constraint of not remunerating AICD directors may no longer be appropriate and may be limiting AICD's ability to attract and retain directors with diverse experiences and backgrounds.
- 2.5 The AICD Board has considered these matters and trends in the NFP sector, however it first wishes to consult with its members to gain their valued feedback and input prior to determining whether or not to propose amendments to the AICD Constitution to permit the payment of fees to AICD directors.

3. Rationale for and against director remuneration

3.1 “For”

a. Recognising the significant time, effort and expertise of directors:

The time commitment required from the AICD directors, and in particular its Chair, generally is extensive. Offering remuneration acknowledges the substantial effort and expertise our directors contribute. The AICD is a significant business enterprise with a membership base of over 52,000 located across Australia and overseas, an annual revenue base of \$110 million, with over 300 employees, and with a scope of activity primarily focusing on governance related education, membership services, director representation and governance related advocacy.

AICD aspires to be a fair and equal opportunity employer offering market informed remuneration to its people. It is arguable that the same values and principles that apply to AICD’s general employees also should apply to AICD’s board members for their services.

b. Attracting suitable candidates to the AICD Board:

It is accepted logic that the AICD should seek to ensure its board comprises an appropriate balance of skills and experience of directors who can best serve AICD, with a strong awareness of the interests, perspectives and needs of its broad and diverse membership base. This includes large listed public companies, small private companies; public sector, statutory and local government entities; NFP/charitable, community, sporting, educational, health, welfare and business association organisations (to mention but some categories); CATSI and Indigenous organisations; as well as senior experienced directors, emerging and aspiring director members.

If in practice, board membership is confined to those persons who can afford to give their time gratuitously, then the available pool and diversity of prospective directors may be limited.

Remunerating directors supports diversity on the board by attracting individuals from a wider variety of backgrounds and those who may not be able to devote the time required without some compensation. A wider pool of candidates can also support optimal board composition and diversity of thinking and perspective.

c. Member and stakeholder engagement:

Compensating the AICD directors facilitates and supports their ability to actively engage with members and stakeholders in pursuit of AICD’s purpose and interests.

d. Financial capacity of the organisation to pay remuneration

Although the capacity to pay remuneration without risking a material adverse impact on the organisation’s financial sustainability is a relevant issue for some smaller NFP organisations, this is not considered a risk for AICD given its size and financial maturity.

e. Not-for-profit sector trends:

- Trends in the NFP sector indicate a sound evidence-based rationale for remunerating the AICD directors, including:
 - **Increasing time commitments:** Directors are dedicating more time to governance duties, with 54% of directors dedicating between three to eight days to their duties per month, based on the AICD’s most recent Not-For-Profit Governance & Performance Study 2024-25;
 - **Rising director remuneration:** The proportion of NFP directors receiving payment has steadily increased to 24%, from just 13% a decade ago and 21% last year, and with respect to larger NFP/charitable organisations, paid directors are now around 49%; and
 - **Enhanced governance expectations:** Remuneration can attract and retain individuals with the necessary expertise to navigate increased governance expectations and regulatory requirements.

- Based on recent enquiries, some organisations of comparable size and/or functional purpose as the AICD which have adopted director remuneration include: Governance Institute of Australia (Chair only); Chartered Accountants ANZ; Engineers Australia; CPA Australia; Royal Australian College of General Practitioners, and the Australian Medical Association.

3.2 “Against”

There are counter arguments that can be raised as to whether or not director remuneration is appropriate, depending on the nature, size, purpose, culture and circumstances of the organisation involved. Such arguments are set out below. The AICD Board has reflected on these and is satisfied that in the case of AICD, the rationale for the proposal is sound.

a. Attracting suitable candidates

If suitable candidates can be secured without payment of remuneration, then the amount of the remuneration otherwise payable could be applied towards the organisation’s purpose and strategic objectives.

b. Volunteerism

If the organisation benefits from the services of a vast number of volunteers (for example, in smaller NFP community-based social welfare and health-based organisations) who continue to serve on a voluntary basis, then singling out directors for remuneration may appear to be selective and difficult to justify.

c. Risk to organisational culture

Being a “for purpose” organisation committed to the “good governance” cause, arguably there could be risk of damage to or dilution of the organisations culture if directors do not necessarily innately share that passion without the need for personal remuneration for their services.

d. Financial capacity

Although it is not currently a risk for the AICD, if the organisation is not sufficiently financially resourced to pay the remuneration without material impact on its performance and financial viability, then the proposition may become problematic.

e. Board renewal risk

Remuneration can create a disincentive for board turnover and renewal. However, this risk is mitigated through effective governance practices such as term and tenure limits, regular board evaluations, succession planning, conflicts of interest protocols and independent reviews.

3.3 In addition to the rationale discussed in paragraphs 3.1 “For” and 3.2 “Against” above, the AICD Board has also been mindful of some technical legal, constitutional and regulatory matters that are of relevance. A high-level outline of these is included in **Attachment A**.

4. Quantum of remuneration

- 4.1 Below are industry benchmarks for NFP/charitable organisation director remuneration from the McGuirk Management Consultants/ Governance Institute of Australia - 2024 Australian Board Remuneration Survey Report (**Report**) which have been tailored to reflect the AICD's governance responsibilities, financial scale, and sectoral norms.

The Report indicates the following remuneration for NFPs in the Education and Professional/Industry sectors

- a. NFP - Education Sector
 - Chair: Median remuneration is \$66,750, with an average of \$77,334.
 - Director: Median remuneration is \$40,273, with an average of \$51,708.
- b. NFP – Professional/Industry Sector
 - Chair: Median remuneration is \$28,000, with an average of \$38,254.
 - Director: Median remuneration is \$16,850, with an average of \$19,885.

4.2 **AICD's current thinking on an appropriate level of director remuneration**

Based on the combined analysis of Education & Professional/Industry sector board remuneration, a blended remuneration approach is suggested to reflect AICD's governance scope. This analysis indicates a benchmark range for each individual AICD director/Chair of:

- Chair: \$50,000 – \$70,000
- Director: \$25,000 – \$40,000

AICD's current thinking, subject to member consultation and feedback, is to invite the AICD members to set and approve a relatively modest maximum aggregate director remuneration pool at the 2025 AGM to accommodate individual AICD director/Chair annual remuneration payments as follows:

- AICD Chair: \$50,000 (including superannuation and inclusive of all Board committee and related responsibilities);
- AICD Director: \$25,000 (including superannuation and inclusive of all Board committee and related responsibilities); and
- a modest contingency "buffer" to facilitate reasonable board succession planning and future CPI contingencies without having to frequently seek member approval for minor adjustments.

5. Transparency and accountability

- 5.1 These are legitimate and essential considerations that need to be addressed in the governance framework under which director remuneration operates.
- 5.2 Like many governance-related issues, transparency and accountability need to be addressed in:
 - a. the AICD constitution itself, to assure transparency and accountability to members, with the members responsible for approving prudential remuneration limits; and
 - b. appropriate policy statements detailing the principles upon which remuneration is to be determined and the processes by which such determinations are to be made.
- 5.3 A high-level summary of proposed principles and processes for an effective director remuneration framework appears in **Attachment B** upon which AICD's relevant constitutional provisions and policy framework are proposed to be based.

6. Impact of changes

It is anticipated that removing the current restriction on director remuneration, within a disciplined and prudential constitutional and policy framework, will not only strengthen the board but also help to advance the AICD's mission by allowing the organisation to better serve its members and stakeholders.

6.1 Financial Implications:

Financial analysis of the proposed fee structure indicates that the initial total annual AICD director remuneration of \$325,000 with an additional modest contingency buffer in the director remuneration pool, represents around 0.32% of anticipated operating revenue for FY25.

While AICD may incur costs related to director remuneration, these costs will be carefully controlled, transparent and ultimately subject to approval by members at a general meeting. The Policy Framework principles will ensure that any payments are aligned with AICD's financial capacity to support the payment of AICD directors.

6.2 Governance Implications:

As outlined in the rationale supporting these changes, director remuneration can deliver positive governance outcomes, including improved board effectiveness through greater diversity and optimal board composition. Constitutional amendments will also help ensure AICD's key governance documents remain contemporary and fit-for-purpose, and consistent with industry trends.

7. Next steps

- 7.1 Members are encouraged to review this discussion paper and are invited to provide feedback during the consultation period of 9 May to 13 June 2025.
- 7.2 Specific issues on which member consultation and feedback are invited appear in **Attachment C** to this discussion paper. Members may submit responses to these specific issues via this **digital form** or directly to companysecretariat@aicd.com.au.
- 7.3 Members are also invited to participate in upcoming AICD Constitution Amendments **Town Halls** where the concepts can be discussed, and questions answered.
- 7.4 Following initial consultation, it is also proposed that a short survey will be sent to members to ensure that broad member feedback is captured.
- 7.5 All member feedback will be considered and, if there is sufficient support for the concept, final draft documents will be prepared with a view to obtaining formal approval by special resolution at the 2025 AGM.
- 7.6 Please visit the **website** for further information and FAQs, or contact companysecretariat@aicd.com.au if you have any questions.

Attachment A – Constitution and legal considerations

- 1.1 At present, Rule 8.8 of the AICD’s Constitution prohibits the payment of fees to directors and as such, approval by special resolution is required from AICD members to amend the constitution if such payments are to be made in the future.
- 1.2 Amending the constitution to permit payment to AICD Directors would deny AICD the exemption it currently enjoys under s.150(1) of the **Corporations Act 2001 (Cth)** (CA) to not include the word “Limited” in its full name as a company registered under that legislation. The implications of this are:
 - 1.1.1 AICD’s formal name would then need to become “Australian Institute of Company Directors Limited”, although it would remain the same legal entity and its business/trade name “AICD” would remain unaffected.
 - 1.1.2 There would be some one-off, manageable administrative costs and expenses associated with updating letterheads, signage and reporting the technical change of name to regulatory authorities and contractual counterparties.
 - 1.1.3 Any special resolution of members to amend the AICD constitution to allow director remuneration would also include reference to the formal name of AICD becoming “Australian Institute of Company Directors Limited”.
- 1.3 Although the annual Directors’ Report required under s.300B of the CA calls for certain information concerning directors to be provided, it does not specifically require information concerning director remuneration to be included, although such information may be demanded by a sufficient cohort of the members under s.202B of the CA. However, this is a factor that can be enshrined within the proposed constitutional changes.
- 1.4 Part 2E.1 of the CA requires member approval for any financial benefit to a related party (which includes a director). However, such approval is not required if the financial benefit is reasonable remuneration in the circumstances of the company and the director’s responsibilities of office.
- 1.5 s.195 of the CA requires directors with a material personal interest in a matter being considered at a board meeting to recuse themselves from the meeting while the matter is being deliberated, although the constraint does not apply if the interest arises with respect to the director’s remuneration (refer s.195(1A)(b) and 191(2)(a)(ii)). However, conflict of interest protocols are enshrined in the AICD’s governance policies and procedures to address such matters.
- 1.6 There are no specific regulatory restraints under the ACNC legislation concerning director remuneration of charitable organisations registered with the ACNC Commission, although the Commission may take issue with the organisation’s continuing registration, if for example, it believed the organisation’s remuneration practices lacked probity or were excessive in the circumstances.

Attachment B – Summary of proposed policy framework for AICD director remuneration

The Policy Framework should set out a statement of purpose, values and principles upon which the Policy Framework is based including:

- to remunerate fairly and responsibly;
- compliance with legislative and regulatory spirit and intent;
- accountability to members;
- alignment with contemporary governance practices for comparable organisations;
- integrity, probity and transparency of process and outcomes;
- periodic benchmarking against objectively determined market and industry practices and reasonable expectations, including (as appropriate) independent expert remuneration input;
- board (and relevant board committee) responsibility for oversight and periodic review of remuneration and Policy Framework;
- compliance with constitution;
- publicly defensible and justifiable fair outcomes;
- keeping abreast of member, stakeholder and general member sentiment towards such matters;
- annual accountability and reporting to the organisation’s members for the actual remuneration paid and certification of adherence to the constitutional and policy process in its determination;
- there being an aggregate annual maximum remuneration pool (“Pool Amount”) set from time to time by the AICD’s members by resolution in general meeting, and within the limit of that “Pool Amount” annual remuneration is determined for directors (including the Chair who may well receive remuneration in excess of that of a regular director given the extra time, responsibilities and service expectations of a chair);
- the aggregate of the annual amount of all remuneration (including superannuation) payable to all directors (including the Chair) never exceeding the applicable Pool Amount from time to time;
- remuneration being payable on a monthly or quarterly basis (as determined by the board) based on the period served; and
- for the purposes of the Policy Framework and the constitution, remuneration does not include:
 - reimbursable out of pocket expenses of directors properly incurred in the course of duty as a director.
 - payment for goods and services provided to the organisation by a director (or related party) on reasonable commercial arms-length terms approved of by the board.
 - incidental benefits derived by a director with respect to professional development opportunities made available by the organisation.
 - incidental benefits as an insured party, to the extent not prohibited by law, derived by a director under any D&O Insurance Policy effected by the organisation.
 - any amounts paid to the director by way of indemnity under the constitution, to the extent not prohibited by law, for liabilities incurred by the director in the proper performance of their duties.

Attachment C - Specific issues upon which member feedback and consultation is invited

1. Are members supportive of AICD director remuneration?
2. Are members satisfied with the scope of the Policy Framework principles for AICD director remuneration, or do you believe any further principles should also be included?
3. Are members generally satisfied with the extent of the proposed processes to provide transparency and accountability in the setting and reporting of AICD director remuneration?
4. Are members satisfied with:
 - a. the suggested level of AICD director remuneration currently contemplated, given the benchmarking analysis provided?
 - b. the proposed "Remuneration Pool" process for approval by Members in general meeting?
5. The AICD Board has considered a "staggered start" approach to director remuneration with the AICD Chair (only) initially being remunerated, with the AICD directors remunerated in subsequent year(s). Is this "staggered start" concept a feature that members believe to be worthy of further consideration?
6. Are members satisfied that the consequential inclusion of the word "Limited" at the end of AICD's formal name will not have any material detrimental impact on AICD's industry standing?
7. What further thoughts, queries or clarifications might members have on the subject of AICD director remuneration that have not been reasonably addressed in the discussion paper and which members may wish to raise with AICD for consideration?

ACKNOWLEDGEMENT OF COUNTRY

The Australian Institute of Company Directors acknowledges the Traditional Custodians of the Lands on which we are located and pay our respects to the Elders, past and present. We acknowledge the First Nations people across this Country and recognise their unique cultural and spiritual relationships to the Skies, Land, Waters, and Seas and their rich contribution to society.

ABOUT AICD

The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership includes directors and senior leaders from business, government and not-for-profit sectors.

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