

MEDIA RELEASE

Date: 1st February, 2023

Pressures build for NFP Directors

The Australian Institute of Company Directors (AICD) Not-for-Profit Governance & Performance Study 2022-23 has revealed the increased challenges and demands impacting directors in the not-for-profit sector.

The latest edition of the annual NFP Study shows that directors are being required to commit more time and provide greater and more rigorous focus to the operations of their not-for-profit organisations.

Tougher governance standards resulting from various Royal Commissions, workforce shortages and the ongoing legacy of COVID-19 all continue to affect not-for-profit organisations, with many directors forced to re-evaluate their role in this vital sector.

AICD Managing Director and CEO Mark Rigotti said this annual survey gives us an important insight into the contribution directors make to the not-for-profit sector and the additional demands they face.

"It's important that the regulatory environment doesn't serve as a handbrake on the sector, with the risk that NFP enterprises become overburdened.

"While strong regulation and compliance are necessary, and done with the best intentions, it would be counterproductive if this comes at the expense of service delivery.

Almost half of survey respondents reported that they spent more than three days a month on their primary director role, and as many directors are on more than one board, the time commitment can be considerable.

The percentage of NFP directors being remunerated has grown to a survey high of 22 per cent, with an average pay rate of almost \$23,000. But most (76%) are unpaid or only have their expenses covered.

While the financial impact of COVID-19 has not been as significant as originally feared, the study shows the NFP sector remains under considerable financial pressure. Profitability has continued to decline, with about 50 per cent of organisations making a loss or breaking even.

Some sub-sectors were under even more pressure, with Health and Residential Aged Care reporting only 41 per cent made a profit.

The AICD remains committed to improving the capability of leaders within the NFP sector.

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 of more than 50,000 includes directors and senior leaders from business, government and the not-for-profit sectors.

AICD programs and resources include more than 200 scholarships provided to leaders of small NFPs every year, to undertake the Governance Foundations for NFP Directors course.

The AICD NFP Governance and Performance Study is carried out with the assistance of the Commonwealth Bank. It remains the biggest survey on governance in the NFP sector with over 2,300 director-respondents contributing to the 2022-23 edition.

Other key findings of the 2022-23 NFP Governance and Performance Study:

- Merger activity has defied post-COVID 19 expectations and remains very low with only 5 per cent currently undertaking a merger and less than 20 per cent likely to have merger discussions in the next 12 months.
- Workforce planning and diversifying revenue streams are the most common priorities identified for the coming year.
- Almost half (45%) of organisations reported that governance of climate change never appears on their board's agenda, with less than half having discussed this at a board meeting in the last year.
- Almost half (48%) of organisations either have a Reconciliation Action Plan (RAP) or are currently developing a RAP.
- 93 per cent of respondents to the survey were confident that their management teams were making good decisions.

Media Contact: Jane Braslin 0439 167 567

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 of more than 50,000 includes directors and senior leaders from business, government and the not-for-profit sectors.