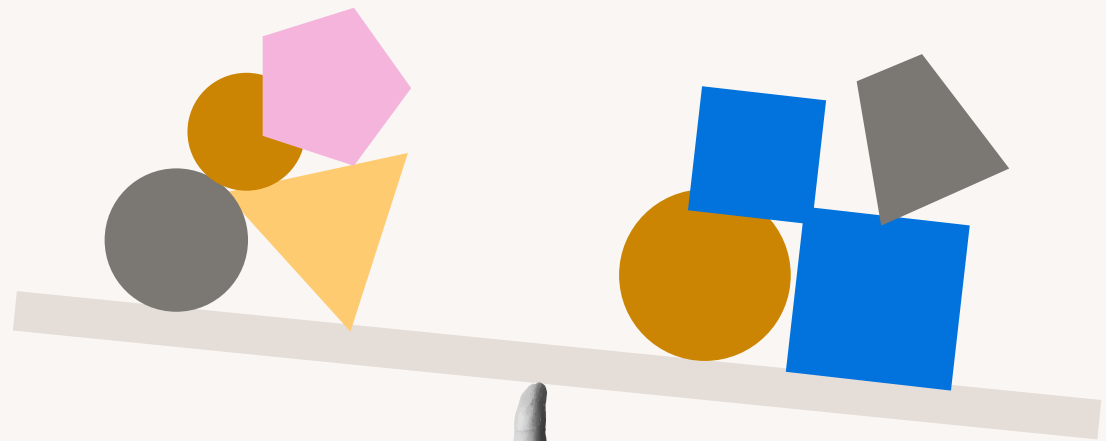


Not-for-profit director remuneration guide

Considerations for boards



Contents

3	Foreword
4	Summary
5	Introduction
7	Voluntarism, professionalism and the modern NFP board
11	Step 1: Consider threshold questions
15	Step 2: Conduct due diligence
20	Step 3: Consult with stakeholders
24	Step 4: Confirm whether to proceed or not
28	Step 5: Complete implementation and review arrangements
30	Appendix – Legal, tax, regulatory obligations
34	Acknowledgements and resources

Case studies

14	Case study: Warrigal
18	Case study: Mental Health First Aid International
23	Case study: AICD – member consultation
27	Case study: James Brown Memorial Trust

Foreword

Not-for-profit (NFP) organisations sit at the heart of Australian communities, delivering essential services, advocating for those most in need, and contributing to social cohesion. The Australian Institute of Company Directors (AICD) is committed to supporting NFP organisations and their boards to govern effectively, in service of their purpose and the communities they exist to support.

The expectations placed on NFP boards and directors continue to increase. Directors are navigating heightened regulatory scrutiny, evolving community expectations, increased operational and financial complexity, and growing risk exposures across areas such as workforce, cyber security and service delivery. These pressures are particularly evident in larger and more complex NFPs, including those delivering care and human services and providing social infrastructure at scale.

Against this backdrop, some NFP boards are reconsidering long-standing assumptions about voluntarism and governance, including whether the traditional unpaid model of directorship remains appropriate in all circumstances. The question of whether to remunerate directors is a challenging one. It goes to the heart of an organisation's purpose, culture and social contract with its members, volunteers, donors and beneficiaries. There is no single or correct answer, and for many organisations the right conclusion may be not to remunerate directors.

“This guide has been developed to assist NFP boards that are grappling with this issue. It does not advocate for director remuneration. Rather, it provides a structured, principles-based framework to support thoughtful, ethical and transparent decision-making.”

The guide encourages boards to clearly identify the governance challenge they are seeking to address, to test whether remuneration is the most appropriate response, and to carefully consider the legal, financial, reputational and stakeholder implications involved.

Importantly, the guide recognises the diversity of the NFP sector. Australia's NFPs range from small, volunteer run community organisations to large, complex entities delivering critical services infrastructure. Boards will need to apply the considerations in this guide in a way that reflects their organisation's size, purpose, history and stakeholder expectations.

The development of this guide has been informed by extensive consultation with directors, legal and regulatory experts, and sector leaders, as well as insights from the AICD's Not-for-Profit Governance and Performance Study. The AICD has also navigated this process itself in recent times, through a period of careful consultation and reflection informed by our own circumstances and operating environment. That experience reinforced the complexity of these decisions and the value of clear, practical guidance.

As CEO of the AICD, and as someone who has served on several NFP boards, I commend this guide as a practical resource to support sound judgement and good governance in a complex and sensitive area. The AICD remains committed to standing alongside the NFP sector as it continues its important work in strengthening Australian society through world-class governance.

Mark Rigotti FAICD

Managing Director & CEO

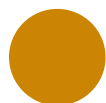
Australian Institute of Company Directors

Summary

This guide provides a structured five-step approach to considerations about whether and how to remunerate directors in a not-for-profit context. The framework moves from initial threshold questions through due diligence and consultation to a final decision and implementation. It is iterative rather than linear, with clear points at which a board may pause or decide not to proceed – recognising that proceeding is not the default outcome.

The board should only proceed to implementation where remuneration is justified, legally sound and in the best interests of the organisation, supported by appropriate governance and review mechanisms.

A structured approach to board consideration of not-for-profit director remuneration



Step 1: Consider threshold questions

Will paying directors:

- Be consistent with, and advance, the NFP's purpose?
- Address an identifiable governance problem?
- Be consistent with the NFP's specific legal obligations, including acting in the best interests of the NFP?
- Give rise to significant organisational culture and/or reputational risks?



Step 2: Conduct due diligence

- Consider delegation to a committee
- Seek external advice on governance, legal, tax, superannuation, and market benchmarking on remuneration
- Consider resourcing and support requirements
- Evaluate costs and benefits



Step 3: Consult with stakeholders

- Conduct respectful and transparent stakeholder engagement
- Tailor engagement based on the needs and context of key stakeholders. These may include members and beneficiaries, staff and volunteers, donors and funders
- Balance competing or conflicting stakeholder views



Step 4: Confirm whether to proceed or not

- Decide whether to take a proposal to members for approval
- Consider stakeholder feedback and undertake remuneration benchmarking
- Determine an appropriate director remuneration policy framework, after reviewing through an ethical decision-making lens



Step 5: Complete the implementation and review arrangements

- Oversee the transparent and timely disclosure of director remuneration
- Review the remuneration framework, including the level of director remuneration

At each step, boards should consider whether to proceed or not proceed to the next step, pause, and/or conduct further due diligence and stakeholder consultation.

Introduction

As regulatory obligations and community expectations continue to rise, and NFP and charity operations become more complex, some boardrooms are questioning whether the traditional volunteer-based model of governance is becoming harder to sustain.

The annual AICD Not-for-Profit Governance and Performance Study findings reveal an identifiable trend of larger NFP and charitable organisations in some sub-sectors considering director remuneration in some form.¹

This guide provides a framework for NFP boards to work through this issue thoughtfully. As a starting point, boards should approach director remuneration from a philosophical and principles-based perspective, reflecting inwards with the NFP at the centre – its needs, its history, its culture, its strategy, its purpose, its people, its performance – and what it may be seeking to address through director remuneration, before moving to practical considerations.

The AICD does not have a position on whether directors of NFP boards should be remunerated. This is a decision for each NFP organisation, its board and its members to make, taking account of the organisation's specific circumstances. This guide is intended to assist boards that are considering director remuneration. It provides guidance to work through that process in an ethical and transparent manner. In many cases, an NFP board that undertakes this process may conclude that remuneration is neither appropriate nor in the organisation's best interests.

¹ AICD (2026) [Not-for-Profit Governance and Performance Study](#) (research and reports landing page).



What do we mean by director remuneration?

This guide uses ‘director remuneration’ to refer to payment of directors for the services they provide as a director of the board. This is commonly referred to as director fees. This guide uses the term ‘director’ to denote individuals that sit on the governing body of an NFP, whether a board, council, or management committee. Depending on the organisation and legal structure, these individuals may also be referred to as Responsible People under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (ACNC Act), trustees, committee members, officers, elders, councillors, and governors.

We do not include reimbursements for out-of-pocket costs in director remuneration. For example, travel, accommodation, professional development expenses that an NFP may reimburse a director as properly incurred, in accordance with internal policy.

Australian NFPs and charities

In this guide, ‘NFPs’ encompasses the vast population of Australian organisations that are established for purpose and, in most cases, are prohibited by their constitution from returning a profit or surplus to members or those who govern/control them.

These organisations span a spectrum, from local, volunteer-run sporting and recreation clubs through to some of Australia’s largest health and aged care providers. They are critical to the functioning of Australian society and are able to operate only because individuals volunteer their time and talents, including as directors, as well as contributing financially through forms of philanthropy.

Australian NFPs can take a wide variety of legal forms. They may be incorporated associations governed by state and territory legislation; companies limited by guarantee and other NFP companies established under the *Corporations Act 2001* (Cth) (Corporations Act);² Indigenous corporations established under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act); cooperatives; trusts; or even unincorporated associations.

These organisations will have one or more regulators based on whether they are a company limited by guarantee regulated by the Australian Securities and Investments Commission (ASIC), a charity registered with the Australian Charities and Not-for-profits Commission (ACNC), and depending on their entity type, such as community-based associations regulated by state or territory fair trading offices or a CATSI corporation overseen by the Office of the Registrar of Indigenous Corporations (ORIC). Each of these organisations will also have compliance requirements with the Australian Taxation Office (ATO).

The NFP and charity sector in Australia is substantial. Past estimates suggest there are approximately 600,000 NFP organisations across the country,³ while ACNC reporting indicates there are now more than 64,000 registered charities.⁴ These figures underscore the significant scale and reach of the sector.

² Australian Taxation Office (2021) [Legal structures for not-for-profits](#).

³ Department of Social Services (2024) [NFP Sector Development Issues Paper](#), Page 4.

⁴ ACNC (2025) [Annual Report 2024-25](#), Page 13.

Voluntarism, professionalism and the modern NFP board

There are strong historical, cultural and legal reasons why directors of NFPs have generally been unpaid.

For many NFP directors, serving voluntarily on a board has been an important way of 'giving back' to a community or particular cause. Remunerating directors would, for some NFPs, be unacceptable if it resulted in less resources being devoted directly to furthering the organisation's purpose.

Reflecting broader trends in Australian governance, the demands on boards and directors of many NFPs have grown significantly in recent decades. Directors and their boards are expected to spend more time overseeing the operations of their organisations and to bring skill sets commensurate with those of directors in similarly sized private and public sector organisations. Legal responsibilities and obligations generally do not differentiate between directors of NFP and charitable organisations and those of private and public commercial organisations.

Balancing commercial realities while recognising their operations are for purpose rather than for profit is a key challenge for NFP boards, especially with rising costs and increased demand for services. This has led to a trend in certain sectors or industries for larger NFPs to provide a level of remuneration for directors, which is discussed further below.

Governance of NFPs grounded in voluntarism and giving back

NFPs in Australia developed historically as volunteer-led community, civic and faith-based institutions, rather than as professionalised corporate bodies. Governance and service delivery were both understood as forms of giving – time and skills – alongside financial donations and philanthropy.

Historically, NFPs were highly reliant on volunteers and were generally small to medium in scale, often based within a particular community or region. In that context, paying directors would have sat uneasily alongside large numbers of frontline volunteers, low or modestly paid staff, and funder expectations that resources are directed to purpose.

It is important to stress that directors of NFPs generally face the same or similar directors' duties as for-profit company directors, and that these obligations and accountability do not diminish because the role is unpaid. See [Box 1 – Directors' Duties and Obligations](#)

“ I really think the 'spirit of voluntarism' needs to temper the remuneration-setting processes NFPs use, not just to give a good public face but to uphold the basic culture that most NFPs have.”

Ken Dean FAICD
Chair, Reformed Theological College

Non-financial benefits of serving as an NFP director

Serving as an unpaid director of an NFP can bring meaningful personal and professional benefits that extend well beyond financial compensation.

For many directors, the most significant benefit is the opportunity to apply their skills and experience to a cause they believe in. This connection is often deeply personal, whether through lived experience, family involvement, or longstanding community ties. For example, directors may serve on the council of their child's school, contribute to the governing body of the local sporting club, or support social services that assist vulnerable members of their community.

While rarely a primary motivator, directors often find that their service also supports their own development – building governance expertise, expanding professional networks, and contributing to their standing within the community.

In some sectors, governance roles retain high degrees of profile, prestige and influence which derive a non-financial benefit to individual directors. Such roles remain highly sought after and may not prompt a desire to move to remuneration.

Box 1 – Directors’ Duties and Obligations

There can often be a misconception that NFP directors do not have the same duties or legal obligations as directors of for-profit entities because they are volunteering their time or the organisation is small. This is not correct.

Directors’ duties apply to NFP directors and directors of for-profit entities, regardless of the size, structure or complexity of the organisation.

There are four general directors’ duties outlined below. These duties are found in common law and equity, and/ or in key legislation that applies to directors, including the Corporations Act (for those organisations that are federally incorporated), ACNC Act and regulations (in the form of the ACNC Governance Standards) and CATSI Act and state/territory association incorporation legislation.

- Act with reasonable care, skill and diligence
- Act in good faith and for a proper purpose
- Not to improperly use information or position
- Disclose and manage conflicts of interest

It is important to recognise that, although Corporations Act directors’ duties are largely ‘switched off’ for directors of registered charities (that is, the obligations regarding directors’ duties do not apply to directors of registered charities in the form prescribed under the Corporations Act), they continue to owe similar duties under the common law and equity.

Further, [ACNC Governance Standard 5 - Duties of Responsible People](#) requires charities to take reasonable steps to make sure that the duties apply to Responsible People and that they follow them. The duties require Responsible People to act honestly and fairly in the charity’s best interests, manage conflicts of interest and ensure the charity’s resources are used to further its charitable purpose.

Failure to comply with one or more of the Governance Standards by the charity may result in:

- The use of the ACNC Commissioner’s enforcement powers, including warnings or directions being issued to the charity; and
- Revocation of charity registration, resulting in the charity losing access to certain government funding, exemptions, concessions and benefits.

As volunteers, unpaid directors are generally exempt from prosecution for a breach of WHS obligations. Paid board directors who fail to comply with WHS laws may be open to criminal prosecution. However, volunteer directors still have a duty to exercise due diligence and can be prosecuted if they are found to be a ‘worker’ or their actions are reckless.

There may be additional board and director obligations/liability settings in specific sectors under relevant sector regulation, such as in [aged care](#).

For further information on the legal differences between volunteer and paid board members, see Justice Connect’s [Factsheet](#), which provides general information about the different protections available to board members of NFP organisations.

Legal and constitutional entrenchment of the volunteer director model

As NFPs became incorporated (as associations, companies limited by guarantee or otherwise), the volunteer governance model was often hard-wired into organisational constitutions and other governing documents. It is common for many NFPs to have constitutions that explicitly prohibit the payment of directors, reflecting the legacy of what ‘traditional NFP governance’ looks like.

State and federal laws generally do not prohibit an NFP organisation from making a payment to its board members for their services as a director, where permitted by the company’s constitution. However, in NSW, an organisation will need approval from the Minister if it wishes to remunerate directors and engage in charitable fundraising.

The board should be aware that where government grant funding is held in trust for specific purposes, exceptions⁵ may apply and other legal considerations may arise, including the application of civil liability to remunerated directors (see [Appendix](#)).

Further, regulator guidance, including the ACNC with respect to registered charities, highlights that a decision to remunerate directors is complex and should be approached with care and diligence.⁶ Beyond NFP-specific regulation, there is also state- and sector-specific regulation that must be considered.

As a starting point, key legal considerations are outlined in further detail at [Step 2: Conduct due diligence](#). However, each NFP’s unique circumstances are likely to warrant seeking specific legal advice as a prudent choice.

“ On NSW non-government schools receiving public funding, legislation was purposefully introduced to ban director remuneration after one or more organisations who claimed to be NFP, were found to have been obtaining a significant personal benefit from government and parent grant money held in-trust for the not-for-profit purpose of the organisation.”

Michael E Jones OAM FAICD
Chair, Independent Schools Australia

Sector trends and demands on NFP boards

Over the past two decades, there has been a shift in the expectations and obligations on many NFPs. This has been particularly pronounced in human services and care sectors where NFP organisations are among the largest and most systemically important providers. These NFPs may also be in competition with private and public sector service providers.

Boards of more complex NFPs, or those in more highly regulated sectors, are increasingly expected to meet governance standards and practices that are to the same level as commercial corporate boards. This shift has been driven by:

- industry structure and business model changes that achieve economies of scale, with operations at state, national, and international levels rather than remaining localised;

- royal commissions’ (aged care, disability, institutional responses to child sexual abuse), which have identified widespread governance shortcomings and prompted new regulatory requirements, higher governance standards and heightened community scrutiny;
- the establishment of the ACNC in 2012, introducing national charity registration, common governance standards for the sector, and increased requirements for public transparency;
- the roll out of the National Disability Insurance Scheme (NDIS) and increased levels of choice and control for clients and customers in selecting service providers;
- community housing providers required to be established as companies limited by guarantee and not-for-profit – entering into significant joint venture arrangements with public and private enterprises for major property developments for the purpose of providing more social and affordable housing;
- new requirements for non-charitable NFPs, that self-assess as income tax exempt, to notify the ATO annually of their eligibility;
- increased government and donor due diligence requirements for funding streams, including more detailed grant acquittal reporting;⁷
- sophisticated philanthropic participation has expanded the focus on board practices and composition, in addition to executives; and
- the growing burden of regulatory requirements (particularly in the care sectors) on business operations, creating challenges for reliance on volunteer models.

⁵ For example, the prohibition in section 83C of the Education Act 1990 (NSW) (and similar in other jurisdictions).

⁶ ACNC guidance. [Remunerating responsible people](#)

⁷ RSM Australia (December 2025) [Grant challenges on the rise for not-for-profits and charities](#)

These trends may not be applicable to all NFPs in all sectors. However, for many larger NFPs, including those operating in human services, education or care sectors, they have prompted a significant increase in the demands on, and professionalism of, boards. Directors are expected to bring a level of skill, rigour and time commitment commensurate with the complexity of the NFPs they govern.

Trends in remunerating directors

The AICD [2025/26 NFP Governance and Performance Study](#) found that the proportion of survey respondents who reported remunerating directors has doubled over the past decade, rising from 13% in 2015 to 27% in 2025/26.⁸

The study findings indicate that larger organisations with annual revenue above \$50 million – particularly charities – are more likely to remunerate directors. When analysed by sub-sector, the highest rates of director remuneration were reported in health and residential aged care (46% of respondents in that sub-sector), development and housing (45%), business and professional associations (24%), social services (23%), and environment (20%). In contrast, remuneration is far less common in culture, arts and sports organisations (9%), and even lower within international activities (4%). The study also found that 24% of respondents had discussed implementing director remuneration on their main NFP board.

Overall, the study revealed that director time commitments are increasing, with 46% now spending more than three days per month on a single board. While the NFP Study identifies these trends, it is only one data point. Entities should supplement this with peer insights and industry benchmarks to inform decision making.

Legal and regulatory considerations

Legal and regulatory considerations are central to boards and organisations grappling with the question of director remuneration.

Legal considerations for directors, boards, and the organisation are covered in [Step 2: Conduct due diligence](#). The [Appendix](#) also contains more detail, including taxation implications.

A decision-making model

The steps in [Figure 1](#) are intended to assist NFPs in their deliberations and decision-making on whether to remunerate directors. The consultations process should also include multiple review points, enabling the board to consider stakeholder input and determine whether a proposal should proceed or not.

Each step forms a chapter of this guide and sets out key considerations to support board judgement. Real-life case studies are included to provide illustrative examples.



Figure 1: A structured five-step approach to board considerations about whether and how to remunerate directors in a not-for-profit context.

“In the arts sector, board directors are for the most part unpaid and generally expected to donate their time, apply their experience and expertise in governance, connect the organisation to their networks, step up with fundraising, and usually donate money themselves. I would also note that there is additional complexity to being a director on arts boards, especially at present.”

Lisa Chung AM FAICD

⁸ AICD (2019) [NFP Governance and Performance Study](#). Comparison of NFP director remuneration 2014-2019, Page 29.



Step 1: Consider threshold questions

Key considerations

Resolve these threshold questions before proceeding:

- Will paying directors be consistent with, and advance, the NFP's purpose?
- Will it address an identifiable governance problem?
- Will it be consistent with the NFP's specific legal obligations, including acting in the best interests of the NFP?
- Will it give rise to significant organisational culture and/or reputational risks?

There are a series of threshold questions the board should ask itself at the outset of any process.

First, the board should start with the organisation's purpose – why it exists and what has it been established to achieve. Is payment consistent with the organisation's purpose now and into the future? Second, the board should consider what governance challenge it is trying to solve, and whether director remuneration is likely to address it. Finally, the board should consider its legal obligations, including acting lawfully, in the best interests of the NFP, and managing conflicts of interest.

Ultimately, paying directors requires careful consideration of trade-offs. In considering whether to remunerate directors, boards should afford consideration to a range of factors, including governance frameworks, reputational implications and any impacts on key stakeholders, including donors and volunteers. The organisation's core purpose should remain central to this assessment.

Governance challenge to address

NFPs that have moved to a remunerated model of directorship are often looking to address a specific governance challenge. This problem frequently goes to the composition of the board and how the board attracts and retains directors with the talent and skills necessary to fulfil its governance obligations, and best advance the purpose of the organisation.

The case for paying directors can often cover the following factors:

- attracting and retaining directors with relevant skills and lived experience that will meaningfully contribute to the governance of the NFP and its strategic performance outcomes;
- expanding the potential pool of directors by addressing equity concerns associated with a volunteer-only model, which may limit who can serve as an NFP director (including the opportunity cost);
- reflecting the increased time, dedication, and workload expected of an NFP director in overseeing complex organisations, including expanded regulatory requirements and obligations;
- recognising that payment provides a direct accountability mechanism, signalling greater expectations of director focus and diligence (noting that unpaid directors generally have the same duties as paid directors); and
- benchmarking against comparable industry or sector organisations, both NFP and for-profit, that remunerate directors, and considering how this may influence the pool of future candidates.

A board should consider whether director remuneration is one of the more effective ways to address a composition challenge. It may be the case that other initiatives and strategies could be trialled first.

Other strategies may include:

- support from recruitment agencies and online recruitment platforms to broaden the talent pool;
- implementing 'board observer' style training programs or other pathways to directorship (including for skills, lived experience, diversity gaps); and
- reviewing the frequency of board meetings and the length of board packs to ensure they are appropriate and do not impose unnecessary time burdens on directors.

Financial and strategic considerations

The board should closely consider whether director remuneration is financially sustainable. Many NFPs have limited financial resources and may be reliant on uncertain or unstable external funding sources, including government grants. In other words, does the organisation have the capacity to pay directors at the levels proposed?

The remuneration of directors can be more costly than a simple multiplication of director fees by number of directors, and should be modelled over a longer timeframe and assessed against alternative options.

The board should also assess the strategic context of the organisation. In particular, how will donors or funders consider the payment of directors and is payment aligned with broader community expectations of that organisation, or sector, and how they are governed. For example, it would be highly unusual for directors (or management committee members) of a community sporting organisation to be remunerated given community views on how a local sporting club should be governed. There are also legal implications regarding whether internal and/or external funding is 'tied' for exclusive use and application for a designated purpose.



People and culture issues

Many NFPs rely on the effort and goodwill of its workforce, whether as paid staff or volunteers. The payment of directors may undermine the connection the organisation has with its workforce, particularly its pool of volunteers, potentially discouraging volunteers from contributing their time and resources. There may be a broader conversation on how the organisation acknowledges the work of its staff and volunteers, especially in the NFP sector where people are deeply committed to the cause and go above and beyond in their roles. Boards should not underestimate the 'spirit of volunteerism' across its NFP workforce, whether paid or unpaid.

A related consideration is the effect on the organisation's culture, especially if there are flow-on impacts to program and service delivery (through diversion of funds) and any negative experience for beneficiaries and clients. Ultimately, this leads back to the board considering whether the implementation of director remuneration would affect the organisation's ability to deliver on its purpose, vision and strategy.

Reputational risks

Reputational risk is a key issue for boards and warrants careful attention. As detailed in [Step 3: Consult with stakeholders](#) it is critical that stakeholders are comprehensively engaged with on any proposal to remunerate directors.

Central to considering reputational impact is whether the payment of directors may lead to a loss of donor and community support or create conflicts of interest. See [Box 2](#) for further information on conflicts of interest.

Relatedly, a key consideration is the potential damage from an NFP being perceived by its stakeholders as diverting resources from programs and beneficiaries that is inconsistent with the NFP's purpose. Such criticisms are likely to be particularly acute if the NFP is financially constrained.

Box 2 – Conflicts of interest

A director has a material personal interest in decisions concerning their remuneration, which should be managed in accordance with the organisation's conflict of interest policy and, if relevant, applicable legislation.

Under section 191 of the Corporations Act, company directors are generally not required to give notice of material personal interests that arise in relation to their remuneration and are not restricted from voting on decisions of this nature. However, for registered charities, section 111L of the Corporations Act switches off this exemption and ACNC Governance Standards are instead applicable. Notwithstanding this position at law, good governance dictates that an organisation's constitution and conflict of interest policies should guide director conduct in relation to remuneration decisions.

Members may need to approve benefits to directors, including director remuneration, on the basis they are related parties. Overall, care should be taken to ensure the remuneration is reasonable given the company and director's circumstances (including the director's responsibilities). If a company decides to amend its constitution to allow director remuneration, it may choose to include a provision requiring members to approve or ratify this remuneration (even if not strictly required by law), for transparency and accountability.

See ACNC guidance on managing conflicts of interest.⁹

⁹ ACNC guidance on [managing conflicts of interest](#).

Case study: Warrigal

Warrigal is a not-for-profit aged care organisation based regionally in New South Wales and covers southern NSW and the ACT. With 2,500 staff, it operates over 1,600 residential aged care beds, support at home services and retirement living through 12 villages. It is structured as a company limited by guarantee with a small membership, which includes former directors, life members, past chairs, and long-standing community supporters. After 57 years of a wholly voluntary board, Warrigal undertook a 12-month deliberative process in 2023–24 to consider whether to move to a remunerated director model. The proposal was approved at the 2024 AGM.

“In July 1997, I was privileged to be invited to join the Warrigal Board, which, at that time, was comprised of exceptional and dedicated volunteers. My appointment came at a time when Warrigal was a much smaller organisation – approximately 500 beds and 200 Independent Living Units and fledgling Home Services business – and going through a transition phase.”

Wyn Janssen, former Chair, Warrigal (2016-2025)

Why the question was raised

The then-Chair Wyn Janssen opened the discussion at the 2023 AGM, framing it not as a comment on the adequacy of past volunteer boards but as a recognition

of how significantly the director role had changed – in regulatory complexity, legal liability, time commitment, and required expertise. What had begun as a community working-bee model had evolved into governance of a large, highly regulated aged care organisation. The board needed to attract directors with the depth of expertise that required, and to be able to make reasonable demands of their time.

The process

Janssen and CEO Jenni Hutchins, led the work in partnership with the Assistant Company Secretary. Warrigal established a working party of board directors and company members – deliberately not a committee of the board – and commissioned an independent paper from an NFP remuneration specialist who presented directly to the board. Remuneration was developed as one element of a board remuneration framework – an accountability structure which included a board performance framework such as position descriptions, a recruitment and refresh strategy, a clear remuneration policy and an updated skills matrix. Benchmarking targeted the 25th to 50th percentile, with a conservative starting position mindful of the organisation’s community profile and local reputational context. Legal due diligence covered constitutional amendments, a name change to include ‘Ltd’, and a review of funding agreements across relevant jurisdictions.

Three consultation sessions were held with company members – one in-person, two online. Warrigal wrote back to all members documenting what was heard and what changed as a result. Closing the loop was treated as a governing principle, rather than an optional step.

The AGM vote

The proposal required a 75% majority. The organisation’s lawyer was present to answer any questions on the day, and the auditor acted as independent scrutineer for the vote count. The motion passed with a strong majority. The voting was via ballot to enable anonymity in the voting process. Warrigal framed the outcome as evolution, not repudiation – explicitly acknowledging the volunteer boards that had steered the organisation over 57 years.

“Remuneration is the tip of the iceberg. Underneath the water, you must establish comprehensive processes to prove to the people you’re accountable to – [that] we are being accountable, we’re being transparent, and we’re being ethical.”

**Jenni Hutchins MAICD
CEO, Warrigal**

Ongoing governance

Oversight sits with Warrigal’s Nominations and Remuneration Committee. The initial approval covered a three-year period with indexation permitted within a defined pool cap. Warrigal notes the practical importance of ensuring the Year 3 approval includes the words ‘on and from’ – without this, remuneration may lapse unless the pool is returned to the AGM for renewal.



Step 2: Conduct due diligence

Key considerations

- Consider delegation to a committee
- Seek external advice on governance, legal, tax, superannuation, and market benchmarking on remuneration
- Consider resourcing and support
- Evaluate costs and benefits

What follows are suggested next steps for boards to follow if, having addressed the threshold questions at [Step 1](#), they have determined that it is an appropriate time to consider moving to a remunerated director model.

Consider delegation to a committee

The board should delegate to a board committee (whether existing or special purpose) to undertake further work on the practical elements of considering director remuneration. If there is not a relevant committee, then establishing a small working group comprising the chair and several board directors may be an appropriate mechanism to progress this work and report back to the board.

The committee/working group should consider the inclusion of one or more external committee members to provide an independent perspective, assist with managing the perception of conflict of interest and to support subsequent stakeholder engagement.

Practical elements of considering director remuneration include:

- **Proposal** – Exploration of director remuneration (governance, legal, financial, practical, reputational, and strategic considerations), as well as alternative options to address certain related issues such as director recruitment and retention.
- **Process** – Sequencing the necessary steps and timing for implementation of the proposal, including stakeholder consultation and constitutional amendments.
- **Practice** – Implications for individual directors, the board as a whole, and the organisation, including impacts on standing with members and donors.

As a starting point, boards should consider the legal factors relevant to the NFP's unique circumstances, including its governing documents and the nuances between legal structures (such as associations, companies limited by guarantee and trusts), as well as charity registration and the laws applicable by size, sector, and jurisdiction.

Many NFPs also have a long history of incorporation that will pre-date the current tenure of its board, which may lead to specific legal quirks that need to be worked through (for example, it may be a creature of statute or subject to complex constitutional arrangements). In some instances, constitutional amendments may need to be made before remuneration is possible.

Maintaining tax concessions and exemptions are a critical aspect for NFP boards to consider from a legal perspective. For example, the ATO¹⁰ has a specific tax ruling that requires entities exempt from income tax to apply their income and assets solely for the purpose for which they are established. Prospectively, excessive or inappropriate director remuneration could breach this condition, and may also jeopardise registration with the ACNC.

¹⁰ ATO Tax Ruling 2015/1 [Income tax: special conditions for various entities whose ordinary and statutory income is exempt](#). Paragraph 3 - entity must apply its income and assets solely for the purpose for which the entity is established. See examples regarding 'private benefit'.

Seek external advice

Boards may wish to commission external advice to work through matters, including those detailed in [Box 3](#) and the [Appendix](#).

Box 3 – Sources of external advice

Legal	<ul style="list-style-type: none"> • Review the threshold question of whether remuneration is permitted, including existing law, organisational constitution, charters, contracts, etc • Consider potential legal consequences under legislation, contracts, insurance policies, etc • If necessary, draft constitutional amendments for member consideration • Develop a director remuneration policy framework
Accounting and tax	<ul style="list-style-type: none"> • Application of relevant accounting and audit standards • Disclosures in the financial statements • Tax implications for the organisation and directors, including donations
Benchmarking	<ul style="list-style-type: none"> • Independent and credible industry data (i.e. by sector, size, scope) • Structuring appropriate director remuneration settings



Consider resourcing and support

The committee should consider what level of internal and external resources would be needed to support the project, within the defined parameters of time, cost, and scope.

This is a significant undertaking and may divert time and attention away from delivering on the NFP's existing priorities. Boards should think carefully whether now is the right time to take forward any remuneration discussion.

In the event of successfully implementing director remuneration, there are ongoing costs that will be incurred. This should be quantified and budgeted for. It may include ongoing benchmarking and legal advice, especially if further member resolutions are required to increase director remuneration in future years.

Evaluate costs and benefits

The committee should evaluate the costs and benefits to the NFP and make a recommendation to the board on whether to proceed, not proceed, or potentially revisit at a later point in time.

As part of the recommendation, the committee should have regard to evaluating the costs and benefits of maintaining the status quo. To not act is also a deliberate action the board should consider the benefits and costs of not proceeding.

Key questions

- What are our NFP's unique circumstances? What are our social and historical foundations? What is our purpose and current strategy and vision?
- What challenges are we trying to address? Is this the best tool to address them?
- How would this align with our organisational purpose, culture and strategy?
- Is remuneration of directors possible under our existing legal structure and constitution?
- What does director remuneration mean practically for individual directors, the board and organisation? Have we considered implications for former and future directors?
- Is now the right time to consider this issue? Should it be a priority for the board and management or is it an unnecessary distraction?
- What are the governance and operational considerations?
- Have we used an appropriate benchmark for director remuneration? Have we stress tested this against comparable NFPs by sector, size, and scale?

“Director remuneration carries risks including financial strain, negative public perception, mission conflicts, attracting wrong motivations and internal tensions. Organisations must carefully weigh these factors against their specific context and needs when considering director remuneration.”

Trent Bartlett FAICD

Case study: Mental Health First Aid International

Mental Health First Aid (MHFA) International is an Australian company limited by guarantee, and a registered health promotion charity. Its purpose is to grow a global movement dedicated to providing evidence-based mental health first aid education for everyone. Since introducing the concept of mental health first aid over 25 years ago, more than 9 million people have been trained worldwide through a network of partners in 52 countries.

MHFA International is a largely self-funded social enterprise, with a focus on driving innovation and program development, aiming to increase mental health literacy and give people the skills to have conversations about mental wellbeing. This work is delivered by nearly 60 paid staff, working with trainers and instructors.

Initially established as a university-based program in 2000, the company was incorporated in 2011 with an unpaid board.

Why the remuneration question was raised

In 2024, MHFA International began discussing the option of introducing director remuneration in response to the organisation's growth, the increasing strategic complexity of its operating environment, and insights received through a board renewal process.

Key factors informing these conversations included the changing nature of not-for-profit governance, the growing expectations involved with serving as a director, and the need to continue attracting directors with the requisite expertise, skills and diversity of perspectives.

The discussion was open and reflective, but not straightforward: directors grappled with questions about the changing nature of their roles, their motivations and values, how they allocate time to paid and unpaid work, and their aspirations for the organisation.

The decision-making process

The decision-making process was led by the board and chair, supported by the Governance, Remuneration and Nominations (GNR) Committee, drawing on advice and recommendations provided by the CEO and Company Secretary.

The Committee first considered information on how comparable organisations have approached director remuneration, drawing on insights from the AICD's Not-for-Profit Governance and Performance Study 2024-25 and other available resources.

There was an examination of current legal obligations, including requirements under the ACNC regulatory framework, the *Corporations Act 2001* (Cth) and the provisions of MHFA International's constitution.

Following the board's discussion of the relevant information and options, an in-principle decision was made to proceed with the introduction of director remuneration. Additional work was to be undertaken to inform a decision about the level of remuneration and the constitutional and other changes needed to operationalise the shift.

Setting the level

Subsequently the GNR Committee examined remuneration levels for comparable organisations to inform its recommendation to the board, drawing on public sources of benchmarking information such as annual reports on the ACNC's Charities Register, the AICD's Director Remuneration Report 2025 and the Appointment and Remuneration Guidelines for Victorian Government boards.

The board accepted the Committee's recommendation, settling on a conservative and modest level of remuneration – and deliberately so. The aim was to introduce some monetary compensation for the work of directors, while continuing to foster a strong sense of service, grounded in MHFA International's identity as a charity operating for the public benefit.

Operationalising the shift

Following this decision, MHFA International's constitution was amended by special resolution in September 2025 to explicitly permit director remuneration on reasonable commercial terms.

Once the legal foundations were in place, the GNR Committee and management worked through the practical requirements for implementing the new director remuneration framework including:

- the implications of paying overseas directors;
- the classification of directors as employees or independent contractors;
- income tax withholding and superannuation obligations; and
- salary packaging arrangements.

A Director Remuneration Policy was developed, setting out the key components of the remuneration framework, and formalising the periodic review of arrangements based on updated benchmarking.

Outcome

MHFA International implemented director remuneration in late 2025.

“When exploring the topic of director remuneration, MHFA International sought to model an approach that demonstrates our commitment to effective and strong governance. Organisations need to examine their context, and there are various strategic, regulatory and other factors for directors to consider. It’s vital that boards allocate time and space for this discussion, because the process for arriving at a decision is just as important as the decision itself.”

Krystian Seibert MAICD
Chair, Mental Health First Aid International (2021–2026)





Step 3: Consult with stakeholders

Key considerations

- Conduct respectful and transparent stakeholder engagement
- Tailor engagement based on needs and context of key stakeholders. These may include members and beneficiaries, staff and volunteers, donors and funders
- Balance competing or conflicting stakeholder views

As a guiding principle, directors should take a long-term view of where the organisation's interests lie, while seeking to maintain as respectful and transparent a relationship as possible with key stakeholder groups.

Conduct open and transparent stakeholder engagement

Genuine stakeholder engagement – particularly with volunteers, members and donors – should be at the heart of considering whether to remunerate directors. The appropriate level, timing and sequencing of consultation activities will be a matter for each NFP to work through as they develop their thinking. [Box 4](#) outlines further considerations on elevating stakeholder voices to the board.

Board directors may sound out key stakeholders to informally test the current thinking and rationale behind the proposal, while the chair (in conjunction with the CEO) may communicate the views of the board to the organisation's members, broader stakeholders and the public. Where necessary, the chair may lead engagement with, or make themselves available to, key stakeholders. For example, the chair may directly engage with key donors, particularly government where this is a major revenue source.

An issues paper, supported by an appropriate consultation period, can outline the proposal and provide multiple opportunities for key stakeholders (such as members and funders) to provide constructive feedback, in written or verbal form, individually or in group settings. The secretariat function should be resourced to manage that process.

Gauging the strength of support or lack of support for the proposal can indicate further work may be needed to address certain issues (such as size of director pool, staggered implementation, application of indexation, etc). There should also be multiple review points in the consultation process for the board to consider stakeholder input and consider whether the proposal should proceed or not proceed.

Box 4 - Elevating stakeholder voices to the board: A guide to effective governance

AICD has developed a [guide](#) to help directors identify and elevate key stakeholder voices to the board. The guide explores:

- the board's role in stakeholder governance;
- directors' legal duties in relation to stakeholders;
- principles boards should apply to ensure effective stakeholder governance; and
- how boards can balance the interests of stakeholders when making decisions

“It's about being open and transparent, not waiting until the AGM and saying, 'Here's our amended constitution – who's in favour?'”

Darren Fittler, Gilbert + Tobin

The following are some relevant stakeholder perspectives that NFP boards should consider.

Members and beneficiaries

For many organisations, the most important stakeholders are the people that the organisation exists to benefit. It is advisable for the NFP's members and beneficiaries to be consulted prior to any decision on whether to change director remuneration practice.

Organisations may wish to make clear to members and beneficiaries that, regardless of the outcome of the decision, the organisation's approach will be periodically re-evaluated.

Seeking feedback from former board members may also yield important insights into the historical context of the NFP, including any past consideration of whether to remunerate.

Under their governing documents, many organisations are required to seek member approval for significant changes, such as an amendment to permit the remuneration of board directors, especially if it is explicitly prohibited (see the [Appendix](#) regarding legal obligations).

Regardless of whether it is legally required – for example under ACNC Key Management Personnel reporting requirements for large charities – it is also good practice to disclose payments as part of annual reporting in the financial statements. This transparency supports compliance with the ACNC's Governance Standard 2 – Accountability to Members, and builds stakeholder trust.

Staff and volunteers

For many NFPs, staff and volunteers contribute to the organisation's mission with a strong sense of purpose. A proposal to remunerate directors may therefore raise questions among staff and volunteers about fairness, organisational priorities and the use of limited resources. Consequently, moving to a paid model may risk affecting organisational trust and confidence, particularly where stakeholders expect financial contributions to be directed primarily toward frontline activities and mission delivery.

Boards considering director remuneration should consider how staff and volunteers will be consulted on any proposal, including whether mechanisms are in place to encourage honest feedback and surface potential concerns. This may assist boards to identify and manage risks relating to organisational culture, stakeholder trust and workforce sentiment.

For NFPs considering director remuneration, the proposed amount of remuneration and any prospective annual increases should be benchmarked externally and considered in the context of the organisation's broader workforce settings. For example, it may be perceived as inconsistent to provide directors with annual CPI or other indexation where the workforce may be receiving lower increases or experiencing redundancies.

Philanthropic and other funders

For grant-funded or philanthropic-funded NFPs, using donated money to pay directors can be very sensitive, and will require careful consultation.

Funding agreements may also prohibit the payment of director remuneration or restrict the use of funds for governance costs. It is critical that NFPs review existing and expected funding agreements, including government grants, to avoid unintended consequences such as breach of contract or the clawback of funding.

The ['Paying what it takes'](#) report¹¹ by Philanthropy Australia, in collaboration with Social Ventures Australia (SVA) and the Centre for Social Impact (CSI), highlights that indirect and shared costs, such as governance, are commonly excluded by funders.

Funders (including government) cap the level of indirect costs allocated to grant applications during the assessment process. Boards should be clear on the rationale for any proposed remuneration and the outcomes it is intended to support. In some circumstances, it may also be appropriate for the chair or other board representatives to engage directly with key funding bodies or stakeholders to discuss the proposal and understand potential concerns.

“How does the organisation culturally reconcile a material change in treatment of one group of volunteers, i.e. its board or management committee members, if they were to move to a remunerated basis for their services, compared with another group e.g. the op-shop or front-line service volunteers who are not offered remuneration?”

Steven Cole FAICD

¹¹ Social Ventures Australia, Centre for Social Impact and Philanthropy Australia (2022) [Paying what it takes: Funding indirect costs to create long-term impact](#). Indirect and shared costs commonly excluded by funders. Page 23.

“One really important thing is that the payments are reasonable. If they stray into the area of private benefit, then we would be concerned about that.”¹²

ACNC Commissioner, Sue Woodward AM

Understanding regulatory obligations and expectations

At the Commonwealth level, the ACNC is the key regulator for charities, including in relation to director remuneration and complying with the [ACNC Governance Standards](#). In particular, Governance Standard 5 – the Duties of Responsible People provides that is a breach of duty for a director to make a decision that results in charity finances being used for no real benefit to the charity or in a way that does not further its charitable purposes.

NFPs should also have regard to the range of regulators at the state/territory level and at the sector level which may have additional expectations regarding decisions to remunerate directors.¹³

Key questions

- What is the role of the chair, board, and CEO in engaging with key stakeholders?
- Have we engaged with key stakeholders with openness and transparency?
- How have we considered any concerns raised by members?
- Will remunerating directors create challenges for future funding arrangements from government or philanthropic donors (current or potential)?

¹² In an [AICD article](#) in October 2024, Sue Woodward AM, Commissioner of the Australian Charities and Not-for-profits Commission (ACNC) which regulates charities (a smaller subset of NFPs), said payments must also further the organisation's charitable purpose.

¹³ For example, at the state level, under the [NSW Charitable Fundraising Act 1991](#), Ministerial approval is required for a person to serve as a remunerated board director. An application for approval must be sent to NSW Fair Trading prior to the appointment. At a sector level, [NSW legislation](#) prevents director remuneration in non-government schools but permits the reimbursement of directors for reasonable expenses, supported by appropriate receipts.



Case study: AICD – member consultation

The [Australian Institute of Company Directors](#) (AICD) is Australia's peak governance organisation, with more than 53,000 members across the for-profit, not-for-profit and public sectors.

AICD members approved a change to the AICD Constitution to permit the payment of remuneration to non-executive directors at the [2025 Annual General Meeting](#). The AICD Board engaged in a program of member consultation and engagement in developing a proposal for member consideration.

While not intended as a prescriptive model for other NFPs (noting the AICD's unique circumstances), examples and links are provided for reference.

In considering the proposal the board engaged in extensive review and member engagement with governance oversight, including:

- **Board committee oversight:** The Nominations and Governance Committee of the board was delegated responsibility for due diligence, overseeing consultation processes and making recommendations to the board, in a structured governance process.
- **Division Council engagement:** The board engaged with the AICD's State and Territory Division Councils from an early stage, in advance of developing proposals for member consultation and consideration, to inform its thinking.

- **External advisory committee:** An external advisory committee consisting of Division Councillors and AICD members was established to inform consultation with members and to provide advice on policies and proposals independent from the board. The board empowered the committee to make recommendations, including whether to proceed to a vote by members.
- **Member discussion paper:** In May 2025 the board released a [Member Discussion Paper](#) outlining the rationale for and against director remuneration, potential quantum of director remuneration and proposed transparency measures. The paper was promoted to members through the AICD's communication channels.
- **Member consultation:** Feedback was encouraged through an online survey and form, to the Company Secretariat, or at Town Halls online or in person in multiple states. Consultation encouraged a wide range of stakeholder feedback, including the option of not proceeding with constitutional change. A comprehensive [Member Consultation Response Paper](#) was published in October 2025 outlining feedback received and next steps.
- **Board visibility:** The board was visible to members and stakeholders throughout consultation, adopting an 'open door' policy for members who wished to raise feedback directly. The board also engaged individually with distinguished members of the AICD to understand their views.
- **Member communications:** Once the board resolved to put the Constitutional amendment to members for decision at the 2025 AGM, communication provided members with detail on the proposal and encouragement to participate in the vote (without seeking to 'campaign' for a specific outcome).



Step 4: Confirm whether to proceed or not

Key considerations

- Decide whether to take a proposal to members for approval
- Consider stakeholder feedback and undertake remuneration benchmarking
- Determine an appropriate director remuneration policy framework, after reviewing through an ethical decision-making lens

At this stage, the board will have conducted its due diligence and consulted with key stakeholders. Ultimately, it is for the board to determine whether to proceed or not proceed with taking the proposal to the membership for approval.

Decide whether to take a proposal to members for approval

Whether the relevant committee recommends proceeding or not proceeding, boards should consider the final decision through an ethical decision-making framework. Moving from 'can' we do it to 'should' we do it, is the critical element at this stage. [Box 5](#) outlines further guidance on ethical decision making in the boardroom.

Box 5 - Ethics in the Boardroom 2ed – A guide to decision making

The AICD's [Ethics in the boardroom guide](#) (2ed, 2026), developed with The Ethics Centre invites directors to view decisions through four lenses.

- **General influences** – What aspects of the organisation's strategic environment are relevant to the decision?
- **The board's collective culture and character** – Does the board as a whole have a culture that enables and supports ethical considerations, including calling on the organisation's ethical framework?
- **Interpersonal relationships and reasoning** – Has the board considered how group dynamics impact on board discussions, including how directors' own default decision-making style fits in?
- **The individual director** – Is each director aware of their personal ethical position and how it might differ to that of the organisation?

The guide also presents a five-phase decision-making framework – which provides a structured and repeatable approach to working through ethical issues in a way that is thorough and defensible.

Consider stakeholder feedback and remuneration benchmarking

Boards should engage key stakeholders throughout the process, including consulting key stakeholders in advance of any intention to introduce or not introduce director remuneration. Documenting how stakeholder feedback has shaped the final decision is also recommended.

It is good practice for charities to seek member approval of director remuneration and disclose payments as part of annual reporting in the financial statements, even where not legally or constitutionally required. This transparency supports compliance with ACNC Governance Standard 2 – Accountability to Members, and builds stakeholder trust.

A formal vote may be needed to be conducted. The organisation may need to pass constitutional amendments at the annual general meeting (AGM), special general meeting (SGM) or extraordinary general meeting (EGM) with a special resolution (generally 75% of members attending the meeting in person or by proxy voting in favour of the change) to remove pre-existing prohibitions on director remuneration.

To build trust and transparency, in the lead up to the general meeting, member communications should be prepared and published, including key documents publicly available in an accessible format on the organisation's website. The management team should ensure that key documents including the constitution, charters, and contracts have been reviewed to ensure consistency and accuracy in how director remuneration is dealt with, to avoid practical implementation and consequential interpretation issues.

The general meeting is also another opportunity for the chair to reflect on the member consultation process and thank members for their engagement and constructive feedback.

Determine an appropriate director remuneration policy framework

Through the consultation process, boards will have a good sense of which elements of the proposed director remuneration policy framework may require further refinement. For example, member feedback may indicate an appropriate director fee level, the need for specific financial transparency, and governance rigour regarding conflicts of interest.

The final proposed level of director remuneration will likely be one of the key focus areas for board discussion, debate and decision making. Boards should undertake appropriate benchmarking to ensure that the fees are reasonable and appropriate in the circumstances.

It is critical to stress test the proposed remuneration figure against relevant industry benchmarks (such as median remuneration for chairs and directors in the relevant sector, and by size of organisation by revenue), and individual organisations (such as director remuneration as a percentage of operating revenue). Individual charity financial statements can be accessed publicly through the [ACNC Charity Register](#), which may disclose individual or collective levels of director remuneration, depending on reporting requirements.

While the proposed figure may be reasonable, boards may decide to err on the conservative side in the final proposal given benchmarking and stakeholder feedback.

[Box 6](#) outlines an example of guiding principles and key elements of a NFP director remuneration policy adapted from the AICD's own recently adopted Remuneration Policy.¹⁵

Box 6 – Key elements of a Not-for-Profit Director Remuneration Policy

Guiding principles

- Fair and reasonable
- Financially sustainable and defensible
- Alignment with purpose, vision and strategy
- Compliant with legal and regulatory obligations
- Transparent member accountability
- Periodic benchmarking of remuneration level

Remuneration framework

- Maximum pool amount
- Individual remuneration (including matters of timing such as appointment, resignation and removal of director) and types of directors such as alternate directors (if permitted)
- Chair remuneration
- Committee chair/member remuneration (if relevant)
- Superannuation
- Payment frequency
- Buffer (between aggregate remuneration and maximum pool amount)
- Annual adjustments (without the need to seek express member approval)
- Periodic review and benchmarking
- Transparency, annual reporting and disclosure
- Conflict of interest protocols
- Administration by company secretary
- Scope

Key questions

- Has the board reviewed the proposal through an ethical decision-making framework?
- How has the board considered stakeholder views when stress testing the proposal to remunerate directors?
- Does the remuneration policy framework's guiding principles align with the organisational culture and purpose, vision and strategy?

¹⁵ AICD (November 2025). [Non-Executive Director Remuneration Policy](#).

Case study: James Brown Memorial Trust

In a 2025 court case, the charitable trust, James Brown Memorial Trust sought advice from the Supreme Court of South Australia (SA Supreme Court) on whether it had the power to remunerate its eight trustees and whether the remuneration was reasonable.¹⁴

For background, the Trust's balance sheet outlined gross assets of \$178 million and net assets of \$117 million and employment of 586 people and 44 volunteers.

The Trust's chair submitted the following factors as the underlying rationale:

- Significant time involved to prepare before each bi-monthly meeting and sub-committees and engaged outside of meetings from time to time.
- Government's intention to introduce new aged care legislation, strengthen aged care quality standards and introduce a new regulatory model.
- Complexity of the Trust's property, holdings and business dealings and the regulation of the aged care sector.
- Recruiting and retaining suitably qualified and experienced trustees.

The Trust proposed the following amounts after assessing similar NFP aged care providers and a remuneration survey report from a membership organisation:

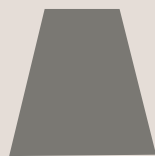
- \$30,000 for the chair per annum
- \$22,000 for the deputy chair per annum
- \$18,000 for trustees per annum
- \$3,000 additional for sub-committee chair position per annum
- \$3,000 additional for sub-committee members per annum

- \$500 per meeting attended for appointed non-trustee members per annum
- \$2,500 as a professional development allowance per annum to each trustee

The Trust also proposed the remuneration would be periodically reviewed and indexed to the percentage rates of pay determined by the Fair Work Commission Annual Wage Review Decision. It also proposed to undertake an external market review at least every three years using an established benchmarking tool, including analysis of charities.

The SA Supreme Court decided that the ability to remunerate trustees, the proposed remuneration amounts, and the regular review of that remuneration were reasonable and 'consistent with the best interests of the Trust', given its assets, the complexity of its operations and its size.

¹⁴ In the Matter of James Brown Memorial Trust [2025] [SASC 176 \(21 October 2025\)](#).



Step 5: Complete implementation and review arrangements

Key considerations

- Oversee the transparent and timely disclosure of director remuneration
- Review the remuneration framework, including the level of director remuneration

With regards to the reporting of director remuneration, it is vital that financial statements are compliant with relevant accounting, audit, and disclosure requirements.

Oversee the transparent and timely disclosure of director remuneration

Remuneration may need to be disclosed in audited financial statements. See the [Appendix](#) regarding annual reporting.

Depending on the applicable accounting requirements, boards may need to disclose individual remuneration and/or total director remuneration as approved. The notes in the financial statement may be the relevant section to provide additional detail on specific aspects of directors' remuneration.

There is currently a wide range of disclosure practices when it comes to director remuneration. We encourage NFPs to adopt a transparent approach, rather than risk perceptions that they are seeking to 'hide' payments.

Internal documentation is also critical to maintaining accountability and transparency, as it helps to support the external disclosures.

Review the remuneration framework, including the level of director remuneration

The relevant board committee should lead the periodic review of the director remuneration framework and related practical arrangements as part of its cycle of work, and make recommendations to the board for approval.

As part of the review, the committee could:

- Assess the director remuneration framework against the guiding principles to evaluate the extent to which the key objectives have been achieved.
- Consider whether external benchmarking would assist and seek stakeholder feedback, as appropriate.
- Identify any gaps which may require minor amendments for further board consideration, including amendments to the constitution.

From the outset, good record-keeping provides a foundation for future boards and management teams responsible for revisiting and reviewing arrangements, including past deliberations and decision-making processes.

It is appropriate for NFPs to periodically review the level of director remuneration (whether at an individual level or total pool) to ensure it continues to be fit for purpose and reasonable in the circumstances of the organisation, including its current and future financial position.

Credible, consistent, and comparable benchmarking data, together with independent external advice, are essential in supporting any board decision to increase the director fee pool. This also helps align any proposal with key guiding principles, including being fair and reasonable, and financially sustainable and defensible and consistent with organisational values and purpose.

That said, while external advice and industry benchmarks are important inputs, the board's judgement remains central in determining what is in the best interests of the NFP consistent with its purpose.

In certain circumstances, it may be appropriate to suspend or reduce director remuneration, particularly during times of financial stress or upheaval.

Additionally, changes to previously approved director remuneration may be warranted where there have been significant changes to organisational size, scale and complexity.

More broadly, boards should carefully consider how any decision to increase director remuneration will be perceived by staff and volunteers – for example, it would generally be difficult to justify a significant increase in director pay where staff are receiving only modest increases.

Key questions

- To what extent does the remuneration policy framework achieve the intended objectives?
- Does it require any amendment?
- Have we considered stakeholder feedback as part of our review?
- Is the director fee pool appropriate and adequate? Is it still financially sustainable?
- What does benchmarking and other publicly available information (i.e. comparable charities on the ACNC Register) tell us?
- Have we disclosed director remuneration appropriately and transparently?



Appendix – Legal, tax, regulatory obligations

The following section is a high-level summary of obligations adapted from the Gilbert + Tobin article, *Legal considerations arising in the remuneration of not-for-profit directors*. For further reference, NFP legal expert Justice Connect provides free factsheets on topics such as Payment of board members¹⁶ and Protections for board members.¹⁷

Boards should ensure they are familiar with the ACNC Governance Standards, which establish minimum standards of governance for registered charities. In particular, Governance Standard 5 – Duties of Responsible People is directly relevant to decisions about director remuneration. It requires responsible people to act honestly and fairly in the charity's best interests, manage conflicts of interest and ensure the charity's resources are used to further its charitable purpose.

As each organisation's circumstances are unique, care should be taken to ensure the specific circumstances are considered, and external advice sought (where possible) to aid decision-making and approach.

Legal ¹⁸	
Civil liability	<p>Under various state and territory laws, volunteers (which includes unpaid NFP directors) are largely exempt from personal civil liability for their actions (e.g. negligence) while carrying out volunteer community work. This exemption does not exist in some federal laws (such as the <i>Fair Work Act 2009</i> (Cth)) and is not available to paid directors even as a director of an NFP.</p> <p>For more information, see Factsheets from Justice Connect. Organisations should consider each applicable law and seek legal advice where appropriate.</p>
Work health and safety (WHS)	<p>Under national harmonised WHS legislation both paid and volunteer directors have a duty to exercise due diligence to ensure the organisation complies with its WHS obligations in those jurisdictions. Remunerating directors may have implications for the application of WHS laws. Organisations should consider this issue and seek legal advice where appropriate.</p> <p>There are implications from a WHS liability perspective in changing from a volunteer board director to a remunerated director</p> <ul style="list-style-type: none"> • A remunerated director can be criminally prosecuted for a failure to comply with the due diligence duty, whereas a volunteer director cannot.

Table continues next page

¹⁶ Justice Connect (November 2025) [Payment of board members](#).

¹⁷ Justice Connect (March 2025) [Protections for board members](#).

¹⁸ Gilbert + Tobin (October 2024) [Show me the money – Legal considerations arising in the remuneration of not-for-profit directors](#).

Continued from previous page

Constitution	An organisation cannot pay its directors if its constitution prohibits such payment. A special resolution of members to amend the constitution may be required before remuneration is permitted.
Member approval	If a company decides to amend its constitution to allow director remuneration, it may choose to include a member approval provision when amending the remuneration or remuneration framework (even where not legally required) to maintain trust and transparency. This includes possible future member approvals to increase director fees.
Third party contracts	NFPs should review terms or restrictions in any third-party contracts (including funding agreements) which may prohibit director remuneration and which may prevent certain funds being used for director remuneration. Likewise, directors should review any contracts or agreements related to other roles, including board director roles, advisory/consultancy roles, and employment roles.
ACNC registration and Commonwealth charity tax concessions	Registered charities must comply with ongoing ACNC requirements, such as having a charitable purpose for the public benefit. Registered charities may be entitled to various charity tax concessions, including income tax exemption, fringe benefits tax (FBT) rebate or exemption, goods and services tax (GST) concession and deductible gift recipient (DGR) endorsement. See the Tax section in this Appendix and ACNC guidance on Remunerating Responsible People.
Charitable fundraising laws	Some jurisdictions have specific obligations relating to fundraising which may limit remuneration of directors, unless regulatory authorisation is sought. See ACNC for regulation of charities and fundraising by state and territory regulators .
Annual reporting	NFPs may need to disclose director remuneration as part of key management personnel (such as directors) remuneration in accordance with the AASB Related Party Disclosures Standard. Charities will also have ACNC Annual Information Statement (AIS) reporting to consider.
Operating without the word 'Limited'	Certain companies are eligible to remove the word 'limited' from their formal name if they meet certain criteria under section 150 of the Corporations Act. One such criterion is for the company's constitution to include explicit wording prohibiting the payment of fees to directors.

Table continues next page

Continued from previous page

Tax¹⁹	
Director fees as income	<p>Unlike reimbursements, director fees are assessable as ordinary income which will need to be declared in the individual director's tax return. Director fees are not a 'salary' and are better viewed as compensation for services performed in the capacity of a director. Notwithstanding this distinction, directors are treated as 'employees' for certain tax purposes (see below).</p> <p>Where a director receives remuneration and donates it back to the organisation, the fees remain assessable. The director may be entitled to a tax deduction for the donation if certain conditions are met (e.g. the organisation has DGR status).</p>
Payroll tax	<p>Payroll tax is a state/territory-level tax payable on wages and deemed wages paid by an employer. In certain circumstances, payroll tax may be payable on director remuneration. This will depend on factors such as the principal place of residence of the director and whether the organisation has payroll tax exemptions in place. Expert tax advice should be sought.</p>
Fringe benefits tax (FBT)	<p>Cash director remuneration (for example, director fees) will generally not be subject to FBT. Broadly, remuneration and allowances are instead treated as ordinary income and forms part of the director's assessable income. However, non-cash benefits (for example, fringe benefits) provided to directors may give rise to FBT obligations for the organisation. Reimbursements of expenses incurred by directors are classified as expense payment fringe benefits (which are subject to certain exemptions).</p> <p>See ATO site for more information on FBT concessions for NFPs. Directors of organisations eligible for a FBT Exemption, such as Public Benevolent Institutions or Health Promotion Charities, would generally be able to access salary packaging arrangements in a similar way to employees of the organisation.</p>
Pay As You Go (PAYG) withholding	<p>NFPs that pay director remuneration will be subject to PAYG withholding requirements. The ATO publishes the required rate of employer PAYG withholding. See ATO site for more information on PAYG withholding for NFPs.</p>
Goods and Service Tax (GST)	<p>Director fees are not generally subject to GST when paid directly to an individual acting in their personal capacity. However, in some circumstances, GST may become relevant. For example, if the director is invoicing the organisation for their services through a company structure (e.g. a personal services company), GST may be payable by the director.</p>
Superannuation	<p>Under Commonwealth legislation, namely the <i>Superannuation Guarantee (Administration) Act 1992</i> (Cth), paid directors fall within the expanded definition of 'employee'. An organisation will therefore be required to meet its superannuation obligations with respect to remunerated directors (currently 12% from 1 July 2025).²⁰</p>

Table continues next page

¹⁹ This section is a high-level summary of common Australian tax considerations relating to director remuneration. The summary does not take into account the specific circumstances of any organisation or director. Organisations and directors should therefore obtain external advice. The summary assumes that directors are Australian tax residents engaged personally. Where a director is not an Australian tax resident, or where a director is engaged through a personal company or trust, tax considerations vary and external advice should be sought.

²⁰ ATO [Super guarantee](#)

Continued from previous page

Regulatory obligations	
Australian Charities and Not-for-profits Commission (ACNC)	<p>Charities registered with the ACNC must maintain their not-for-profit status and, as such, cannot offer private benefit to people involved in the charity. The ACNC does not prohibit director remuneration, as long as it is:</p> <ul style="list-style-type: none"> • in furtherance of the charity's charitable purpose; • permissible under the charity's governing document; and • properly authorised within the charity.
Office of the Registrar of Indigenous Corporations (ORIC)	<p>Under the CATSI Act, directors are not to be remunerated unless a corporation provides for this in its rule book.²¹ This includes covering what the remuneration is for and how much it will be. Remuneration does not include travel and other expenses related to the organisation's business.</p>
Australian Taxation Office (ATO)	<p>Where an NFP decides to remunerate directors, various ATO compliance obligations should be considered, such as:</p> <ul style="list-style-type: none"> • Tax registrations (e.g. PAYG withholding). • Single Touch Payroll (STP) and/or Business Activity Statement (BAS) requirements. • Superannuation requirements. • Record-keeping requirements. • Private benefit considerations – Director remuneration must not constitute a private benefit. For example, it could affect the organisation's ability to receive income tax exemption as an NFP.

²¹ORIC. Directors. [Remuneration and expenses](#)

Acknowledgements and resources

Acknowledgements

The guide has been developed through extensive consultation with directors, subject matter experts, and other leaders in the not-for-profit (NFP) sector. It also reflects the feedback of the AICD's NFP Chairs' Forum.

In developing this resource, the AICD benefited greatly from the guidance and insight of a Working Group comprising Virginia Bourke FAICD and Steven Cole FAICD, that met throughout 2025 and 2026. The AICD also benefited from the contributions of experienced directors who provided real-life case studies to illustrate the practical consideration of director remuneration in action.

The AICD recognises the guidance and insight from the ACNC and the ATO who were consulted in the preparation of this publication.

The AICD also acknowledges the contributions of Darren Fittler, Elizabeth Wighton, and Neha Sharma of Gilbert + Tobin's Charities and Social Sector practice who provided formal external review of this document.

Resources

AICD

- [AICD Not-for-Profit Governance Principles – Third Edition 2024](#)
- [AICD Not-for-Profit Governance and Performance Study 2025-26](#)
- [AICD Director Tool – Board remuneration](#)

Australian Accounting Standards Board (AASB)

- [AASB 124 \(Related Party Disclosures\)](#) – Disclosure of key management personnel compensation
- [AASB 1058 \(Income of NFP Entities\)](#) – Disclosure of volunteer services
- [AASB 1060 \(Simplified Disclosures\)](#) – Disclosure of key management personnel compensation

Australian Charities and Not-for-profits Commission (ACNC)

- [Key Management Personnel Remuneration](#)
- [Managing conflicts of interest](#)
- [Remunerating Responsible People](#)
- [Regulation of charities and fundraising by state and territory regulators](#)

Australian Taxation Office (ATO)

- [Allowances, earnings, tips, directors fees etc 2025](#) (including honoraria)

Office of the Registrar of Indigenous Corporations (ORIC)

- [Directors – Remuneration and expenses](#)

Gilbert + Tobin

- [Legal considerations arising in the remuneration of not-for-profit directors](#)

Justice Connect

- [Payment of board or committee members – Factsheet](#)

Institute of Community Directors Australia

- [Board Payment Wizard tool](#) – Should your organisation pay its board directors?

International regulator perspectives

- United Kingdom – Charities Commission [guidance](#)
- New Zealand – Charities Services [guidance](#)

Acknowledgement of Country

The Australian Institute of Company Directors (AICD) 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 AICD 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.

Disclaimer

This document is part of a series of tools and resources provided by the AICD. It is intended as a general guide only and should not be relied upon as a substitute for professional advice. While care has been taken in its preparation, the AICD does not warrant the accuracy, reliability or completeness of the information contained in this document. To the extent permitted by law, the AICD excludes all liability for any loss or damage arising out of the use of this document.

For more information:

T: 1300 739 119

E: policy@aicd.com.au