

Not-for-profit Governance and Performance Study 2025/26

Insights for purpose-led leadership

Australian
Institute of
**Company
Directors**

Beyond Bank
AUSTRALIA



Contents

3	Introduction from AICD	31	Key finding five: Care governance challenges for human service providers
5	A message from Beyond Bank	35	Other key findings
6	Executive summary	36	Digital governance: Cyber security and artificial intelligence
7	Key findings	41	Climate Governance
9	Key finding one: Increased stakeholder expectations reshaping governance	45	Mergers and organisational stability
14	Key finding two: Remuneration is becoming more common	49	Methodology
19	Key finding three: Financial performance is highly variable	50	Demographics
24	Key finding four: Measuring purpose remains inconsistent		

The NFP Governance and Performance Study 2025-26 is based on data collected from 2088 respondents to a survey in October 2025 and seven focus groups held at the same time. Respondents are from larger organisations than is normal for the diverse NFP sector with over a third being from organisations with revenue above \$20 million. Approximately 60% of respondents are from Human Service providers.

Introduction from the AICD

In recent years, the not-for-profit (NFP) sector has continued to operate in an environment of increasing complexity and heightening expectations. Against this backdrop, the findings of the 2025–26 NFP Governance & Performance Study highlight both the resilience of the sector and the increasing demands placed on boards and executive teams.

Now in its seventeenth year, this study captures the perspectives of directors and executives leading organisations that play a vital role in Australian communities. The results point to a governance landscape where workloads are rising, risk exposures are broadening, and accountability continues to intensify – even as many organisations work to manage their financial pressures and meet their workforce challenges.

While pressures remain, the data also reflect areas of measurable progress. Boards are engaging more deliberately with issues such as cyber security, digital capability and climate-related risks, and there are signs of greater maturity in how emerging challenges are being approached. At the same time, the findings underscore the need for continued focus on governance capability, sustainability and board effectiveness.

The AICD remains committed to supporting NFP leaders. Over the past year, we have continued to expand and refine our governance resources, including the ongoing promotion and application of the revised NFP Governance Principles, to ensure directors are equipped to meet current and future challenges. Demand for governance education remains strong. During the 2024-25 period, the AICD continued to expand its scholarship program, supporting hundreds of NFP directors and executives to access governance

education, including the Governance Foundations for NFP Directors and Care Governance programs. Strong application numbers reflect the sector’s commitment to strengthening governance capability and leadership. A total of 133 Regional Not-for-Profit Scholarships were awarded across six regional centres, complemented by 240 scholarships supporting metropolitan not-for-profit organisations.

This research would not be possible without the generous time, expertise and insights of all participants. We sincerely thank them for their valuable contribution to this important body of work.

The NFP study remains a trusted and authoritative resource for those navigating governance across the not-for-profit sector. It delivers evidence-based insights to inform decision-making, strengthen oversight and enhance sector practice. Detailed methodology and interactive dashboards are provided in the appendices for further reference.

We trust this study will continue to provide meaningful insights for directors, executives and stakeholders across the sector.

Mark Rigotti GAICD

CEO and Managing Director
Australian Institute of Company Directors

A message from Beyond Bank

Beyond Bank Australia is proud to support the Australian Institute of Company Directors (AICD) in presenting the Not-for-Profit Governance and Performance Study 2025-26. This report offers evidence-based insights into the growing pressures and increasing complexities facing a sector fundamental to Australia's social fabric.

This year's findings reinforce what we are seeing across our 6,325 community partnerships nationally. Rising community and regulatory expectations are contributing to governance overload, with the lines often blurring between oversight and operations for directors. Thoughtful succession planning, skills renewal and strong board-CEO relationships are critical to sustaining effective governance.

The study also highlights director remuneration becoming more common, particularly in larger and more complex organisations, alongside modest but improving financial performance across the sector. While many organisations met income expectations, low margins and reliance on government funding constrain long-term investment and resilience. At the same time, inconsistent approaches to measuring purpose and impact underscore the need for stronger, independent evaluation frameworks.

As a purpose-led, 100% member-owned bank and Certified B Corp, Beyond Bank is structurally designed to prioritise long-term community outcomes over short-term shareholder returns. We are built like the organisations we serve; values-led, community-focused and committed to sustainable social impact

Through dedicated local teams, deep sector partnerships and a reinvestment model that turns everyday banking into measurable community return,

we strengthen the financial capability, workforce resilience and long-term sustainability of the not-for-profit sector.

Community organisations are the true heroes in society, and we see their success as our success.

Together, we can continue leading a movement that creates positive social and economic impact - not just through intention, but through practical partnership, shared value and enduring commitment to the communities we serve.

David Marshall
CEO
Beyond Bank Australia

Executive summary

Not-for-profit boards are operating under sustained and compounding pressures. Governance workloads are increasing faster than organisational capacity can cope with and financial and workforce challenges continue to increase.

The NFP Governance & Performance Study 2025-26 also confirms that while commitment to purpose remains strong, the compliance and regulatory demands placed on boards have materially intensified. This has led to an increased time commitment for non-executive directors and, for some, a move further into the operations of the organisation. High-functioning organisations are recognising this blurring of lines and actively discussing the roles of the various players in the 'team game' of governance. Others are finding some tension as organisations juggle the evolving nature of governance where some directors are asking more detailed questions than executives may be expecting.

The study indicates that discussions about remunerating non-executive directors are increasing, likely reflecting higher expectations and skills requirements for directors. Many organisations are also struggling to attract and retain the necessary workforce, equipped with the appropriate skills. The workforce challenges are even greater in regional Australia and there also continues to be challenges with volunteering rates.

The range and complexity of issues that directors are dealing with continues to expand, with study participants revealing their boards are navigating financial pressures, evolving governance areas such as care, cyber and workforce, as well as emerging issues such as the use of artificial intelligence and climate governance.

Taken together, the study's findings point to a critical inflection point in NFP governance. Boards are being asked to do more, sometimes with fewer resources and greater personal accountability. Strengthening governance capability, clarifying risk ownership, and ensuring board sustainability are no longer optional – they are essential for organisational resilience and long-term mission delivery.

Summary of Key Findings

Key finding one: Increased stakeholder expectations are reshaping governance

The increasing expectations of both the community and regulators are significantly reshaping the role of not-for-profit directors. With nearly half of directors now spending more than three days per month on a single board, the demands on their time and engagement are substantial, often extending beyond traditional governance into operational matters. While this heightened commitment demonstrates dedication to organisational outcomes, it also raises the risk of burnout and highlights the need for boards to carefully manage the scope of their director responsibilities and the distinction between board oversight and management.

In this context, the study points to succession planning and skills management as increasingly critical. Boards should have a balance between experienced directors who provide institutional knowledge and newer directors who bring fresh perspectives and responsiveness to evolving expectations. Successful directors will need to balance the governance/management tension by having strong emotional intelligence and chairs should promote all views in meetings and maintain a productive relationship with the CEO and the management team.

Key finding two: Director remuneration is becoming more common

Director remuneration is increasingly being considered in response to greater time commitments, governance responsibilities, and skill requirements. The study finds in 2025, 27% of non-executive directors received payment, up from 24% in 2024, with remuneration most common in larger, complex, or high-risk sectors such as Health and Residential Aged Care, Development and Housing, and Business Associations.

While most NFP boards remain unpaid, the study indicates thoughtful consideration of director remuneration can support succession planning, attract skilled directors, and strengthen governance effectiveness.

Key finding three: Financial performance is highly variable

Findings from this study suggest that the NFP sector experienced improved financial performance with most directors reporting that their organisations met or exceeded income expectations and fewer reporting losses than in the previous year. However, profitability remains modest, with the majority of organisations operating on low margins, limiting their capacity to absorb financial shocks or invest in transformation.

While income has diversified with more self-generated revenue, the sector remains heavily reliant on government funding. The continued use of financial reserves by a significant proportion of organisations highlights underlying pressures, particularly in sectors facing funding volatility or rising demand. Together, these findings point to an NFP sector that is relatively financially resilient but remains constrained, reinforcing the importance of active financial governance, scenario planning, and long-term sustainability strategies.

Key finding four: Measuring purpose remains inconsistent

Most respondents believe their organisation is effective in achieving their purpose, yet evidence frameworks remain inconsistent. CEO reports and internal business metrics remain the primary tools for assessing effectiveness. A minority of organisations rely on independent, outcome-based or stakeholder-driven measures. A reliance on internal measures, as shown in this study, can create a risk of over-confidence and limits boards' ability to independently test their organisational impact.

Key finding five: Care governance challenges for human services providers

Care governance continues to face significant scrutiny due to regulatory reform, Royal Commissions, and heightening public expectations on quality of care, placing increased accountability on boards for care quality and client outcomes. While this study shows that the use of Care Committees is growing, their adoption remains uneven and concentrated in care-intensive sectors such as Health and Residential Aged Care and Social Services.

The study finds that boards largely rely on management reporting to monitor care performance, maintaining a governance focus rather than direct operational involvement. Findings also highlight the importance of balancing effective oversight with clear operational boundaries, allowing boards to remain accountable without moving into day-to-day management.

Other key findings

Digital governance: Cyber security and artificial intelligence

Together, cyber security and artificial intelligence (AI) represent a growing category of governance risks and opportunities, rather than a side IT issue.

Climate Governance

There is a gap between the awareness of climate-related risks and formal governance responses.

Mergers and organisational stability

Most NFPs are structurally stable, with survey respondents expecting little change over the next 12 months.

KEY FINDING ONE

Stakeholder Expectations



Increased stakeholder expectations are reshaping governance

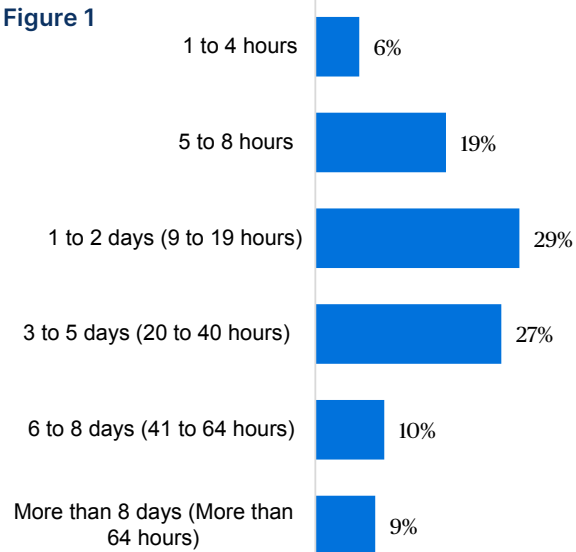
Over the last decade, this study has observed growing community expectations of leaders of not-for-profit organisations. Over the last seven years the median time spent on a single NFP board has risen from two to three days per month. This has been, in part, driven by various royal commissions examining the quality of governance and the failures to provide quality care. Alongside these societal pressures, an increased regulatory burden continues to escalate the time commitments required of not-for-profit directors, with nearly half (46%) spending more than three days per month on a single board [\(figure 1\)](#).

This increased time commitment has significant implications for the governance of NFP organisations. It is not only directors who are affected; executives are also experiencing increasing workloads. A number of focus group attendees referred to their executives experiencing higher levels of stress and, in some cases, burn-out. These increased expectations of both boards and management are also leading to a re-shaping of the governance relationship. For some, this is leading to questions of trust and the further blurring of the governance/management line. Organisations who are dealing with this well are having open conversations about the various roles people need to play in this governance “team game”.

Hours per month spent on directorship duties

Almost one in five directors (19%) are spending more than 6 days per month on a single NFP board. This large time commitment perhaps links to the demographics of respondents with almost half (47%) being over 60 years of age.

Figure 1



Base = 1611

“ We reached a point of director burnout, realised we had committed far more than our capacity, and had to strip back to what really mattered.”

- NFP Study respondent

“ The requirements on directors have gone totally out of whack with reality. Even without committee work, it takes at least a week a month, and in some cases two”

- NFP Study respondent

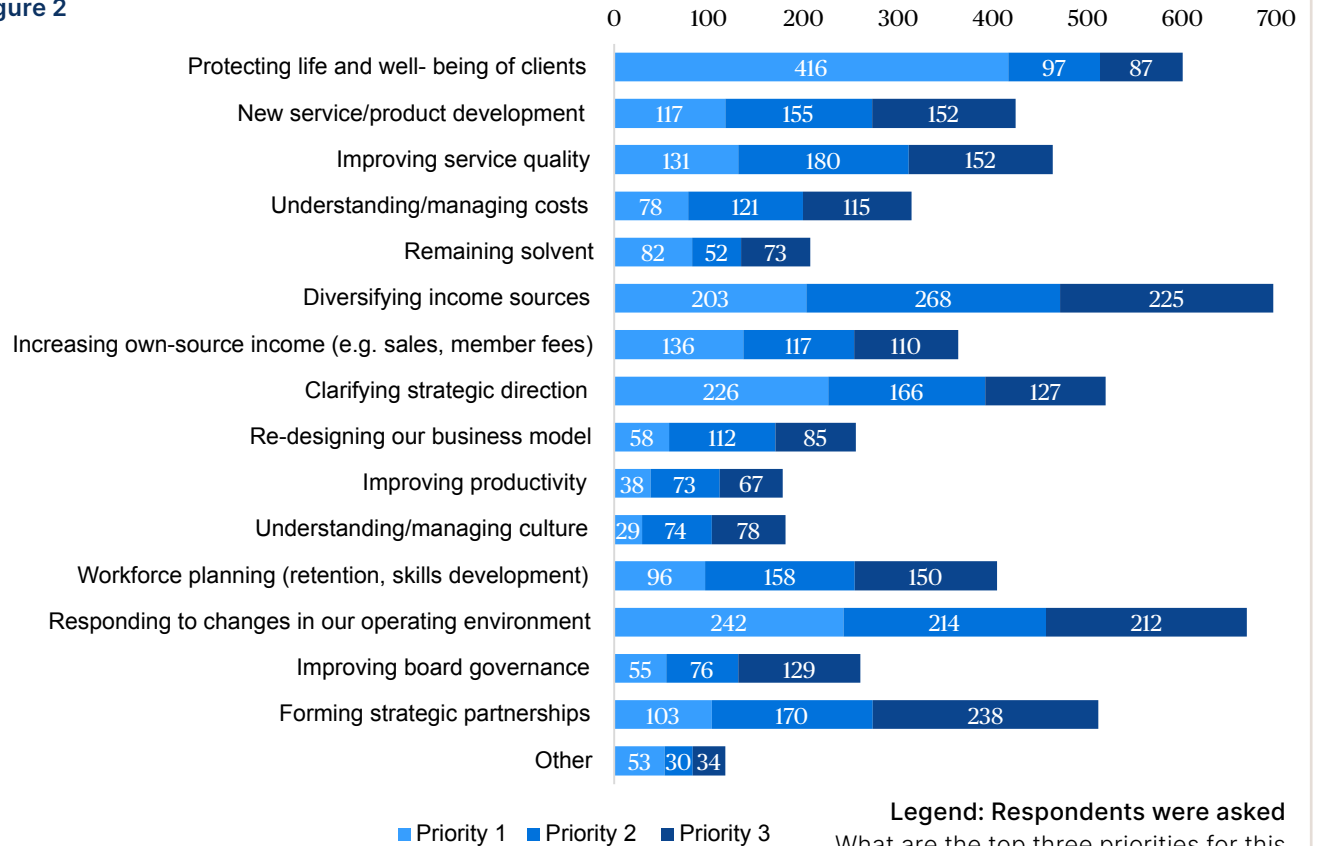
Governance as a team game

When asked about board priorities for the next 12 months across the sector, respondents highlighted organisational changes and client wellbeing as the top priorities, alongside diversifying income sources and forming strategic partnerships (figure 2). These priorities reflect growing community expectations and signal a shift toward greater director involvement in organisational operations, rather than traditional governance models.

This shift has prompted challenging conversations between boards and executives about the level of detail directors require and the extent to which they should be involved in day-to-day operations, moving away from the traditional “noses in, fingers out” approach to governance.

Organisation Priorities

Figure 2



Base = 117 to 696

Legend: Respondents were asked
What are the top three priorities for this organisation over the next 12 months?

“There is a clear distinction between observing operations and becoming involved in operational management .”

- NFP Study respondent

“Some board members act operationally rather than in a governance role.”

- NFP Study respondent

Succession Planning and Skills Matrix

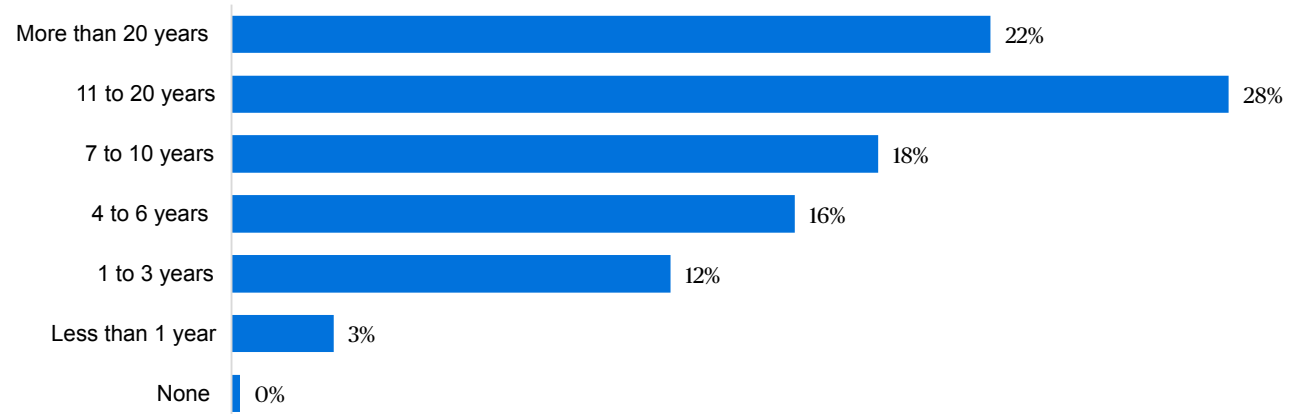
More than two-thirds of survey respondents reported more than seven years of service on not-for-profit boards, whilst 15% report fewer than three years of service, demonstrating a concentration of older, highly experienced directors in the sector (figure 3).

While experience brings valuable organisational and systemic knowledge, it does not necessarily equate to responsiveness to evolving community and social expectations. Despite there being a real need for emerging directors, respondents to the survey noted that younger directors are less willing to volunteer their time and knowledge without some form of remuneration (figure 3).

Succession planning is therefore a critical consideration for boards, linking closely to skills matrices, board composition, and ongoing capability planning. Ensuring a forward-looking approach to director turnover supports board continuity, maintains alignment with organisational priorities, and helps with the response to changing community expectations.

NFP experience (including current and previous directorships)

Figure 3



Base = 2066

“Having a forward view of director turnover creates a pipeline. It doesn’t always work perfectly, but it reduces the risk of being caught short.”

- NFP Study respondent

“Reserving appointed board positions gives the board the ability to bring in specific skills the membership can’t provide.”

- NFP Study respondent

Questions for consideration:
Time commitment

- Are current board members' time commitments sustainable, and do they align with the expectations of the community and regulatory environment?
- How can the board maintain an appropriate balance between governance oversight and operational involvement without overstepping roles?
- Is there a succession plan in place that ensures the right skill sets for now and into the future?
- Does the current board composition reflect the skills and experience necessary to provide appropriate oversight?
- What measures can be implemented to prevent director and executive burnout while still meeting the expectations of the roles?
- How should the board prioritise its activities to focus on high-impact areas such as client wellbeing, organisational change, and strategic compliance obligations?
- Do we have appropriate term limits in the constitution?

KEY FINDING TWO

Remuneration



Director remuneration is becoming more common

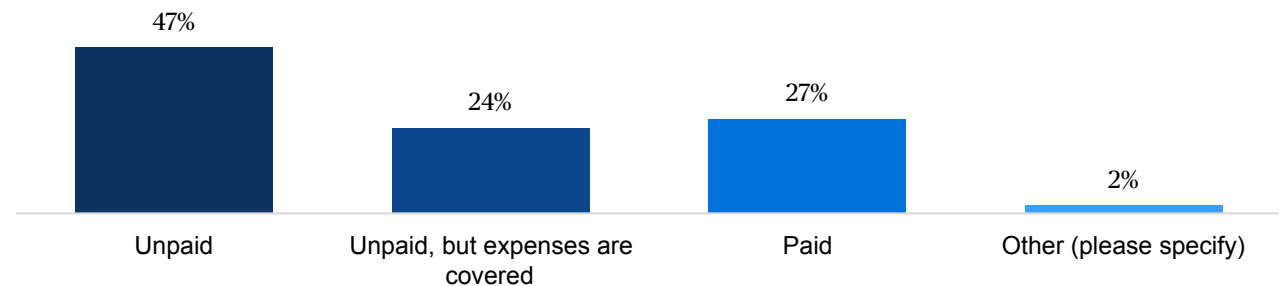
Remuneration of non-executive directors continues to increase with 27% of respondents reporting being remunerated (figure 4) compared to 24% last year and 15% a decade ago.

It is important to note that respondents to this study predominantly represents larger NFPs with more than half (54%) reporting annual revenue greater than \$5 million and one third reporting annual revenue above \$20 million. These larger organisations are much more likely to remunerate directors.

Director remuneration

This study finds 47% of non-executive directors being unpaid and receiving no financial benefit, and a further 24% unpaid but having their expenses reimbursed. However, the trend to remunerate continues with this year's survey reporting the highest number of non-executive directors being remunerated (27%) compared to 24% last year and only 16% a decade ago. This study has noted an increase in the likelihood of remuneration over time, particularly in large NFPs. Expanding time commitments, greater governance exposure, and heightened skill requirements are prompting boards to question whether existing arrangements remain fit-for-purpose.

Figure 4



Base = 2082



Thoughtful consideration of remuneration may support succession planning, attract skilled directors, and ensure boards remain effective in meeting organisational and community expectations.”

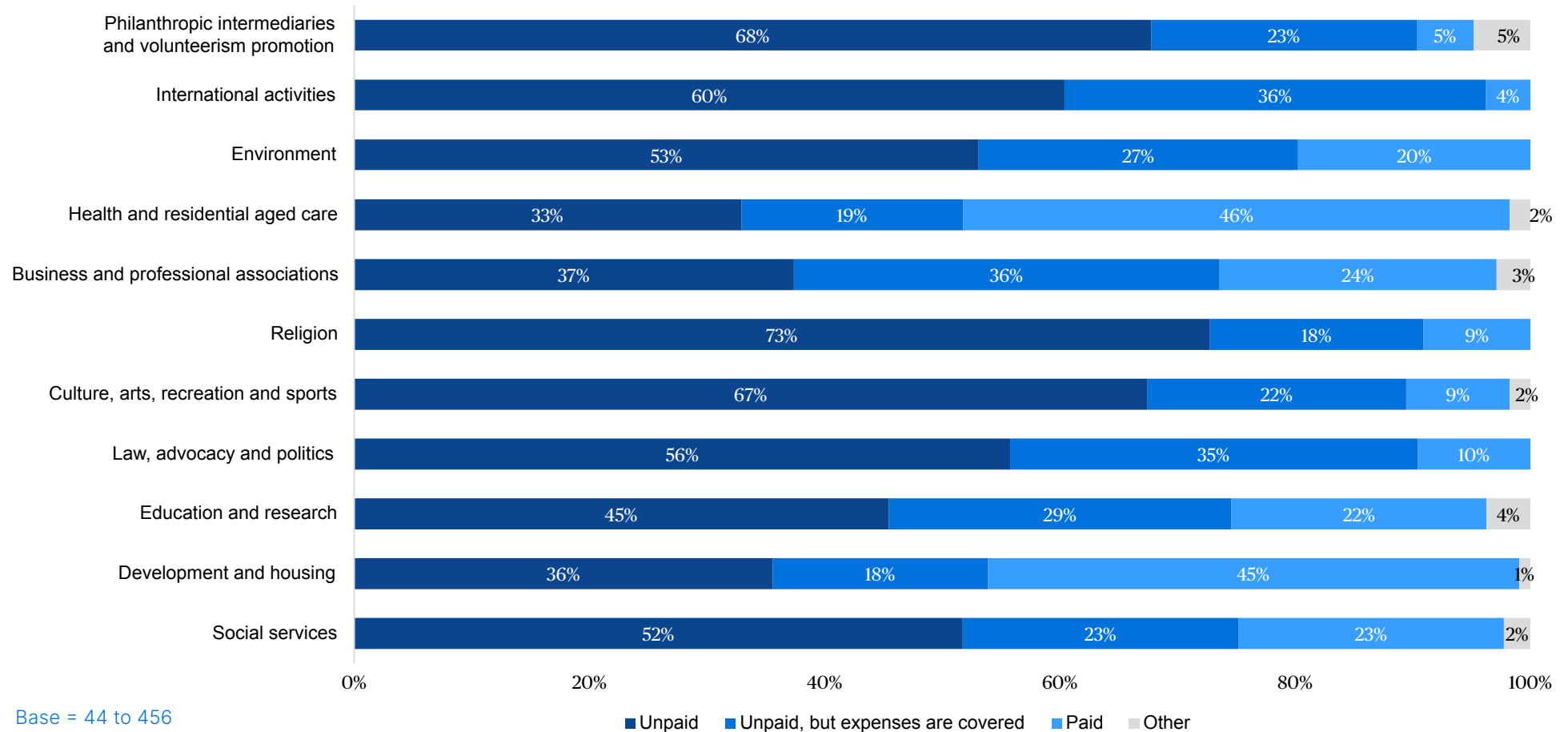
- NFP Study respondent

Director remuneration by sector and size

Director remuneration by sector

There are substantial sector differences in terms of director remuneration, with payment relatively embedded in the Residential Aged Care (46%) and Development and Housing and Health (45%) sectors (figure 5). In sharp contrast, remuneration is far less common in Culture, Arts and Sports organisations (9%), and even lower within International Activities.

Figure 5

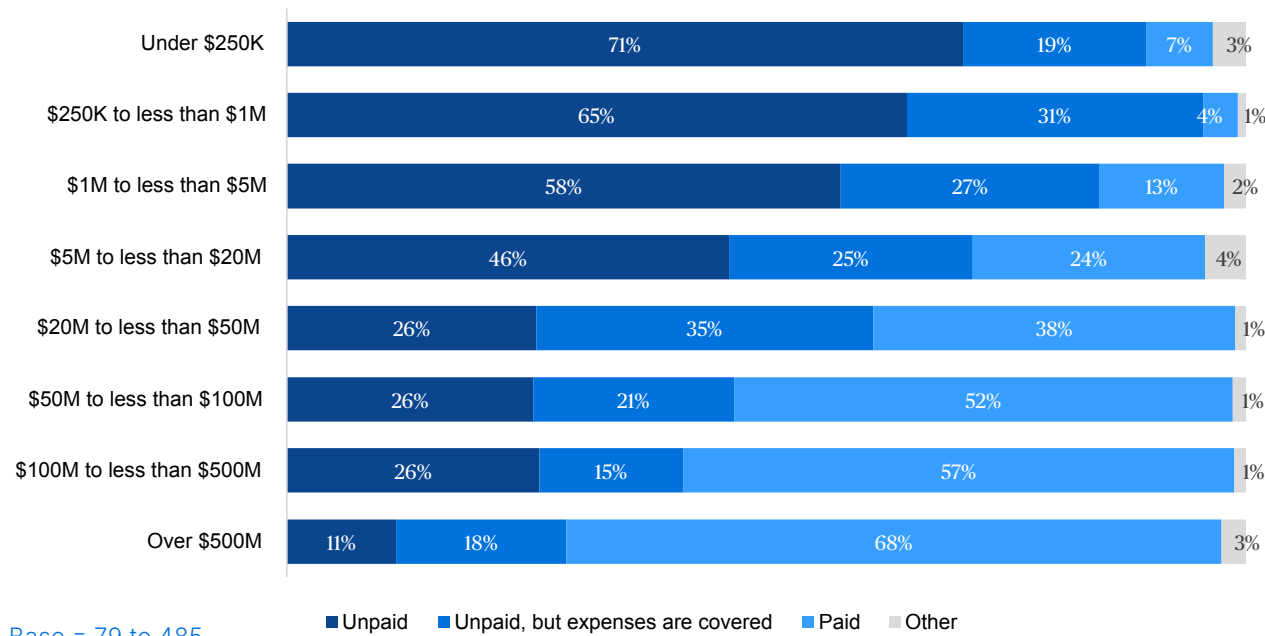


Director remuneration by total turnover of organisation

Organisational size also plays a substantial role: organisations with a turnover of more than \$50 million are more likely to provide remuneration (52% or more depending on size), compared with only 38% of organisations with a turnover of between \$20 and \$50 million [\(figure 6\)](#).

These patterns are consistent with previous studies, where director payment is most common in larger organisations operating in complex, high-risk environments.

Figure 6



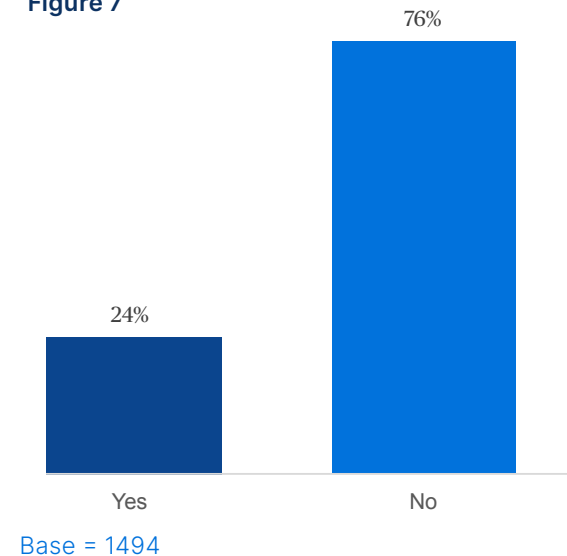
“It’s coming up year after year as we struggle to attract board members, and if remuneration is part of the issue, then we need to address it if we’re going to fix the problem.”

- NFP Study respondent

Discussion around remuneration

The survey indicates that while the majority (76%) of boards are not considering remuneration, a quarter (24%) have discussed in the past 12 months the possibility of paying Non-executive Directors. This indicates a growing openness to revisiting traditional governance models as organisational expectations and director workloads continue to increase.

Figure 7



“The reason we’ve implemented it into our constitution is not because all of a sudden, we think that we should be remunerated. We’ve just gotten to the point where we’re finding it hard to get people.”

- NFP Study respondent

Director remuneration amounts

Amount paid to board members by sector (trimmed average)

Among organisations that pay directors, remuneration levels vary widely. The trimmed average across all directors who were paid was \$29,760 and the median was \$20,750 (figure 8).

Sector differences are also evident, with Health and Residential Aged Care reporting the highest average payments at just over \$32,000, followed by Social Services at approximately \$22,000. These variations reflect the differing scale, complexity, and regulatory demands of the various NFP subsectors.

Figure 8



Base = 57 to 185

Note: Some sectors' figures are omitted from this graph due to the relatively low numbers of responses in these sectors.

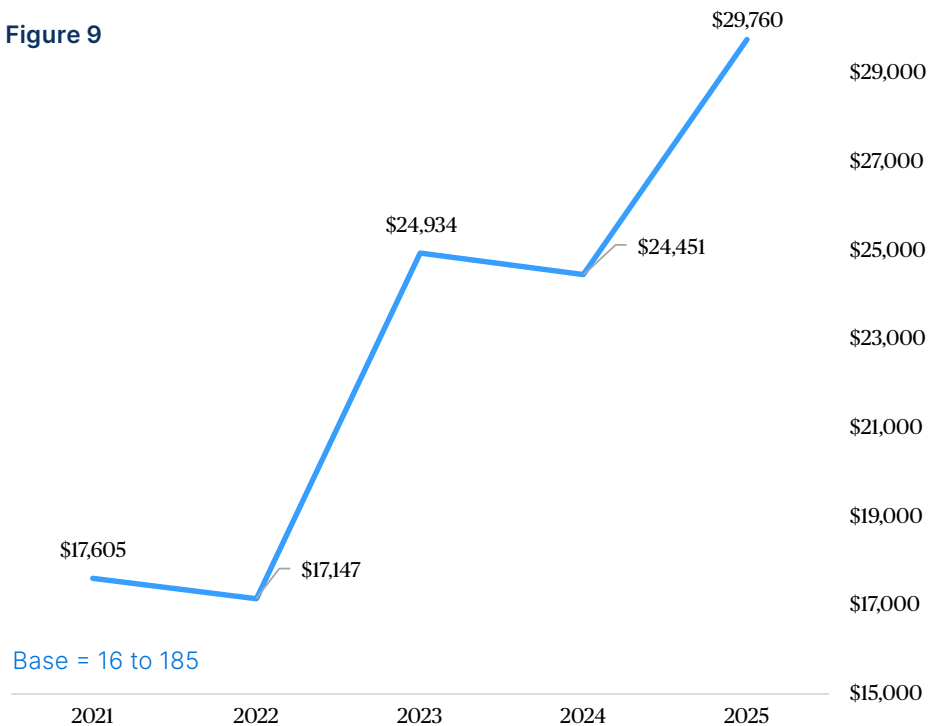
“The reputational risk is major. It’s important that any remuneration benchmark can pass the ‘pub test’ within the local community it serves.”

- NFP Study respondent

Amount paid to board members (trimmed average) 2021-2025

The trimmed average remuneration to non-executive directors has continued to increase, while recognizing that year on year data can be somewhat misleading depending upon sample sizes.

Figure 9



Questions for consideration: Director remuneration

- Does the board’s current remuneration model reflect the time, skills, and responsibilities required of directors?
- Could offering remuneration help attract and retain directors with critical expertise while supporting succession planning?
- How does the organisation’s size, complexity, and sector risk profile influence whether directors should be paid?
- What would our stakeholders think if we moved to remunerate non-executive directors?
- Is remuneration of directors possible under our existing legal structure and constitution?

KEY FINDING THREE

Financial Performance



Financial Performance highly variable

Financial Performance

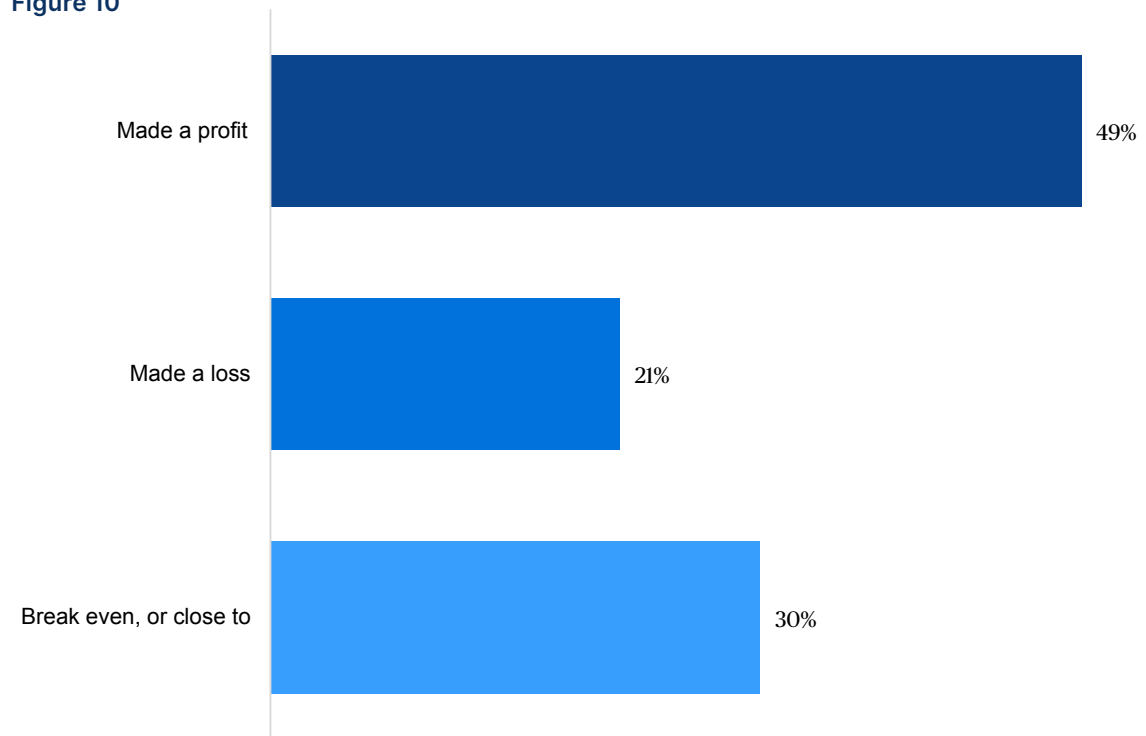
The financial performance of the NFP sector, as reported by respondents for the 2024-25 financial year, paints a mixed picture (figure 10). Since the acute financial impacts of the COVID pandemic are now largely in the past, the profitability of the whole NFP sector is relatively positive. However, certain subsectors, in particular Social Services, continue to see mounting financial pressures as funding levels fail to keep pace with rising operating costs. These emerging gaps signal ongoing sustainability challenges for organisations delivering essential community services [\(figure 11\)](#).

Profitability

Profitability across the sector improved in this study. Over the past year, profitability has increased from 46% to 49% while the proportion of organisations reporting a loss fell from 26% to 21%. Compared to previous years, this points to a gradual strengthening of overall financial performance, even as pressures continue to vary significantly between subsectors.

Profit / loss / break even

Figure 10



Base = 1980

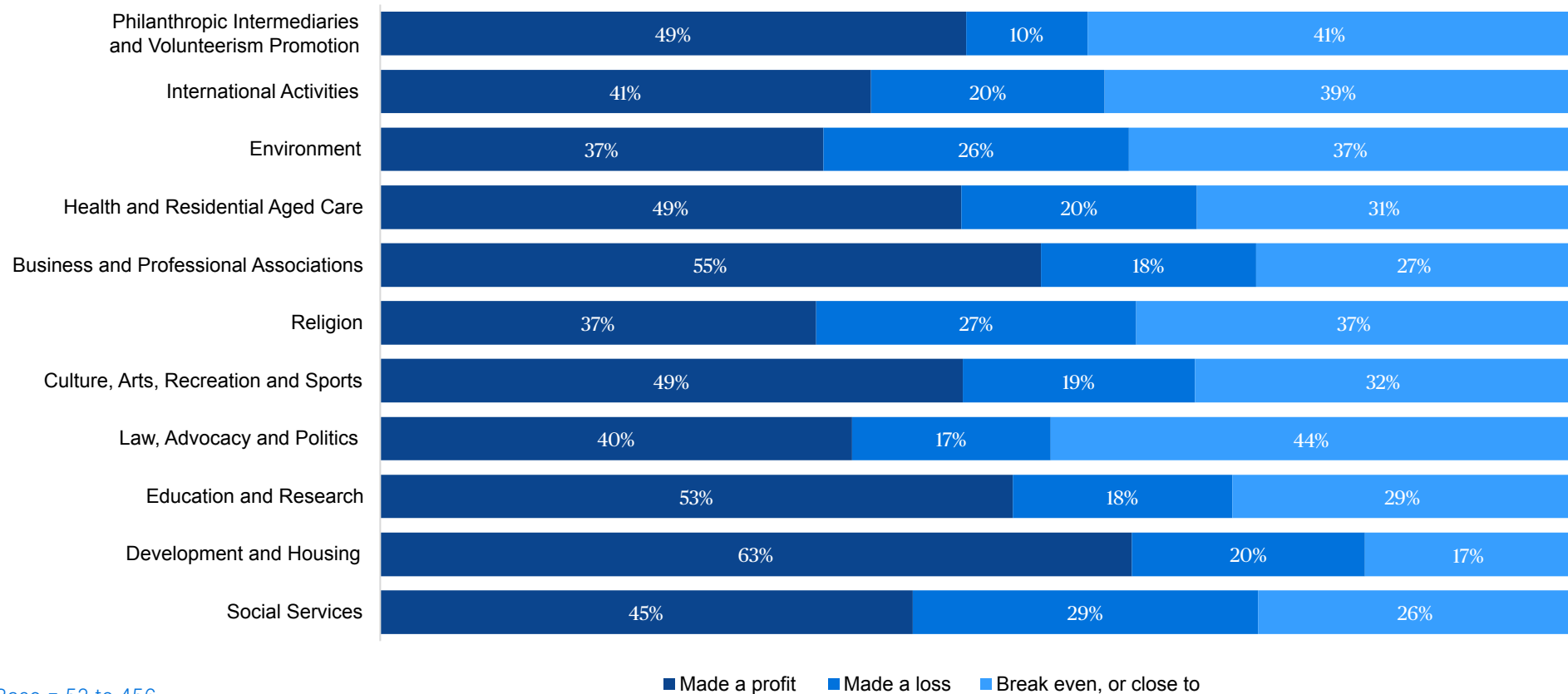
Profit / loss / break even by sector

Profitability by sector

The Health and Residential Aged Care subsector has continued its steady improvement in profitability of recent years, with 49% reporting a profit in 2025, compared to 43% in 2024 and only 36% in 2023.

Based on survey responses, Development and Housing recorded the strongest performance overall, with 63% of organisations reporting a profit, and increase from 57% in the previous year. These trends across our studies highlight that, while financial outcomes are improving across multiple subsectors, financial performance and sustainability vary significantly and are dependent on funding models, cost pressures, and service demand (figure 11).

Figure 11

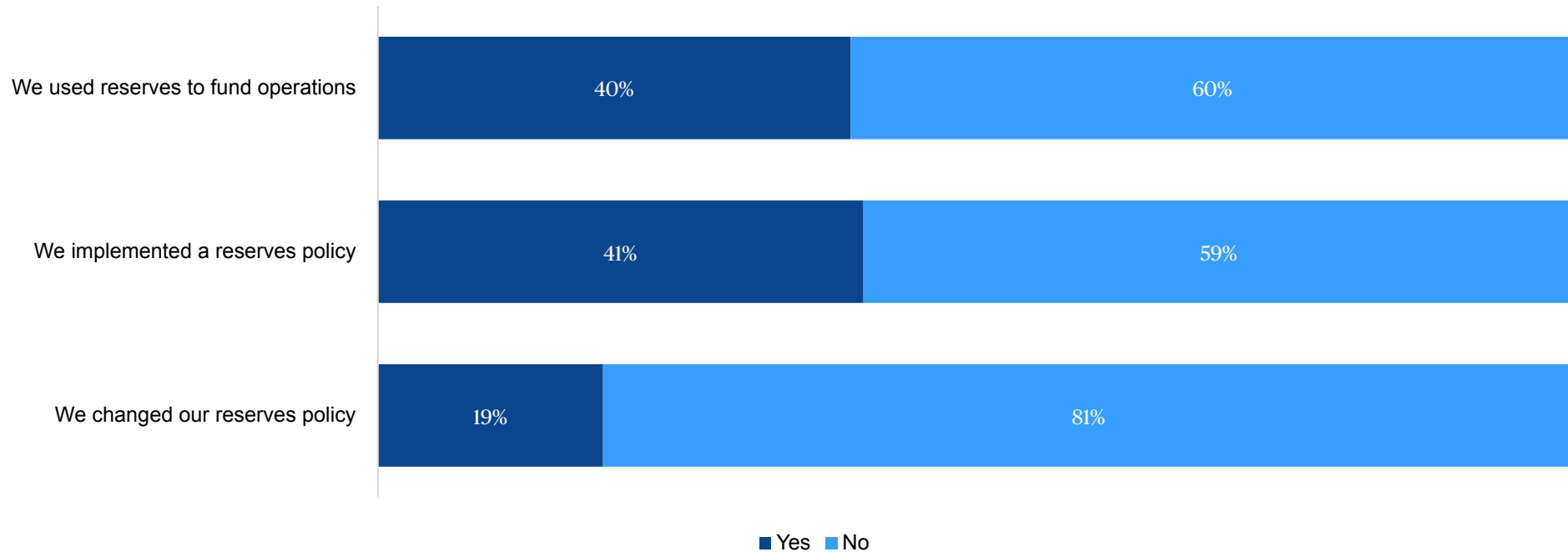


Base = 52 to 456

Financial Reserves

While the use of reserves remains common, it has reduced slightly since last year (40% compared to 46% last year). The use of reserves by some organisations may simply reflect the realignment of balance sheets post-pandemic, while for others it may be due to underlying sustainability issues. Notably, almost one in five organisations reported having revised their reserves policy during the past year, underscoring a period of active financial reassessment and governance attention.

Figure 12



Base = 1682 to 1892

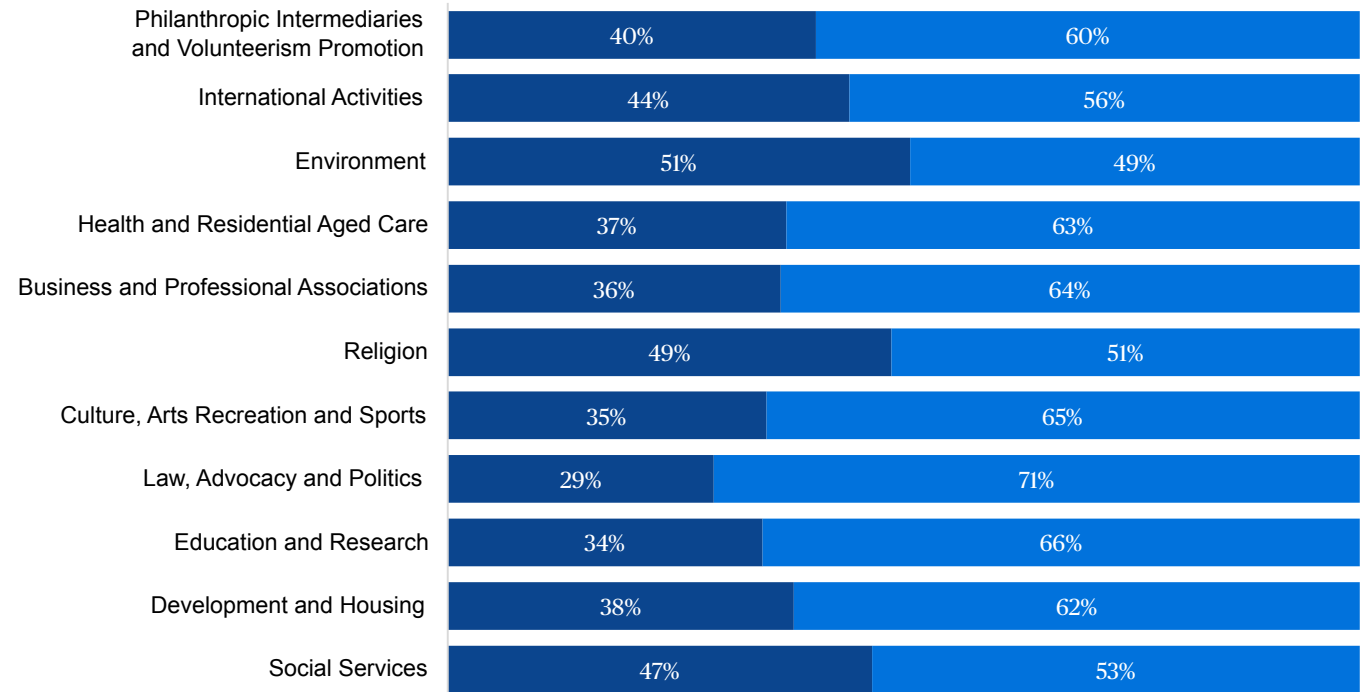
Financial reserves by sector

Similar to the results on profitability there was considerable variance in the use of reserves by subsector. Organisations operating in the Environment, Religion, and Social Services sectors were the most likely to draw on their reserves to fund ongoing operations, highlighting the uneven financial pressures and resource needs experienced across the not-for-profit landscape ([figure 13](#)).

Financial reserves by sector:

'We used reserves to fund operations'

Figure 13



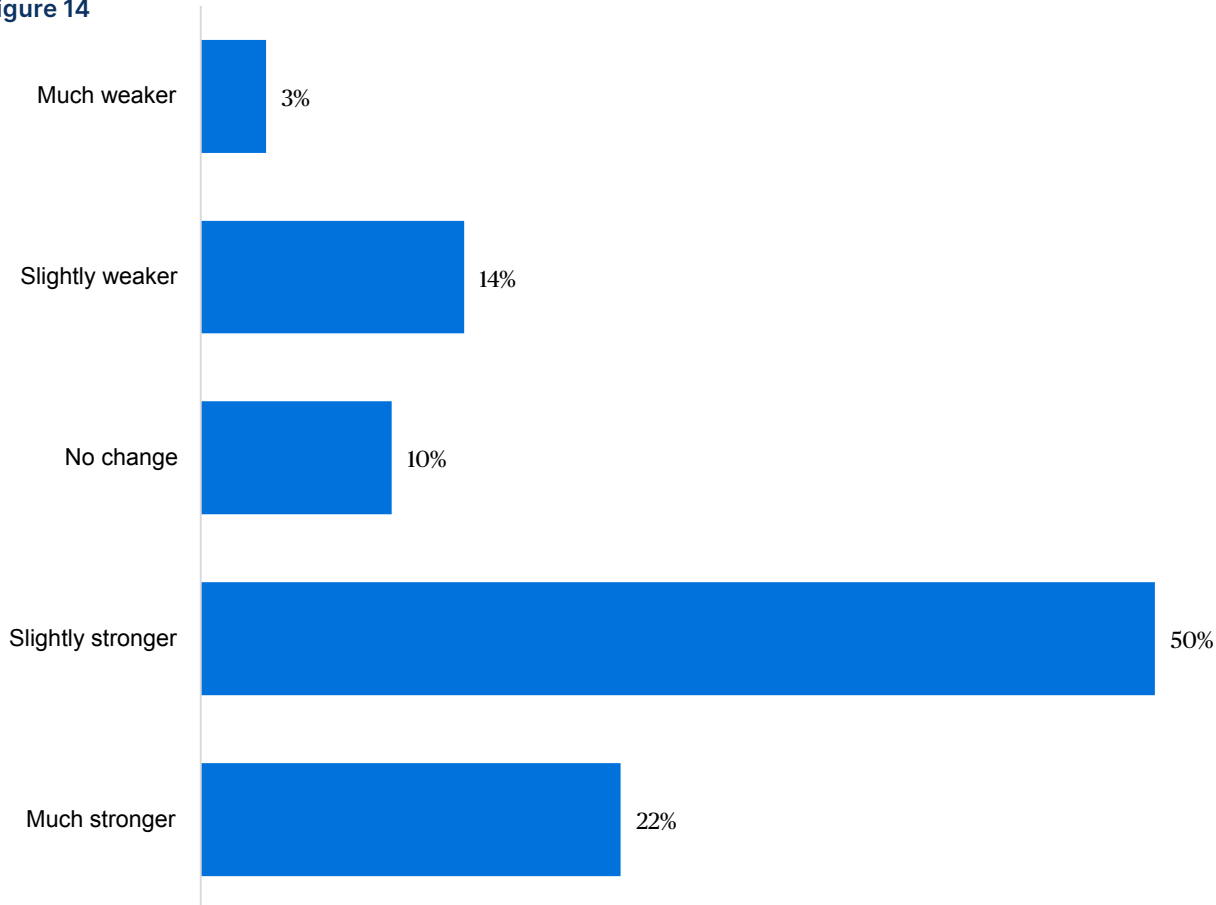
Base = 52 to 456

■ YES ■ NO

Financial position (three-year forecast)

Confidence in future financial performance remains strong across the NFP sector with half of respondents forecasting a slightly stronger financial position within three years, while a further 22% anticipate being much stronger, signalling an optimistic outlook despite ongoing operating pressures ([figure 14](#)).

Figure 14



Base = 1993

Questions for Consideration: Financial Performance

- Does the organisation's current income mix provide sufficient resilience, or does reliance on government funding expose it to unacceptable financial risks?
- Are profit margins and reserve levels adequate to absorb shocks, respond to demand fluctuations, or to invest in strategic priorities?
- How confident is the board in the organisation's ability to meet future its financial forecasts under different funding or demand scenarios?
- Is the use of financial reserves aligned with the board's risk appetite and long-term sustainability objectives, rather than short-term operational pressures?
- Does the organisation have a clear and fit-for-purpose reserves policy that is regularly reviewed and understood by the board?
- How effectively does financial reporting support board decision-making, oversight, and early identification of emerging financial risks?

KEY FINDING FOUR

Measuring purpose



Measuring Purpose remains inconsistent

This study finds confidence in mission effectiveness across the NFP sector remains high, with most directors rating their organisations as mostly or highly effective in achieving their purpose. However, the evidence used to support this confidence is largely drawn from internal sources, such as CEO reports and management metrics as opposed to broader external evidence sources.

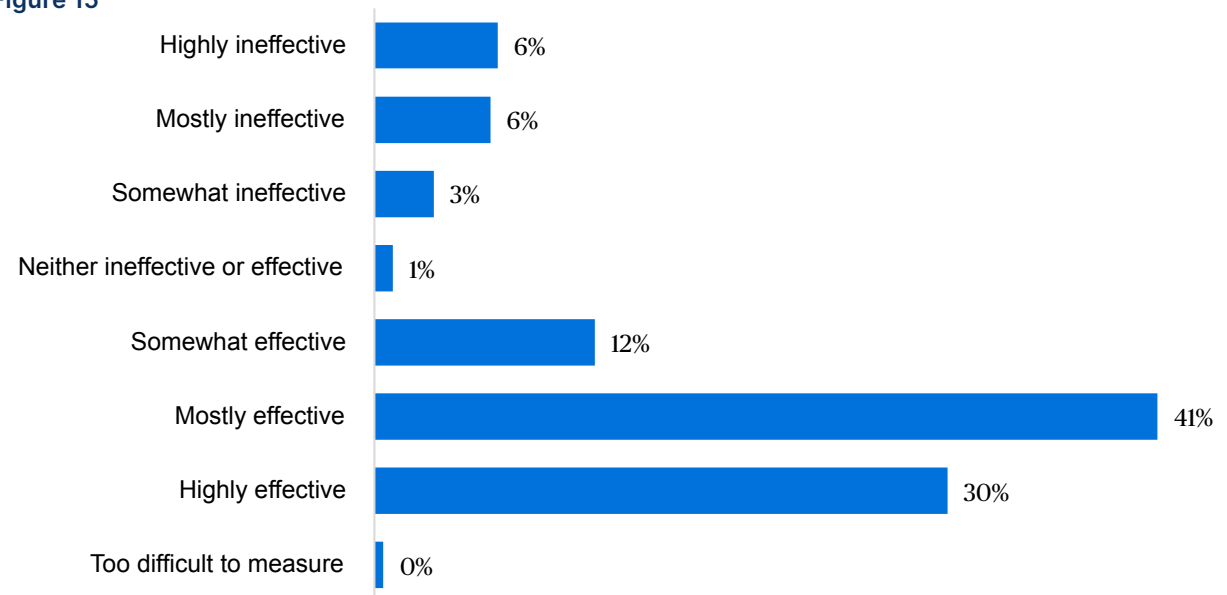
While these tools are valuable, limited use of independent, outcome-based or stakeholder-informed measures may constrain boards' ability to independently test impact and challenge assumptions. For NFP directors, measuring mission effectiveness requires balancing robust governance oversight with appropriate separation from operational delivery. Strengthening shared expectations around impact measurement can support boards to govern as a team while maintaining focus on purpose and outcomes.

Achieving Purpose

Directors continue to hold a broadly positive view of their organisation's performance. A combined 71% of respondents consider their organisation to be mostly or highly effective in achieving its mission, while only around 12% rate their organisation as mostly or highly ineffective ([figure 15](#)). This indicates a high degree of confidence in mission delivery across the sector.

Achieving mission effectiveness

Figure 15

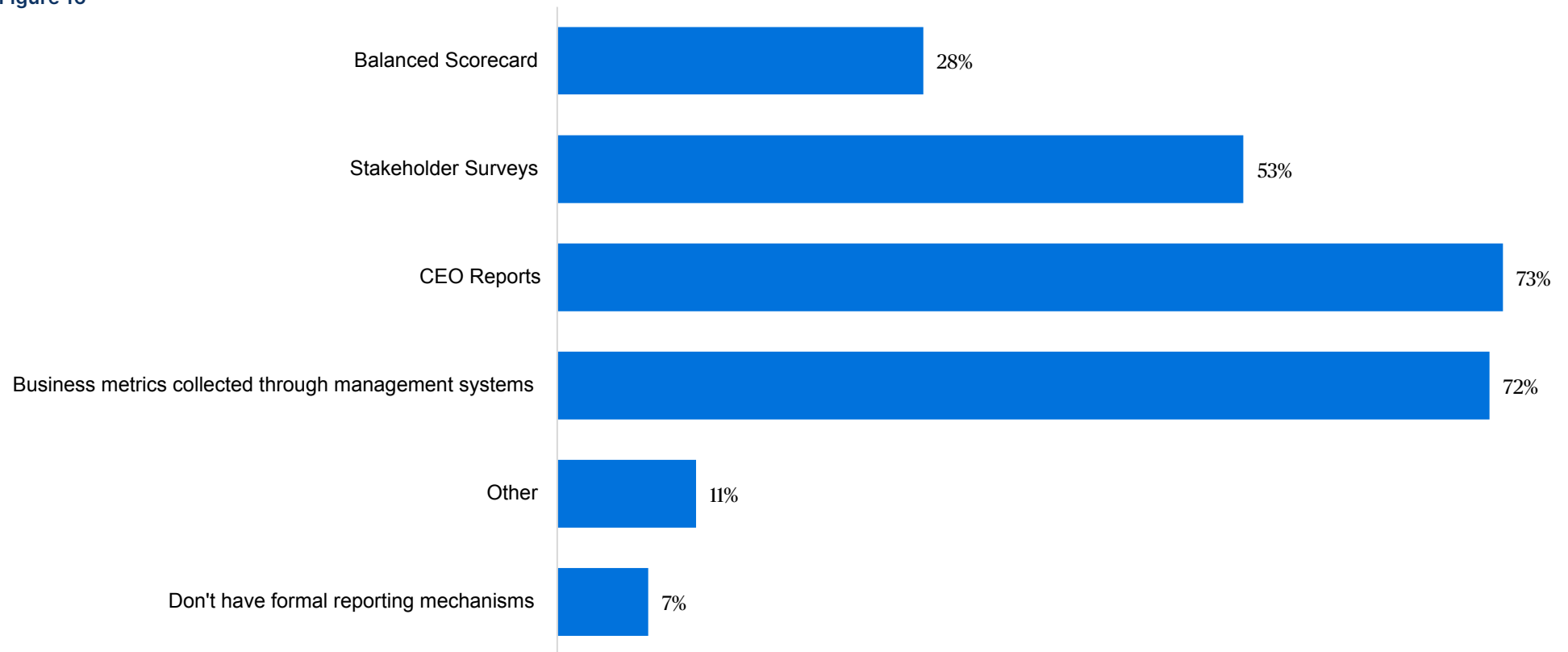


Base = 2082

Methods for Measuring Effectiveness

When assessing organisational effectiveness, most directors rely on structured reporting mechanisms. CEO reports remain the most commonly used tool, cited by 73% of respondents, closely followed by business metrics generated through management systems at 72%. A minority of 7% reported having no formal reporting mechanisms in place, highlighting the sector's focus on accountability and performance monitoring.

Figure 16



Base = 2083

Note: respondents could select more than one response.

Top three actions to improve the performance of the organisation

The top governance priority to improve performance remains strengthening organisational oversight, with regular reviews to track progress, followed by improving the composition of the board (figure 17). This reflects an ongoing commitment to ensuring boards have the right mix of skills and perspectives. Survey respondents also highlighted strategic planning and the use of digital technology as important areas for improvement. By contrast, appointing a new CEO or Chair ranked as the lowest priority.

Figure 17



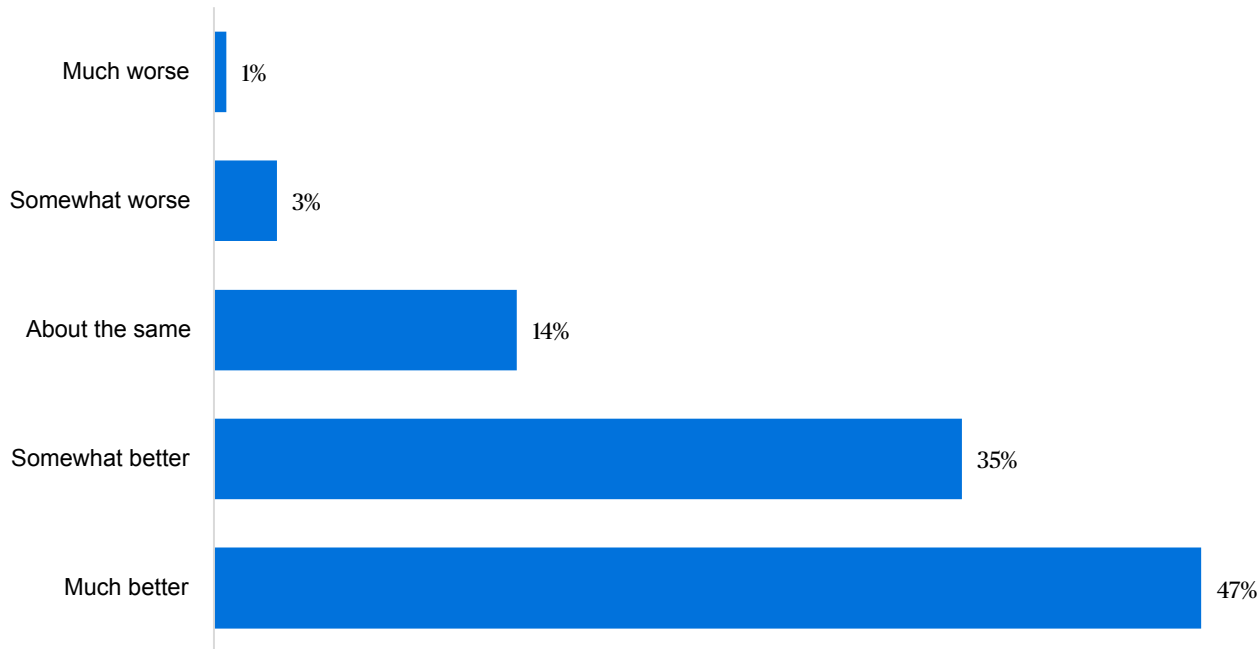
Legend: Respondents were asked
What are the top three priorities for this
organisation over the next 12 months?

Base =160 to 1056

Governance compared to three years ago

Respondents had a positive perception of governance quality in their organisations compared to three years ago. A substantial portion (82%) reported improvements in governance, while 4% feel that governance quality has worsened.

Figure 18

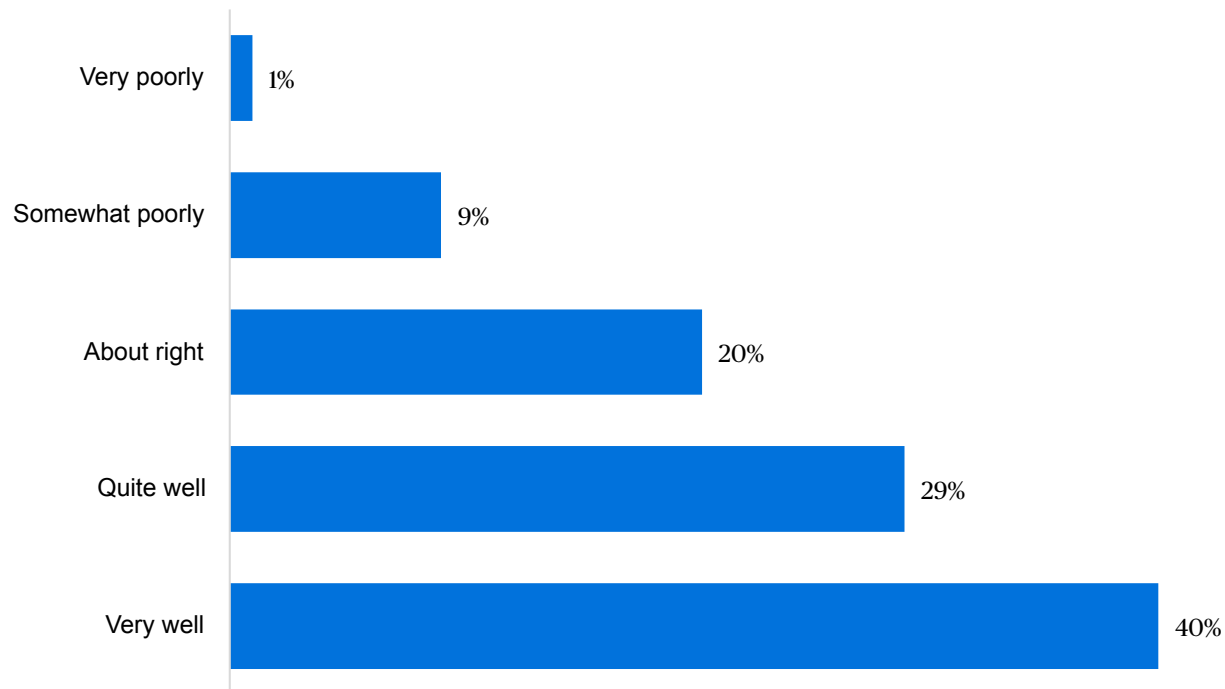


Base = 1960

Performance of the board

Board members expressed strong satisfaction with organisational performance over the past year, with 89% indicating their organisation performed ‘about right’ (20%), ‘quite well’ (29%), or ‘very well’ (40%) in achieving its objectives ([figure 19](#)). In this study, 1% rated performance very poorly and 9% somewhat poorly.

Figure 19



Base = 2064

Questions for consideration: Impact measurement

- How can boards gain greater visibility of impact against purpose without moving into operational management?
- What role should independent or stakeholder-informed data play in validating organisational effectiveness?
- How confident is the board in the data and reporting processes on effectiveness?
- How can boards align on shared expectations for impact measurement as a ‘team game’?
- What governance capabilities are required to interpret impact data meaningfully, not just receive it?

OTHER AICD RESOURCES:

[Impact measurement and governance](#)

KEY FINDING FIVE

Human Services



Care governance challenges for Human Services Providers

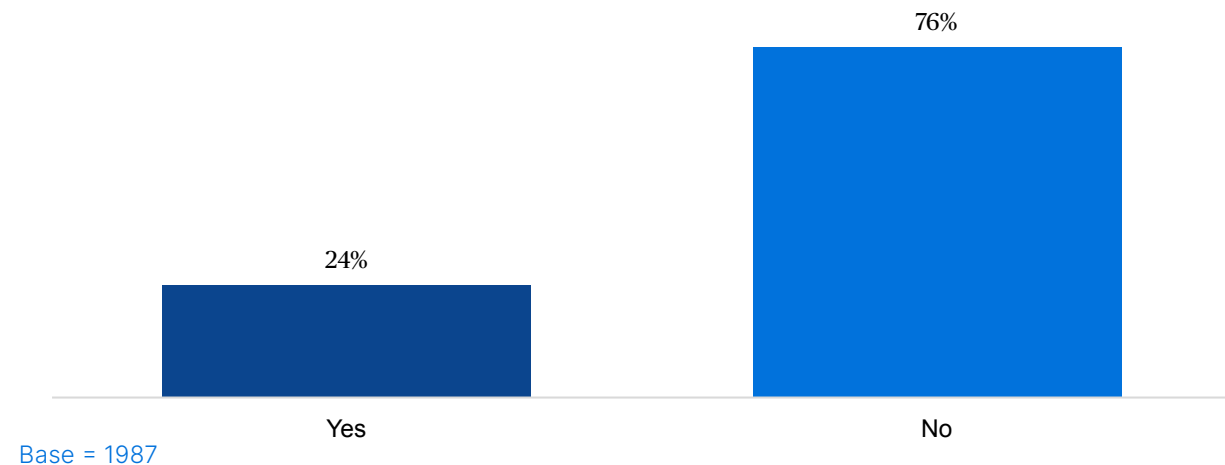
Governance expectations in care-focused organisations continue to increase with new legislation introduced, stemming from Royal Commissions and media attention on poorly performing care providers.

Directors in the Aged Care, Disability, Early Childhood and Community Services sub-sectors now face significantly more complex legislative requirements. And many are also facing workforce pressures and funding constraints

In response, some boards in the Human Services sector have strengthened their formal governance structures by establishing Care Committees or similar sub-committees to increase accountability and to sharpen the focus on the care provided [\(figure 20\)](#).

Care Committees

Figure 20



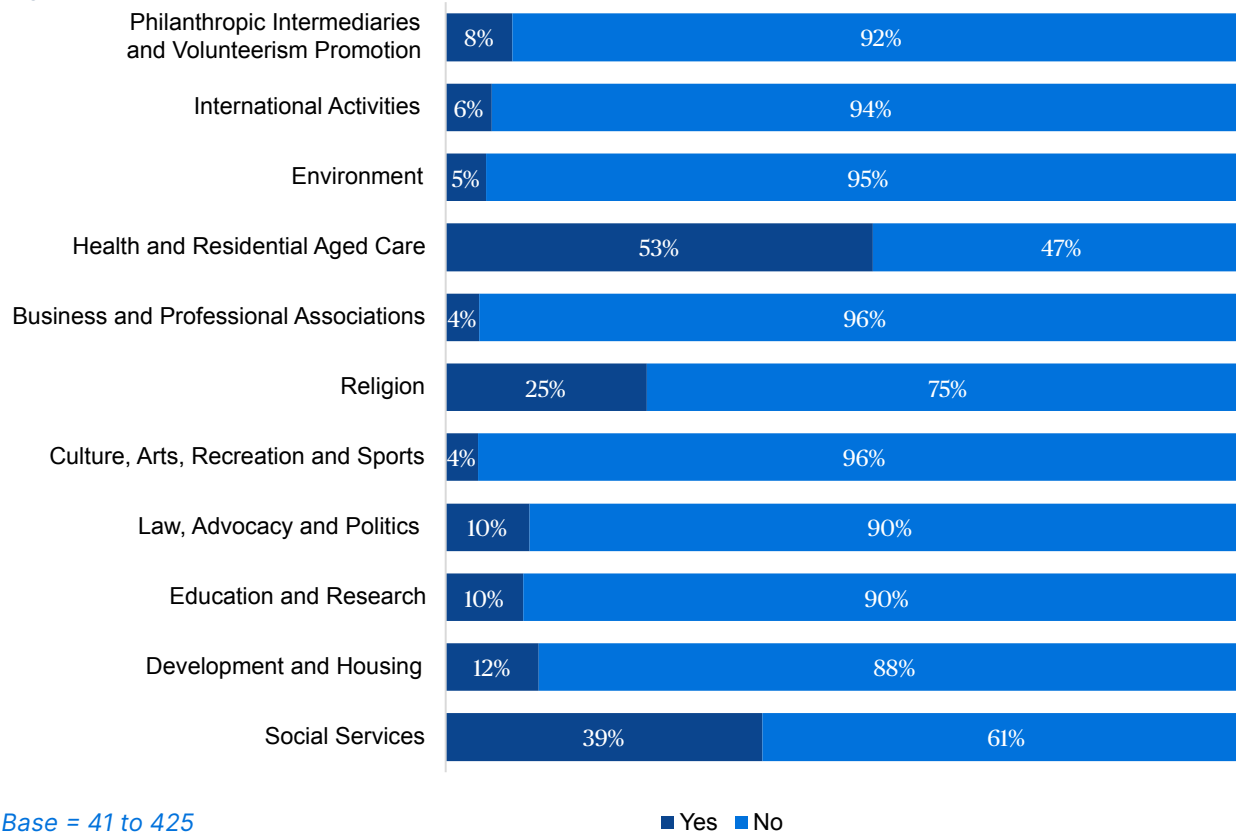
In addition to prudential requirements, there are now additional statutory duties for registered providers and responsible persons under The Statement of Rights Act. Boards need to understand what it means, how they demonstrate compliance, and how they measure whether care is consistent with those rights.”

- NFP Study respondent

Care Committee by sector

Care Committees are more common in sectors directly related to individual care and wellbeing such as Health and Residential Aged care (53%), and Social Services (39%). One in four Religion-based organisations also reported having a Care Committee in place, indicating a broader uptake of formal care-related governance structures beyond the traditional Human Services sectors.

Figure 21



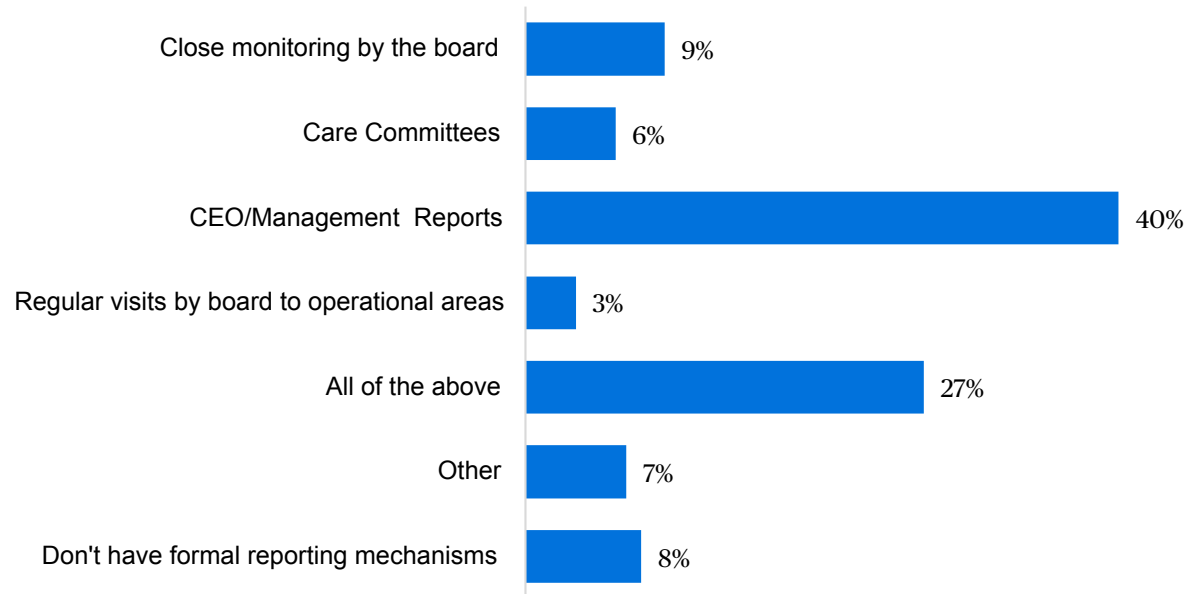
“Directors now require clinical governance literacy alongside financial literacy.”

- NFP Study respondent

Appropriate Care measures

Despite a significant shift toward adopting Care Committees, the most common method to monitor care quality is through CEO/Management reports (figure 22). Lower levels of direct board involvement, such as site visits or close operational monitoring, suggest that boards are seeking to maintain a strategic governance role rather than adopting a more hands-on operational approach. This reinforces the inherent tension between oversight and management, as boards navigate how to demonstrate effective care governance without crossing into day-to-day operations.

Figure 22



Base = 1273

Questions for Consideration: Human services

- Does the board have appropriate structures in place to provide effective oversight of care quality and client wellbeing?
- Is the current governance framework sufficient to meet heightened regulatory, community, and reputational expectations in care-focused environments?
- How does the board assure itself that management reporting provides a reliable and timely picture of care quality and emerging risks?
- Should the establishment or strengthening of a Care Committee be considered given the organisation's risk profile and service model?
- How does the board balance strategic oversight of care with avoiding inappropriate operational involvement?
- Are directors confident they have the skills and information required to discharge their care governance responsibilities effectively?

OTHER AICD RESOURCE:

[Governing for quality aged care – A director's guide](#)

Other findings



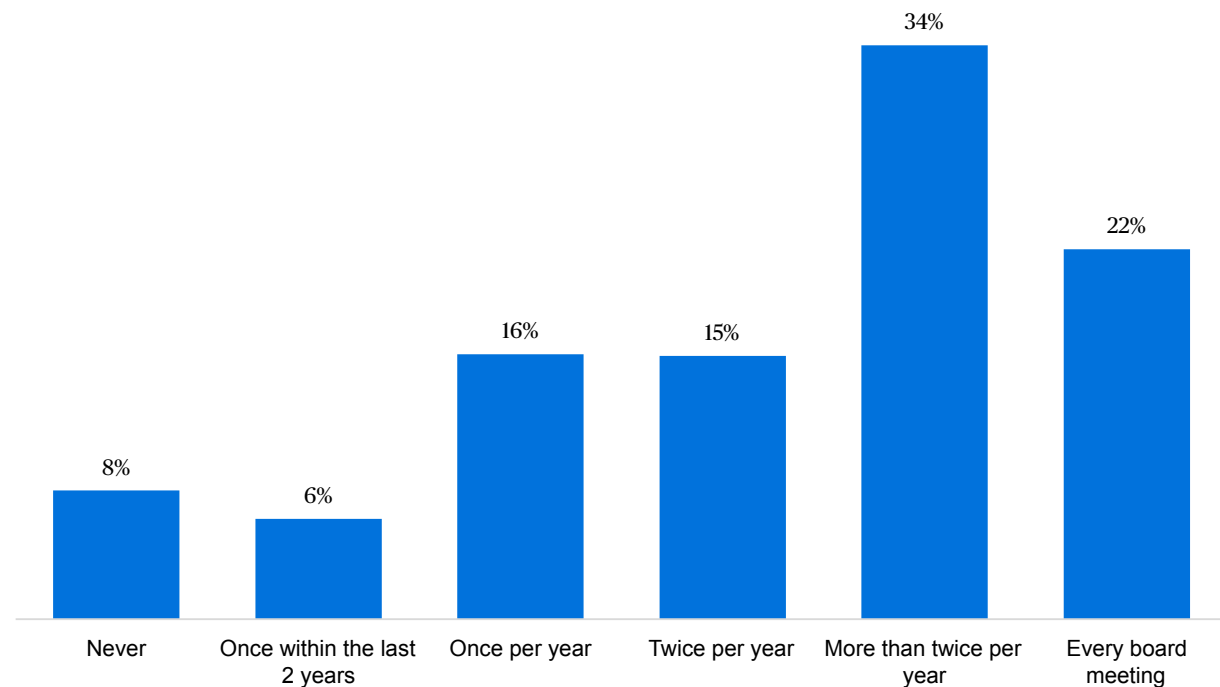
Digital Governance: Cyber security and Artificial Intelligence

Cyber security and artificial intelligence continue to represent significant governance risks and are now regular features of board agendas. The survey results suggest that, although boards increasingly recognise the risks and opportunities of rapid digital transformation, governance frameworks are not evolving at the same pace as technology adoption. This widening gap underscores the urgency for boards to strengthen oversight and capability. Inaction in these areas is no longer a viable option.

Cyber security on the board agenda

The importance of cyber security in board governance continues to intensify, with cyber risk now a routine topic of discussion across boards within the NFP sector. 87% of organisations report a higher frequency of cyber related board discussions, occurring at least annually or more often. This reflects a growing recognition of the need for stronger cyber preparedness and oversight. It remains concerning however, that 8% of boards still do not address cyber security at all, highlighting a critical gap in governance practices at a time when digital threats are escalating.

Figure 23

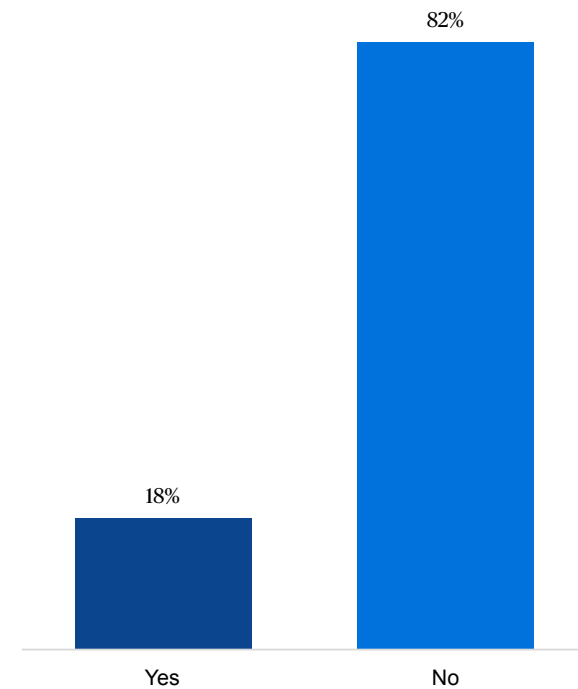


Base = 1913

Target of a cyber incident

Cyber incidents remain a real risk with a portion of respondents (18%) stating their organisation has been the target of a cyber-incident in the last 12 months. This reinforces that cyber threats are not hypothetical but an ongoing and persistent reality for NFP organisations.

Figure 24

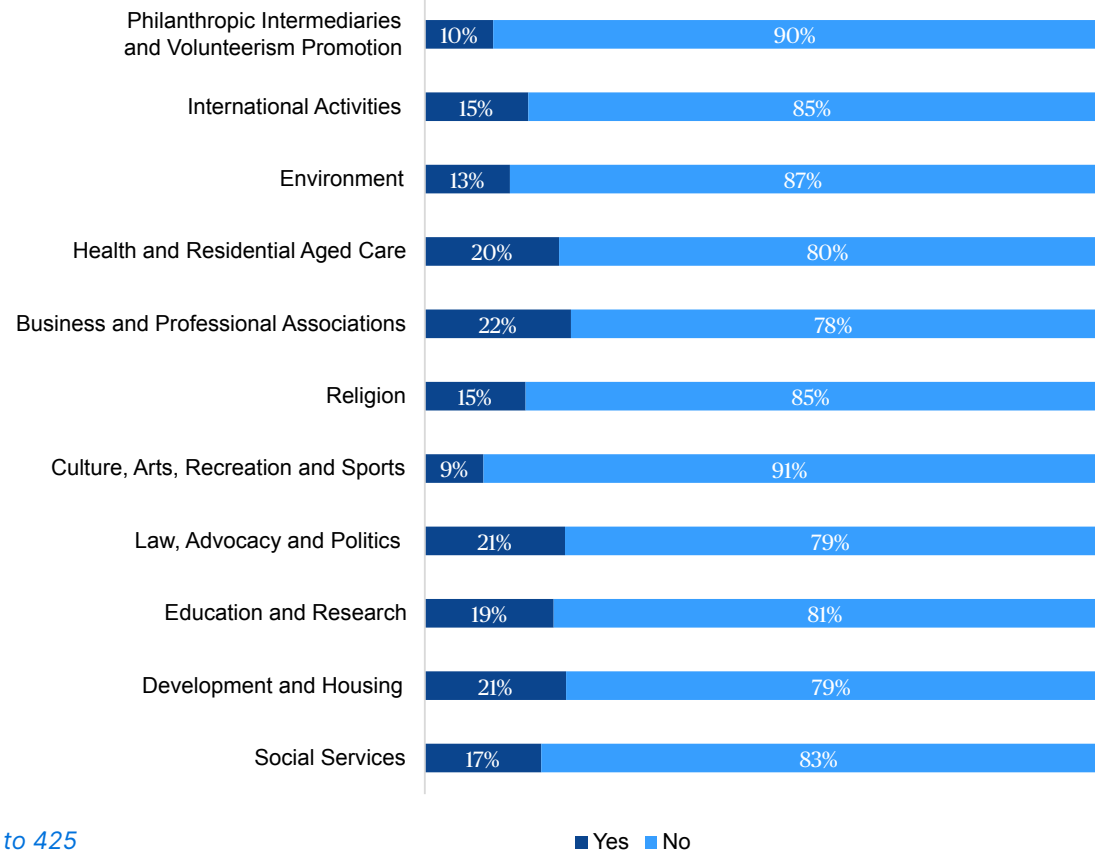


Base = 1964

Target of a cyber incident by sector

Survey findings indicate that certain sectors face heightened exposure to cyber security risks, with Business and Professional Associations (22%), Law and Advocacy (21%), Development and Housing (21%), and Health and Residential Aged Care (20%) more likely to be targeted. This exposure reflects the volume and sensitivity of the data these organisations routinely manage, underscoring the need for strengthened cyber resilience in the areas most at risk.

Figure 25



Base = 41 to 425

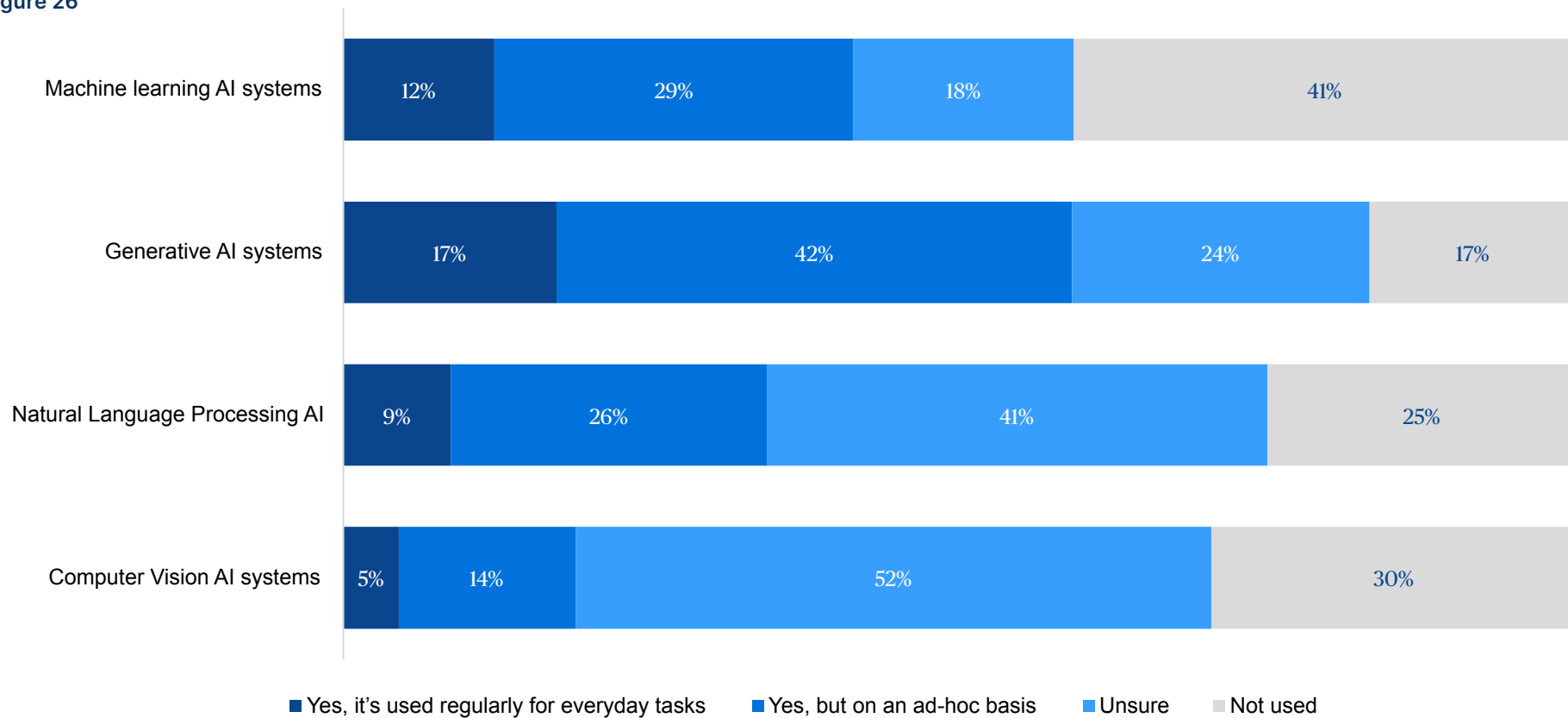
■ Yes ■ No

Artificial Intelligence

Utilisation of AI

While many organisations are still in the early stages of experimentation, the survey suggests the NFP sector is steadily progressing toward broader AI adoption. Since last year, overall use of AI has increased, with Generative AI emerging as the most commonly adopted tool -used regularly by 17% of organisations and on an ad hoc basis by a further 42% (figure 26). This growing uptake indicates a shift from exploratory use toward a more integrated application of AI across the sector.

Figure 26



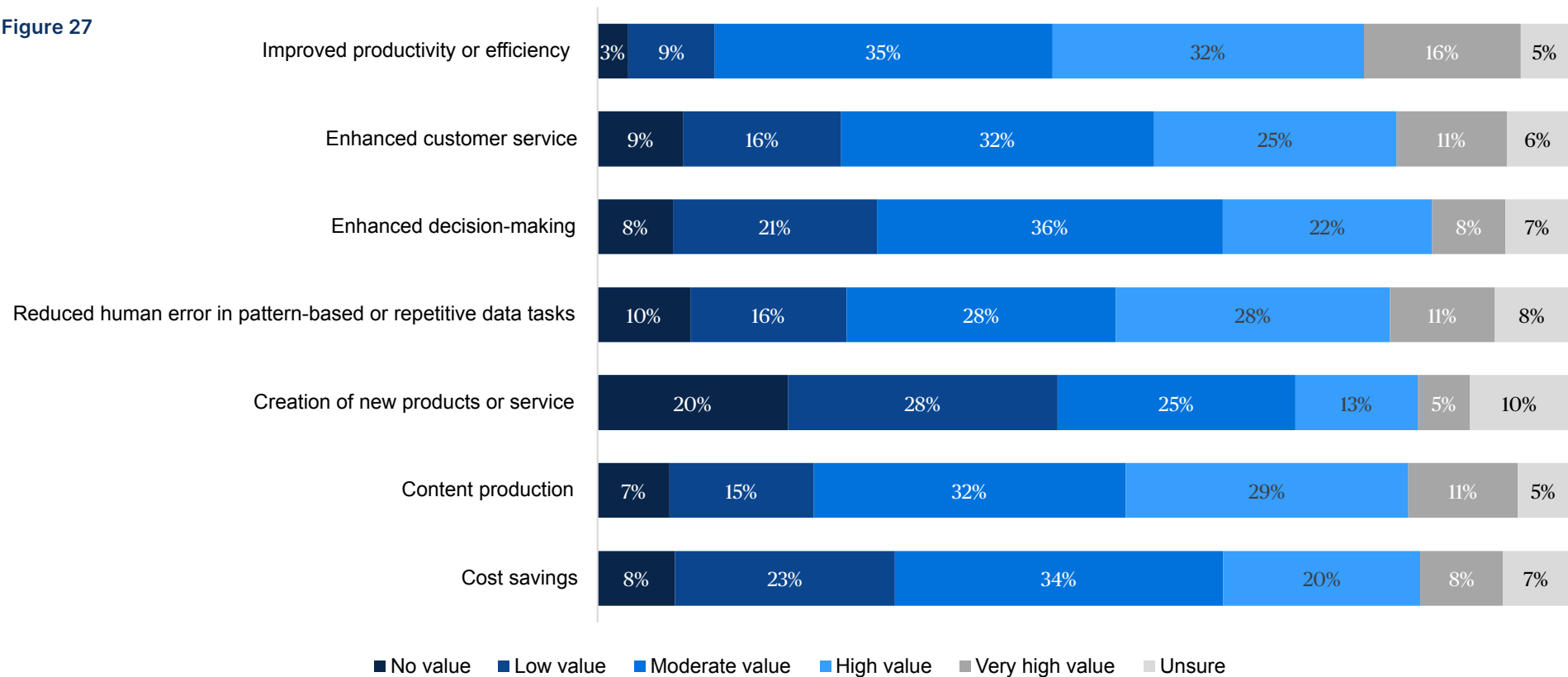
Base = 1920 to 1937

Legend: Reasons organisations are not currently using AI (ranked from highest to lowest)

Perceived value of AI

Perceptions of AI's value across NFP boards remain consistent with the previous year's survey results. A sizeable majority of respondents view AI as an important tool for organisational productivity and performance. Across the sector, AI has been identified as being highly valuable for improving productivity (48%), generating content (40%), reducing human error (39%), and enhancing customer service (36%). These findings reinforce that, as adoption increases, confidence in AI's practical benefits remains strong.

Figure 27



Base = 1964

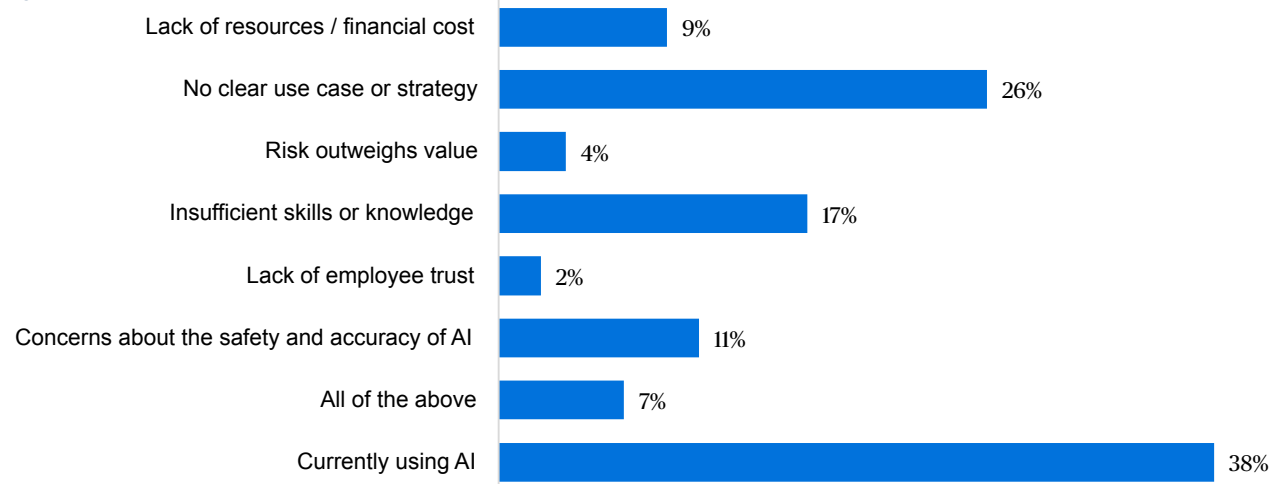
Legend: Perceived value of Artificial Intelligence to organisations (ranked from highest to lowest)

Reasons for not using AI

AI adoption is inarguably varied across the NFP sector. Survey participants noted that one of the major reasons for not utilising AI is the lack of strategy or clear-use case (26%) and insufficient skills or knowledge (17%). These constraints suggest that, while interest in AI is growing, many organisations still require clearer guidance and capability building to translate intent into meaningful implementation.

Boards are increasingly facing ongoing risks from cyber security threats and AI adoption. While 87% of boards discuss cyber security annually, 8% do not address it at all (figure 23). AI adoption is growing, but many organisations remain unsure how to use it effectively.

Figure 28



Base = 1964

Questions for consideration: Cyber and AI

- Are our cyber security and data governance processes and incident response plans sufficient for emerging threats?
- Do we understand whether AI is being used to improve productivity, reduce errors and enhance services?
- Do we have a clear strategy, the skills, and a governance framework for adopting AI responsibly?

OTHER AICD RESOURCES:

- [AICD ASD Cyber security priorities for boards in 2025-26](#)
- [AICD MBS Allens Data Governance Foundations for Boards](#)
- [AICD HTI Directors' Guide to AI Governance resources](#)
- [AICD CSCRC Cyber Security Governance Principles](#)

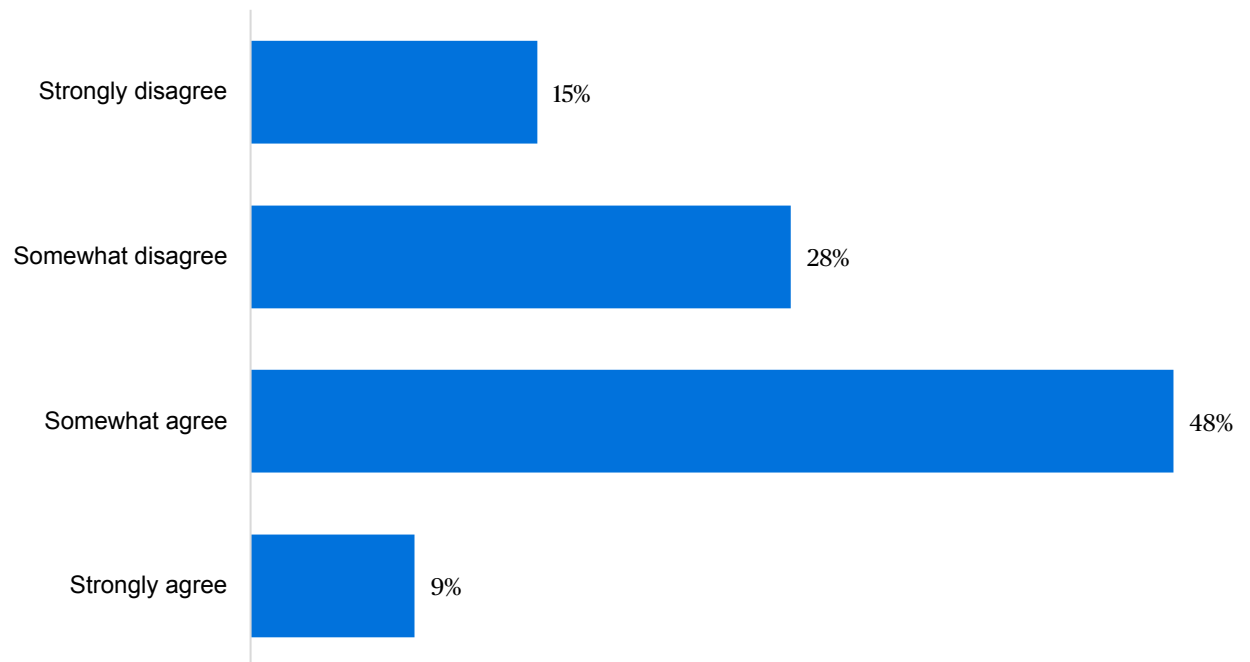
Climate Governance

Survey results highlight a gap between boards' awareness of climate governance risks and the extent to which these risks are being addressed through formal governance structures.

Board to increase attention to climate governance

Over half, (57%) of directors in the study agree that their boards should increase the attention they devote to climate governance. This sentiment points to an emerging acknowledgement that current approaches may not yet be sufficient to meet the scale and urgency of climate related risks and responsibilities.

Figure 30



Base = 1877

Steps taken by board to address climate governance

For those boards that have taken action (44%), the most frequently reported measures include incorporating climate change into risk management frameworks (22%), receiving board reports on climate sustainability metrics (19%), and reassessing their organisational strategy (17%). Inaction levels have remained consistent with 2024 findings (56%). It should be noted that, very few of the NFPs surveyed for the report are included within the Federal Government’s mandatory climate reporting requirements which began on 1 January 2025.

Figure 31



Legend: Respondents were asked

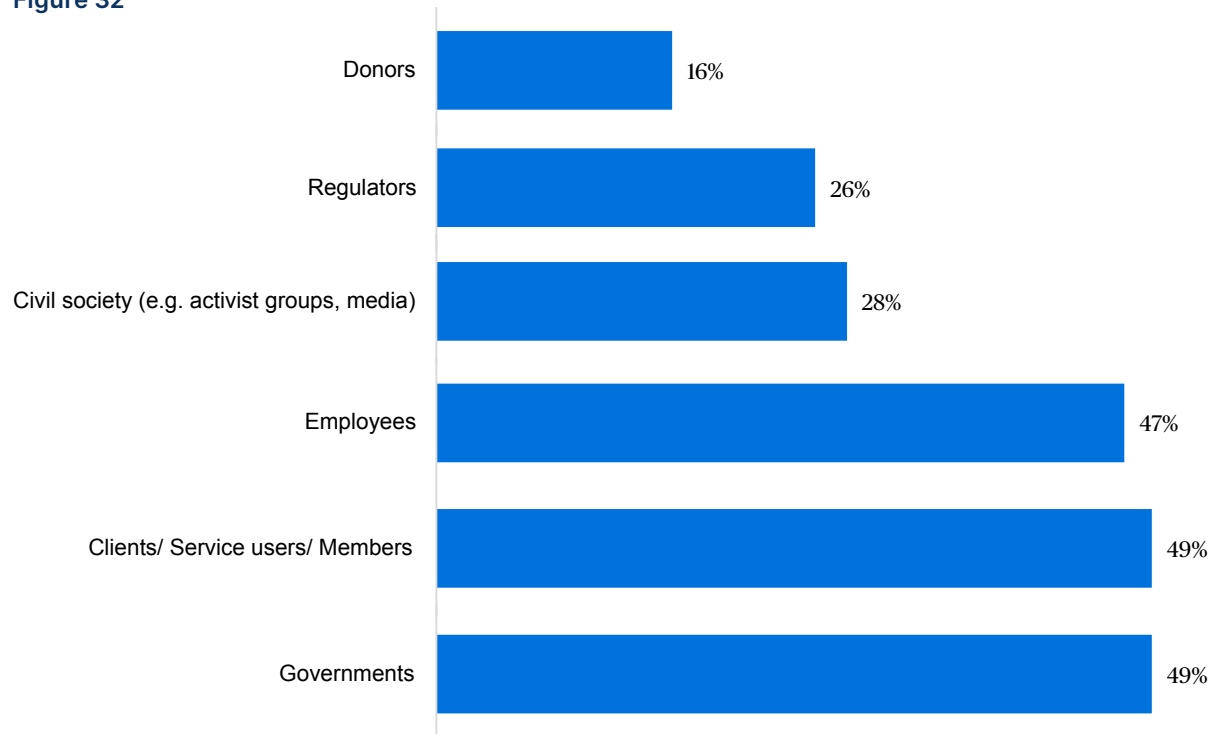
What steps has your board taken to respond to climate governance, risk and opportunity?

Base = 1969

Pressure from stakeholders

NFPs continue to face pressure from multiple stakeholders to accelerate their climate action. The study finds Governments (49%) and clients and service users (49%) remain the strongest external forces exerting pressure, reflecting expectations that organisations will take action to advance climate-related initiatives. Employees (47%) are also a major driver of pressure, while civil society (28%) provides an additional impetus for organisations to respond.

Figure 32



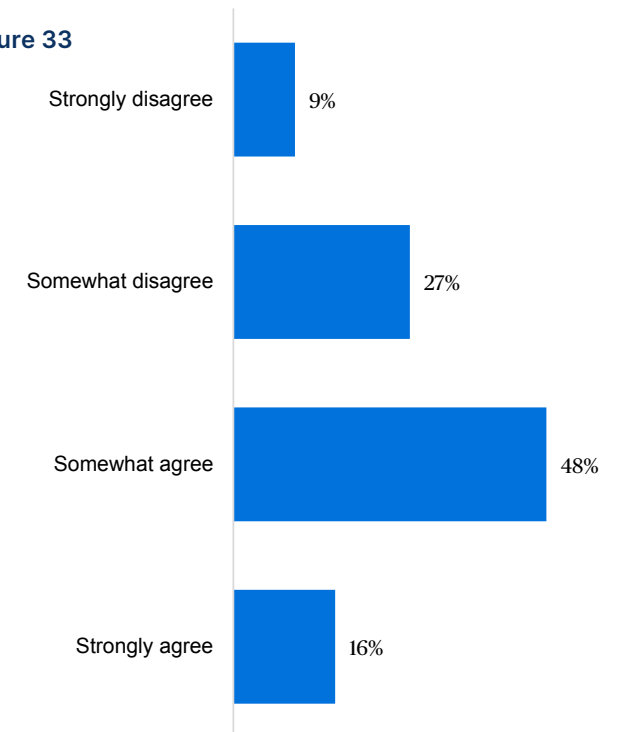
Legend: Respondents were asked
Does your organisation feel pressure to act on climate change from the following stakeholders?

Base = 691

Pressure to act on a broader range climate issues

Transition planning (45%) is one of the key areas where boards are feeling the strongest pressure to act. Adopting circular economy principles (41%) and progressing climate mitigation efforts (39%) are also recurring pressure points for NFPs, reflecting the breadth of climate related expectations being placed upon the sector.

Figure 33



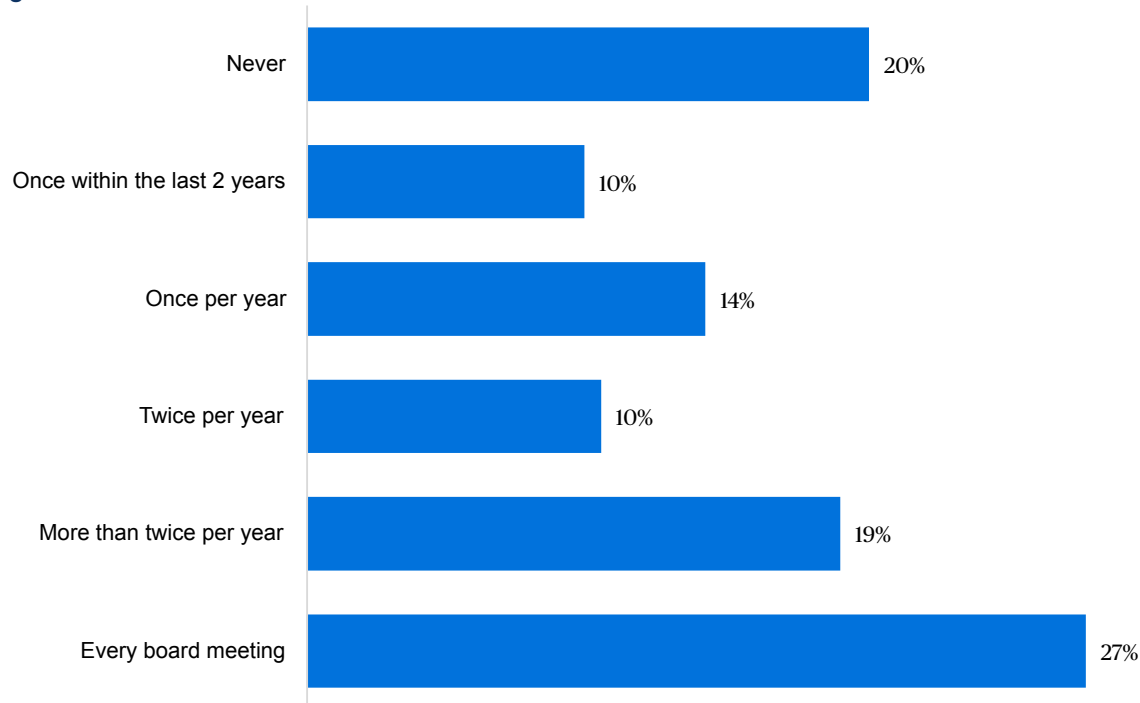
Legend: Respondents were asked
In my opinion, my board should increase the attention it pays to climate governance

Base = 739

Frequency of Environmental, Social and Governance (ESG) issues on board

ESG considerations continue to feature prominently on many boards' agendas, with 27% of organisations reporting that ESG is now part of every board conversation rather than a niche topic (figure 29). However, engagement is far from universal. Nearly one-third of respondents (30%) report that ESG is rarely or never discussed within their organisations.

Figure 29



Base = 1877

**Questions for consideration:
Climate Governance and ESG**

- Have climate and ESG considerations been fully embedded in risk management, strategy, and reporting?
- Is the board confident it has the knowledge and capacity to address climate governance effectively?
- How are we responding to stakeholder pressure, including governments, clients, employees, and the public?

OTHER AICD RESOURCES:

[Climate Governance Initiative Australia](#)

[Governing for net zero: The board's role in organisational transition planning](#)

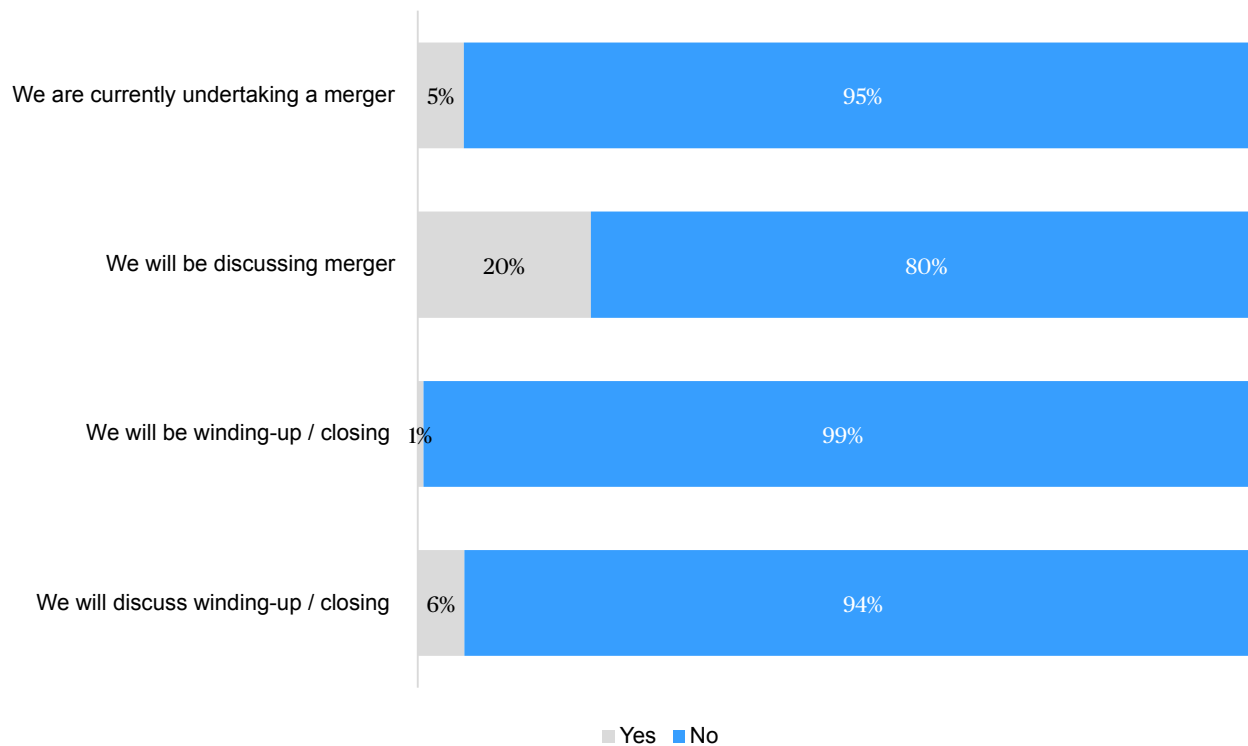
Mergers and organisational stability



Mergers and winding up

Most NFP organisations do not anticipate significant structural change over the next 12 months: 95% of respondents report that their organisations are not currently undergoing a merger, and 80% are not in merger discussions (figure 35). Compared with 1% expecting to wind up or close, and a further 6% indicating that these conversations may commence in the next 12 months. These results suggest overall stability across the sector, with limited appetite for structural consolidation or exit.

Figure 35

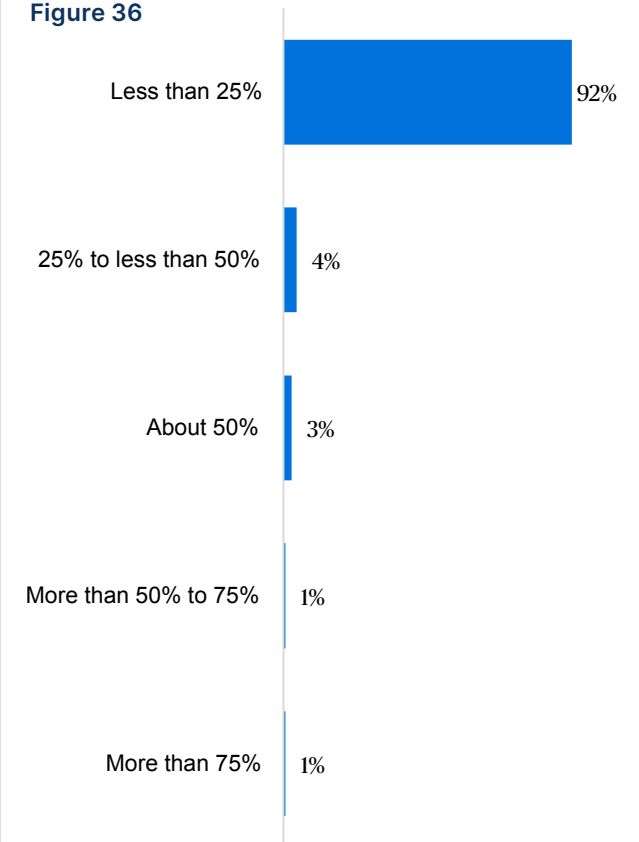


Base = from 1894 to 1921

Probability of winding up within the next two years

Of the study participants, 92% assess the likelihood of their organisations winding up or closing within the next two years as less than 25% (figure 36).

Figure 36

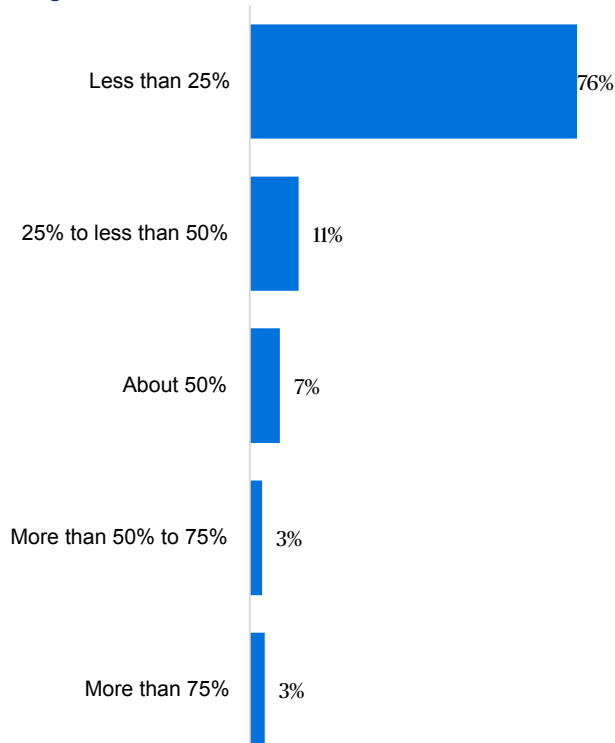


Base = 1974

Probability of mergers within the next two years

A small but notable proportion of NFP directors (6%) believe their organisation has more than a 50% likelihood of merging with another NFP within the next two years. However, 76% of respondents consider the probability of a merger to be less than 25%.

Figure 37



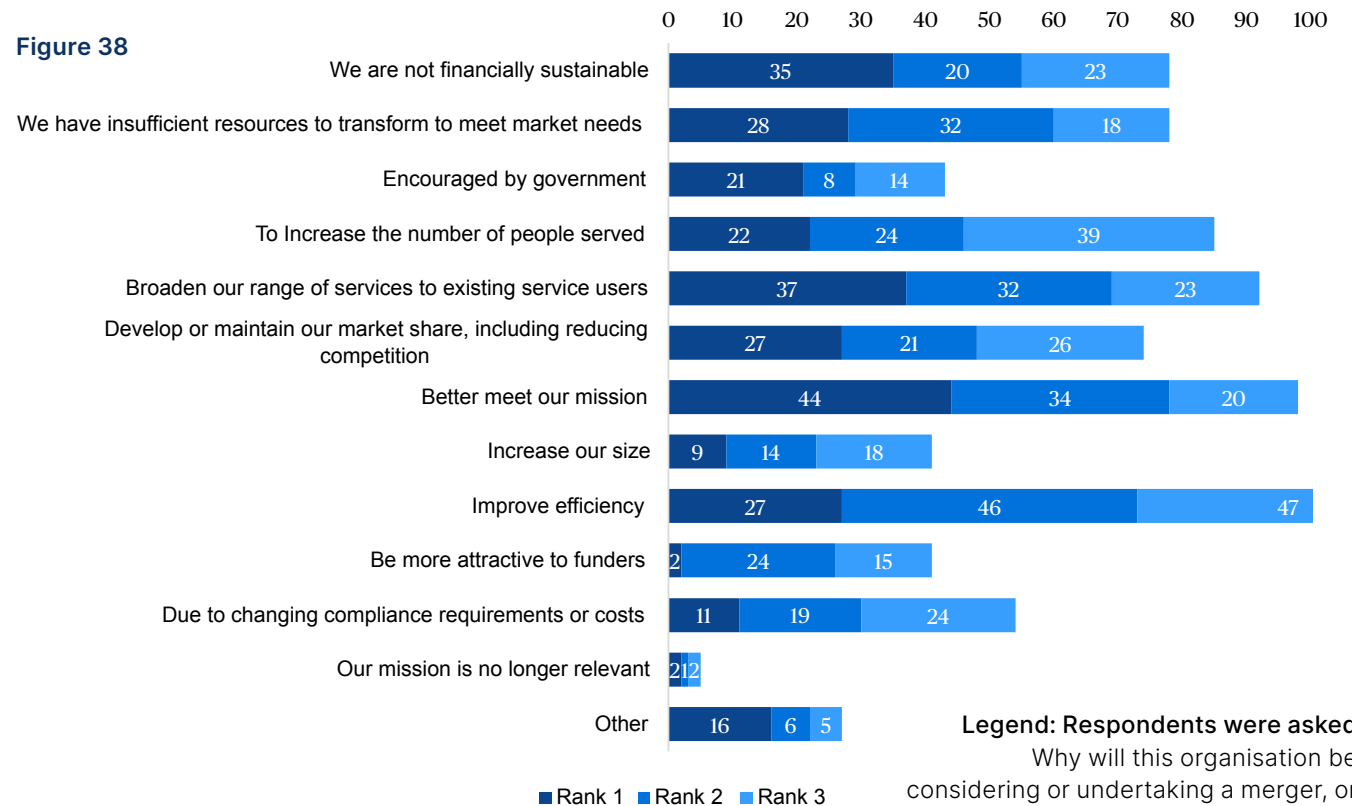
Base = 1920

Reasons for mergers or winding up

For the small number of organisations anticipating a merger or winding up, the top reasons respondents gave are to improve efficiency, better meet the organisation’s mission, broaden the range of services and increase the number of people served. These motivations suggest that, where structural change is being considered, it is largely viewed as a strategic pathway to enhance impact and sustainability, rather than as a response to an immediate crisis.

Most NFPs remain structurally stable, with a low likelihood of a merger or winding up in the next two years. Those considering change cite efficiency, mission alignment, service expansion, and reaching more people as key drivers.

Figure 38



Base = 5 to 120

Legend: Respondents were asked
Why will this organisation be considering or undertaking a merger, or be considering or actually winding up?

**Questions for consideration:
Mergers and organisational stability**

- Are we regularly reviewing the organisation's structure and long-term sustainability?
- Under what circumstances would a merger or strategic change be beneficial?

**Questions for consideration:
Four questions NFP boards need to ask
when considering a merger**

- What impact does the organisation create?
- How can a merger increase impact?
- How do alternatives compare?
- What would it take to successfully execute?

Methodology

The Australian Institute of Company Directors (AICD) partnered with Piazza Research Pty Ltd to conduct the Not-for-Profit Governance and Performance Study 2025-2026.

Survey design and data collection

The 2025 questionnaire was designed to maintain continuity with previous years' surveys while some minor alterations and updates were needed. The survey questions were checked against 15 technical quality checks to eliminate any issues which could impact question validity.

The questionnaire was loaded on the AICD's secure Qualtrics survey platform which was used for data collection.

Sample design

The AICD membership database was the sampling frame for the survey. The survey was sent to all members, and a screener question was used to filter respondents who were not-for-profit (NFP) non-executive directors.

There are approximately 22,000 NFP members on the AICD database and there were 2088 responses to the survey, marking strong growth from the last few years. For the 95 per cent (95%) confidence interval, this provides overall results accurate to within a +/-2.0% margin of error. This is a highly insightful result and reflects the positive changes implemented by our early and regular engagement with respondents.

Data processing and analysis

The returned survey data was analysed using Python and MS excel. Descriptive statistics have been provided in tabular and graphical format and included in this report. When measuring central tendency, a five percent (5%) trimmed average was mostly used to remove any skews caused by extremely high or low results. For questions not affected by extreme outlier results, the simple average (mean) was used. In this case it has been noted in the analysis description.

Focus groups

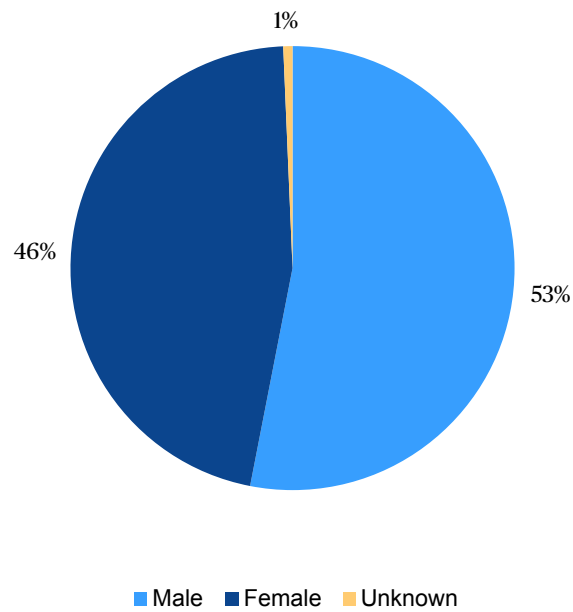
In addition to the survey, Piazza Research conducted focus groups with NFP non-executive directors across Australia, exploring issues related to this survey. A separate report has been provided to highlight the issues of consensus raised during these discussions. This report was produced by Piazza Research Pty Ltd for the Australian Institute of Company Directors

Lead Consultants: Mathilde Lamerton, Grant Piazza

Demographics

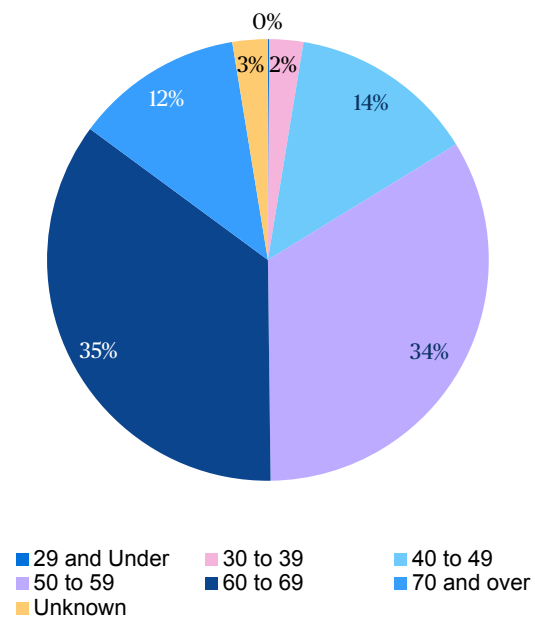
Survey demographics - Breakdown of survey respondents

Respondent gender



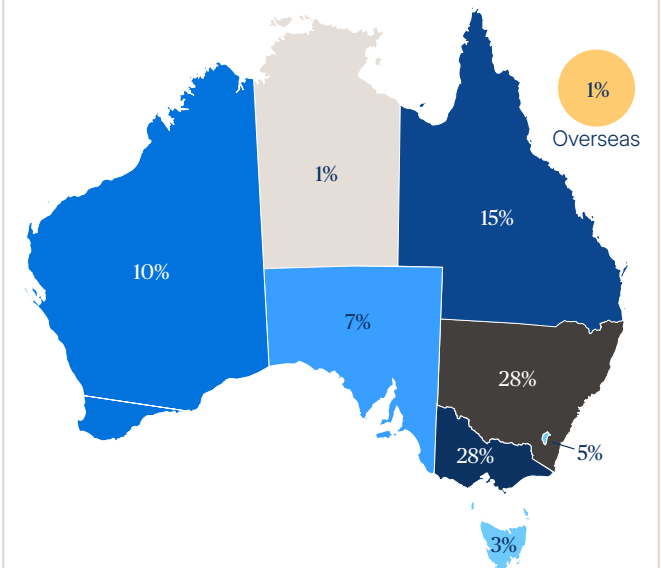
Base = 2088

Respondent age



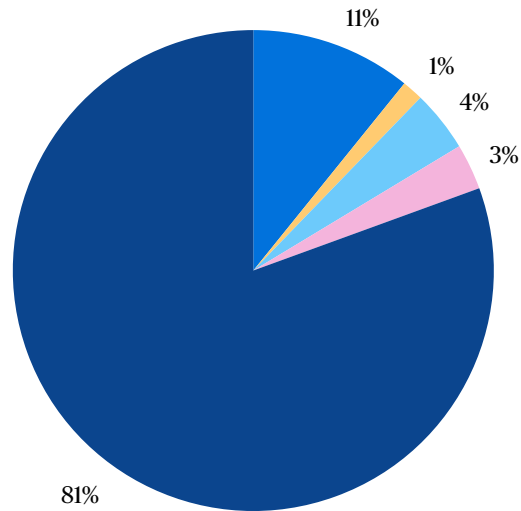
Base = 2088

Respondent location



Base = 2088

How do you identify?

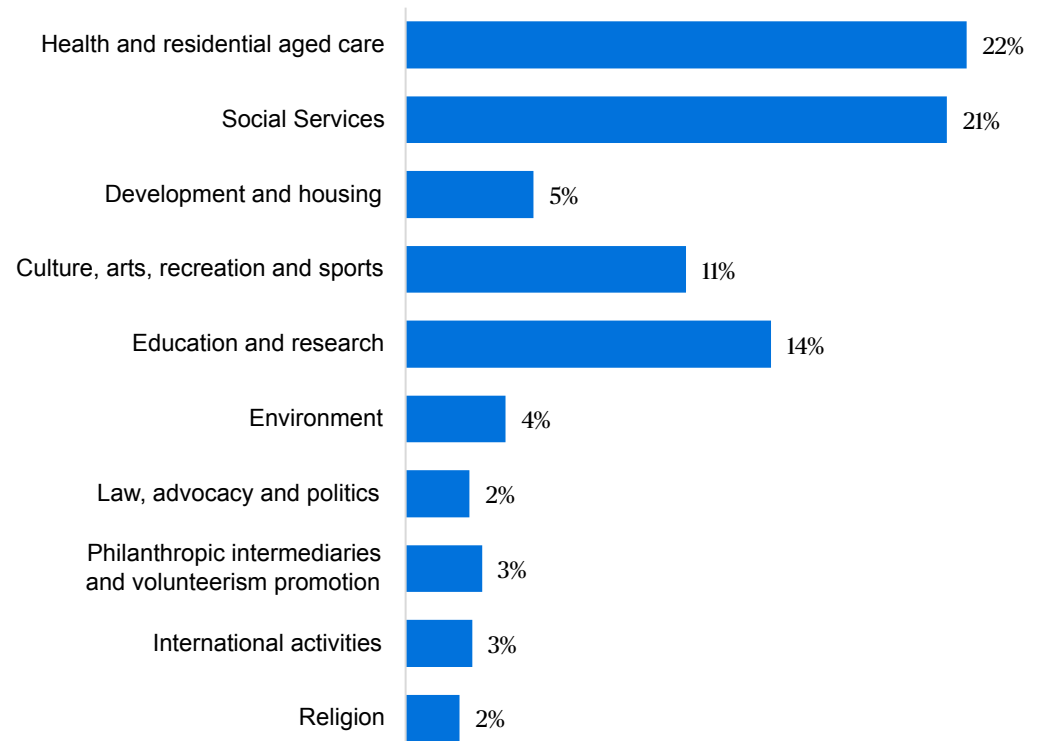


- From a culturally and linguistically diverse (CALD) background
- First Nations
- A person with disability
- Prefer not to say
- None of the above

Base = 2088

Note: respondents could select more than one response.

Respondent's sector



Base = 2086

Acknowledgement of Country

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

About AICD

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

Disclaimer

The material in this publication does not constitute legal, accounting or other professional advice. While reasonable care has been taken in its preparation, the AICD does not make any express or implied representations or warranties as to the completeness, reliability or accuracy of the material in this publication. This publication should not be used or relied upon as a substitute for professional advice or as a basis for formulating business decisions. To the extent permitted by law, the AICD excludes all liability for any loss or damage arising out of the use of the material in the publication. Any links to third party websites are provided for convenience only and do not represent endorsement, sponsorship or approval of those third parties, any products and services offered by third parties, or confirmation of the accuracy or currency of the information included in third party websites. The opinions of those quoted do not necessarily represent the view of the AICD. All details were accurate at the time of going to print.

Copyright

Copyright strictly reserved. The text, graphics and layout of this guide are protected by Australian copyright law and the comparable law of other countries. The copyright of this material is vested in the Australian Institute of Company Directors Limited (the AICD). No part of this material may be reproduced or transmitted in any form, or by any means electronic or mechanical, including photocopying, recording or by any information storage and retrieval systems without the written permission of the AICD.

For more information:

T: 1300 739 119

E: policy@aicd.com.au