

# Toolkit for Boards



BOARD REMUNERATION



Navigating the Road to Board Remuneration  
for Social Purpose Organisations



## Acknowledgment of Country

Govern for Purpose acknowledges Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

In the spirit of collaboration, we thank and recognise the contributions of the many people we have consulted and learnt from over the years.

Special appreciate goes to the seasoned Board Chair and Directors, who have generously shared their experiences and insights into Board Remuneration.

Their trust in us to shape their experiences into a useful resource for others highlights our shared commitment to optimising governance practices within the sector.



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# Introduction



People for Purpose is Australia's leading provider of Executive and Board talent to the social purpose sector and core to our service offering is our expertise in guiding Boards to strategically appoint Directors whose skills and values align closely with the organisation and its mission. Over the past twelve years, we've developed strong partnerships with Boards, gathering market insights, and fostering meaningful relationships with Directors from all over Australia. This journey has provided us with a distinct perspective on Board remuneration in Australia for social purpose organisations.

In recent times, we have observed a notable shift in the landscape, particularly amongst human services providers. This transformation has been propelled by factors such as Royal Commissions, the advent of the NDIS, legislative changes and evolving funding arrangements. There is greater focus on safeguarding and sound governance practices, and these are in turn prompting significant changes.

Human Services providers, along with many other social purpose organisations, are operating in increasingly complex environments, serving vulnerable communities, with high stakes involving human lives and dynamic risks amongst a backdrop of global economic, political and environmental uncertainty. All the while, they are increasingly challenged to compete for experienced Directors in a war for talent that is very real where these experienced Directors are often seeking remuneration reflecting the complexity and time considerations of the role. In response to these evolving factors, we are guiding more and more organisations who are reassessing their approach to Director remuneration.

Having partnered with several organisations who have introduced, or are in the process of introducing, Board remuneration, we have gained considerable insight into the preparatory work and steps involved. This paper is designed to provide insights into the process for considering, evaluating and implementing a **Board remuneration framework**. While it does not prescribe a one-size fits all solution, it offers practical tips and insights, examines the rationale, impact assessments, processes, and indicative frameworks, serving as a guide for Boards navigating this transformative step. It is intended to spark a reflective conversation, guiding Board Directors through the multi-faceted considerations surrounding this pivotal decision.

*“The Royal Commissions have forced changes in terms of upskilling of Boards. I think now we're starting to see a lot more remunerated Boards. I think the critical question for the sector will be whether small and medium sized charitable entities have the capacity to deal with some of these uplift governance requirements.”*

- NFP study respondent, Not-for-Profit Governance & Performance Study 2022-23 Report Summary - AICD

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## Initiate Discussion

A black and white photograph of a chessboard. A single black pawn is in sharp focus in the foreground on the left. In the background, several white pawns are visible but out of focus. The lighting is soft, creating a professional and strategic atmosphere.

Step 1

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## Step 1: Initiate Discussion



When contemplating Directors' remuneration, it is essential to anchor the decision within your organisation's strategic objectives, governance policies and documentation. There are very valid arguments both for and against remunerating Board Directors. Even though this discussion is contentious, the critical point to note is that what is right for your organisation is unique to you and your individual challenges and opportunities.

Preliminary exploration serves as the bedrock for informed decision-making. Engaging with relevant stakeholders, including Directors, Members and funders etc, will facilitate a holistic understanding of diverse perspectives. This initial phase involves careful listening, clear communication, the fostering cultivation of an environment conducive to candid feedback, fostering an environment of trust and openness.

Develop a paper detailing the pros and cons delving into the potential benefits and potential barriers. This will help to frame conversations (formal and informal) and may include information about current trends and practical, financial, reputational and ethical issues around Board remuneration rationale and risks for the organisation. The table below, based heavily on [CAANZ Remunerating Not-for-profit Directors NFP Insight](#), which is a good place to start thinking about what factors (perceived or real) might be critical for your Board to consider.



## Pros

- **Recognition:** NFP Boards can be as large and as complex as any for-profit organisation – indeed they can be more so – meaning Directors in these ‘peer’ organisations must be just as skilled and committed as their corporate counterparts. Furthermore, many NFP’s Board Directors also sit on corporate Boards where they are paid – often substantially – for their contribution. Rising governance expectations coupled with increasing regulation, means the demands on NFP Board Directors’ time are growing.
- **Legitimacy:** Board roles not only impact those serving as Directors but also Directors’ families and their employers. Board positions are a big-time commitment. By paying your Board Directors, even a token amount, it can validate the role in their minds, and in the minds of those around them. Thus, the payment of Directors can legitimise the role for some.
- **Diversity:** Payment of Directors may help establish a Board with greater diversity. Some potential Directors may be unable to participate in a Board role unless they are remunerated such as Directors with a lived experience of disability.
- **Competitiveness:** NFPs may have to compete with the commercial sector when it comes to attracting talent. Corporate Boards offer Directors’ fees as a matter of course, which can give them a competitive edge when it comes to attracting high-calibre Directors.
- **Performance:** Paying Directors may make it easier for NFPs to set performance expectations.
- **Accountability:** Holds Board Directors accountable for their success and performance. Also instigates better attendance at Board, committee and staff meetings.

## Cons

- **Philosophical opposition:** Some people believe paying NFP Directors is fundamentally at odds with the spirit of the sector, and that all available resources should go directly to the beneficiaries to drive greater impact. Some people are attracted to NFP governance as a means of ‘giving back to the community’ and payment may not sit well with them in this context.
- **Accountability:** Accountability is a key question when considering Board remuneration, particularly where the Board is involved in making decisions about payments.
- **Personal liability occupational health and safety risk for paid Directors:** Paying Board Directors may mean they can be personally liable as individuals for failing to carry out their duties concerning work health and safety.
- **Civil liability risk for Directors:** Paying a Board Director could also mean they may be personally liable for injury, damage or loss to a person under civil liability laws, including clinical risk.
- **Dynamics:** Payment to NFP Board Directors could attract people with the wrong motives. Stakeholders may be concerned that payment could replace the cause as the central motivation for a Director to take on the role. Offering remuneration to Directors may make engaging other volunteers more difficult. It could also create two classes of volunteers or change the organisation’s dynamics.
- **Double compensation:** Board Directors are already recompensed through professional development, networking opportunities, esteem or the satisfaction of working for a purpose they believe in.
- **Appropriate rates:** It is difficult to determine appropriate rates of pay (especially given Directors often contribute unevenly).



## Valuable tools

Valuable tools for this phase of the process may include:

- [CAANZ Remunerating Not-for-profit Directors NFP Insight](#).
- Community Directors [Board Payment Wizard](#) which assists in identifying if the organisation can remunerate Directors, a [Top 10 Help Sheet for Board Director Payment policy](#) and [other useful resources and information](#).
- The ACNC website provides a wealth of information on [points for charities to consider when thinking about remunerating its Responsible People](#), and a [suggested list of questions to be asked by charities](#).

This paper should not only address the 'why' of remunerating Directors, but also include the 'who' i.e. the types of Directors the organisation aims to attract and the value you are hoping they might add. Additionally, it is recommended that it quantifies the time spent by Board Directors to ensure full visibility over the work that is required.



## Identify valuable views

Identify people whose views should initially be sought and tested - including Members, the Governance Committee, Governance and Legal advisers, founders of the organisation, former Board Directors, ACNC, networks, key stakeholders such as funders, and perhaps other Chairs of organisations of comparable size and complexity.

Engaging with key stakeholders at this point is paramount in understanding their reservations, expectations, and concerns regarding the potential introduction of Board remuneration. Many Chairs with experience in this process, underscore the importance of "over-communicating" with members to bring them on the journey, and exaggerate the focus on the future of the organisation and the importance of it meeting its strategic objectives over time. Consideration must be given to the current Board Directors, who have volunteered their time. Communication with these Directors must be initiated with emotional intelligence, acknowledging the potential transition ahead, while being respectful and appreciative of their contribution. Note that this can be challenging for Director who are approaching the end of their term.

Gathering views of key stakeholders could be achieved in many different ways, using one-on-one discussions with the Chair, facilitated gatherings with an impartial third party, or through surveys.





## Gather information

Gather information about whether the organisation can remunerate Directors. Seek specialist legal, compliance and regulatory advice to ascertain tax implications and operational impacts. Key areas of focus may include:

- The organisation's governing document, typically the Constitution.
- Company structure, e.g. company limited by guarantee. (A charitable public company limited by guarantee that wishes to remunerate its Board Directors must include the word "limited" in its name).
- Funding arrangements and other organisational agreements such as government grants or contracts.
- State-based fundraising regulations.
- ACNC governing principles, notably Standards 2 and 5, emphasising transparency and accountability.
- Personal liability and insurances. For example, the national model for work health and safety laws sets out responsibilities for Board Directors, and for certain offences, holds them personally liable. Volunteer officers (i.e. unpaid) are given immunity from prosecution, under these laws.
- Tax implications – considering how would payments to Directors be treated, whether as profit, payment for services, part of a distribution, or as part of the broader employee remuneration structure.
- Impact on Financial Statements and Reporting (for example, upcoming legislation and implications of Gender Pay Gap reporting).

Useful information can be found in Justice Connect's [Payment of board members fact sheet](#) and [Moores' Director's fees – key considerations](#).



## Market trends and benchmarking

**Acquire good quality information about market trends and benchmarking.** Gather or purchase objective benchmarking data against similar charitable entities and similar-sized commercial organisations. Consider engaging external expertise for a comprehensive market analysis. [Refer to the Resources and References](#) for more information about current remuneration trends and information. The benchmarking data produced by McGuirk Management Consultants (for the Governance Institute of Australia) is a particularly comprehensive guide - [2023 Abridged Australian Board Remuneration Survey Report](#)

Other useful information is also available from:

- "Charity boards in fees conundrum", [Business News Survey 2023 - Mark Beyer: 21st March 2023](#)
- Thought Piece on Board Remuneration and Director Fees in Australia (work-in-progress) on [LinkedIn](#) by [David Maywald](#)





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# Develop a Board Remuneration Framework



**Step 2**

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## Step 2: Develop a Board Remuneration Framework



**Develop an indicative framework** detailing the process and timeline for implementation (if the proposal was approved) and outlining how it might operate. The remuneration framework should be underpinned by research insights, surveys, findings, identified issues in Board remuneration practices and best practice. It should be flexible yet robust, accommodating potential contingencies while ensuring a systematic and transparent process. It may provide guidance on:

- **Requisite amendments** to the constitution and other relevant Board documentation, and other regulatory requirements and specifics around the process involved.
- **Timing** in line with the annual Board calendar earmarking dates well in advance for each of the steps.
- **Plans** for positioning and communicating the process with relevant key stakeholders.
- **Benchmarked Director remuneration using independent sources.** If possible, include a few options; propose ranges for individual Director payments, or a total pool payable to the Board in aggregate, giving the Board the discretion to determine how much each individual Director is remunerated. Some Boards choose to specify one amount per Director and others approve a specified amount per Director position and pay the Chair/Chairs of Board Committees an additional payment.
- **Structuring Director remuneration.** Directors should normally be remunerated by way of fees, in the form of cash. They should not normally participate in schemes designed for the remuneration of Executives and should not receive options or bonus payments, and should not be provided with retirement benefits other than superannuation. Directors' fees are paid for services rendered, hence they would normally be paid in arrears.
- **Review the terms** of your Board's Directors and Officers Insurance policy and any potential gaps in liability.
- **Anchor the framework** in the "why" Board Directors will be paid (transparency and accountability are critical elements) which will also help the Board to reflect, as they review this framework over time.
- **Detail the process** and frequency for review and evaluation of the Board remuneration framework. Discussions could be included as part of the annual agenda, be incorporated into the AGM discussion, and perhaps draft an element for inclusion in the Board Charter.





## Develop

Develop position descriptions and responsibility statements.

- Director position descriptions should outline roles and responsibilities of the organisation's Directors in a remunerated setting and include skills and experience, qualifications and values. This should also include an estimate of the time required to discharge responsibilities of the role.



## Publish

Publish a set of guiding principles to underpin the framework. Such principles may include:

- Aligning remuneration to the organisation's missions and values.
- Aligning remuneration arrangements to organisational performance and achievement of effective governance.
- Ensuring remuneration is reasonable, appropriate and commensurate with workload and responsibilities.
- Incorporate best practice governance standards, for example the [ACNC Governance Standards](#).
- A process for regular, external and independent review to address potential conflicts in the Board determining its own remuneration arrangements.



## Agree

Agree performance management plans for Directors

- The Board will need to agree and introduce performance management processes (ideally two-yearly) for Directors, including peer and Chair review of Non-Executive Directors.



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# Implementation and Ongoing Maintenance



**Step 3**



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## Step 3: Implementation and Ongoing Maintenance



**Socialise** the plan amongst Directors and Members inviting feedback before an agreed date.



**Finalise** the plan and the paper.



**Convene** an extraordinary general meeting to vote.



**Communicate** the decision and relevant frameworks to all Directors, Company Members and other key stakeholders.



**Approve** changes to the constitution and other relevant documentation and publish an official remuneration policy.



**Agree** commencement date for remuneration and notify the relevant authorities where necessary such as ASIC.








**Implement** a regular process for Board Director performance evaluation.



# Resources and References



## Resources

-  [Remunerating Responsible People | ACNC](#)
-  [Remunerating charity board members](#)
-  [Institute of Community Directors Australia \(ICDA\) Board Payment Wizard](#)
-  [Top10-HelpSheet-BoardPaymentPolicy.pdf \(communitydirectors.com.au\)](#)
-  [Institute of Community Directors Australia \(ICDA\) Board Payment Wizard Resource Page](#)



Document



Website

## Surveys

- Governance Institute of Australia - McGuirk Management Consultants Pty Ltd – 2023 Abridged Australian Board Remuneration Survey Report  
 [2023-abridged-australian-board-rem-survey-report.pdf \(governanceinstitute.com.au\)](#)
-  [Not-for-Profit Governance & Performance Study 2022-23 Report Summary - AICD https://www.aicd.com.au/corporate-governance-sectors/hot-for-profit/studies/hot-for-profit-governance-and-performance-study-2023.html](https://www.aicd.com.au/corporate-governance-sectors/hot-for-profit/studies/hot-for-profit-governance-and-performance-study-2023.html)
-  [Not-for-Profit Governance & Performance Study 2023-24 Report Summary - AICD https://www.aicd.com.au/content/Not-for-Profit-Governance-&-Performance-Study-2022-23-Report-Summary-AICDhttps://www.aicd.com.au/content/dam/aicd/pdf/news-media/research/2024/nfp-governance-performance-study-2023-24-web.pdf](https://www.aicd.com.au/content/Not-for-Profit-Governance-&-Performance-Study-2022-23-Report-Summary-AICDhttps://www.aicd.com.au/content/dam/aicd/pdf/news-media/research/2024/nfp-governance-performance-study-2023-24-web.pdf)

## Articles

-  [Business News Survey 2023 - Mark Beyer: 21st March 2023– “Charity boards in fees conundrum” https://www.businessnews.com.au/article/Charity-boards-in-fees-conundrum](#)
-  [Chartered Accountants ANZ Business Insight paper https://www.uwa.edu.au/schools/-/media/Not-for-profits-UWA/External-Research-and-Resources-Contributed-To/2020---CAANZ-Remuneration-for-NFP-Directors-NFP-Insight-paper.pdf](#)
-  [Justice Connect: 2023- Payment of board members fact sheet https://content.nfplaw.org.au/wp-content/uploads/2023/04/Payment-of-board-members.pdf](#)
-  [Moores \(Lexology\): Nov 2022 - Directors' fees - key considerations https://www.lexology.com/library/detail.aspx?g=7f1dcd38-21c4-48d4-a867-e3be5e8bd487](#)
-  [David Maywald Thought Piece on Board Remuneration and Director Fees in Australia \(work-in-progress\) | LinkedIn](#)




## Contact us



Comprehensive stakeholder engagement, a nuanced understanding of sectoral trends, adherence to legal frameworks, and a clear implementation strategy are pivotal in navigating this potential transformative step.

Recognising the careful consideration required as part of this process, we're here to support you.

Contact us for more information.

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