

**MEDIA RELEASE**

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## **NFPs resilient in the face of evolving governance challenges**

The Australian Institute of Company Directors' (AICD's) [Not-for-Profit Governance and Performance Study 2024-25](#) highlights a sector that is demonstrating resilience in the face of mounting governance challenges, particularly in climate and technology.

The sixteenth iteration of the study, which provides an in-depth look at governance trends across Australia's diverse NFP sector, reveals that despite ongoing challenges, three-quarters of directors state that their organisation is effective in achieving its purpose.

This year's study has revealed that while 74 per cent of NFP directors discuss environmental, social, and governance (ESG) issues annually, more than half of boards (55 per cent) have yet to take any steps to address climate-related risks and opportunities.

The NFP sector is also facing significant challenges in understanding and managing cyber security risks, as well as exploring and anticipating the potential opportunities and threats of utilising artificial intelligence (AI).

Nineteen per cent of organisations reported experiencing a cyber security breach in the past year, with the highest incident rates in social services (25 per cent), health and residential aged care (22 per cent), and education (21 per cent).

While artificial intelligence (AI) adoption remains in its early stages with less than 10 per cent using AI regularly, three-quarters (75 per cent) of directors see AI's potential to improve productivity, while 62 per cent believe it can enhance client services.

AICD Not-For-Profit Lead, Phil Butler, said, "Against a backdrop of continued uncertainty, this study confirms that governance maturity is strengthening, with organisations proactively addressing key risks such as climate governance.

"However, the rising threat of cyberattacks, especially for organisations handling sensitive client data, remains a significant concern that demands continuous attention from boards.

"As the risks associated with climate change, cyber threats, and AI continue to evolve, it's crucial for NFP directors to foster a proactive governance culture that addresses these challenges head-on.

"As governance expectations grow, the AICD remains committed to equipping NFP directors with the skills and resources needed to lead effectively."

*The Australian Institute of Company Directors is committed to strengthening society through world-class governance. We aim to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. Our membership of 53,000 includes directors and senior leaders from business, government and the not-for-profit sectors.*

### Other key findings of the 2024-25 NFP Governance and Performance Study:

- Twenty-four per cent of NFP directors were remunerated which has steadily increased from 14 per cent, five years ago.
- Forty-three per cent of 'health and residential aged care' directors reported being remunerated.
- As in previous years the level of merger activity is relatively low with only five per cent of organisations undertaking a merger and only 17 per cent indicating they would be having merger discussions over the next 12 months.
- Twenty-one per cent of organisations reported having a dedicated care committee, a small increase from 19 per cent last year.
- The profitability of organisations in the 2023/24 financial year reveals nearly half (46 per cent) are making a profit, 26 per cent are experiencing a loss, and 28 per cent have broken even.

To take a deeper dive into the results of this study an interactive dashboard containing insights into the not-for-profit sector can be found here:

<https://aicddashboard.com.au/>

The AICD remains committed to assisting NFP leaders as they navigate the complex challenges highlighted in this study.

We continue to develop resources to ensure NFP directors can be ahead of the curve on developing issues including, the launch of the revised [NFP Governance Principles](#), [A director's guide to mandatory climate reporting](#) and [The Board's Role in Cyber](#).

In addition, our scholarship program has increased, with 350 scholarships being provided in the 2024/25 financial year to courses including the [Governance for Foundations for NFP Directors](#) and the [Care Governance](#) programs for smaller NFPs. The demand for these scholarships was overwhelming with almost 1,500 applications received and we will continue to increase the scholarship portfolio funded by AICD as well as collaborate with partners to extend access to these opportunities.

**Media Contact: Maegen Sykes 0439 167 567**

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