

# Fit-for-purpose Governance in Australia: Paying more Board Members will improve Stakeholder Outcomes

Far from being egalitarian or merit-based, the current payment of director fees is grossly unfair and elitist. Less than one percent of board members sit on ASX companies, or government boards, or very large charities. However, ASX directors accrue almost one-third of the total remuneration pool, while government and very large charity directors accrue about one-sixth of the total pool... The vast majority of board members (well over 90%) are not paid for their valuable contributions. A close analogy is professional sporting competitions: a tiny proportion of people are able to make a living, but the lure of fame and big bucks creates many aspirants.

## Effective governance is crucial for client outcomes and organisational impact...

Non-profits often deliver essential services to vulnerable and disadvantaged people, including seniors and children. They handle much government funding.

*“Board remuneration displays extreme inequality, comparable to CEO pay in the United States and professional sport.”*

[David Maywald](#) GAICD  
(Non-Executive Director)



### Key asks

Broaden the payment of director fees across many more companies, non-profits, and other organisations, in order to recognise the value of directors' time.

Introduce tax deductibility for necessary costs incurred in volunteering (including training, professional development, and memberships).

## Less than 10% of board members are paid

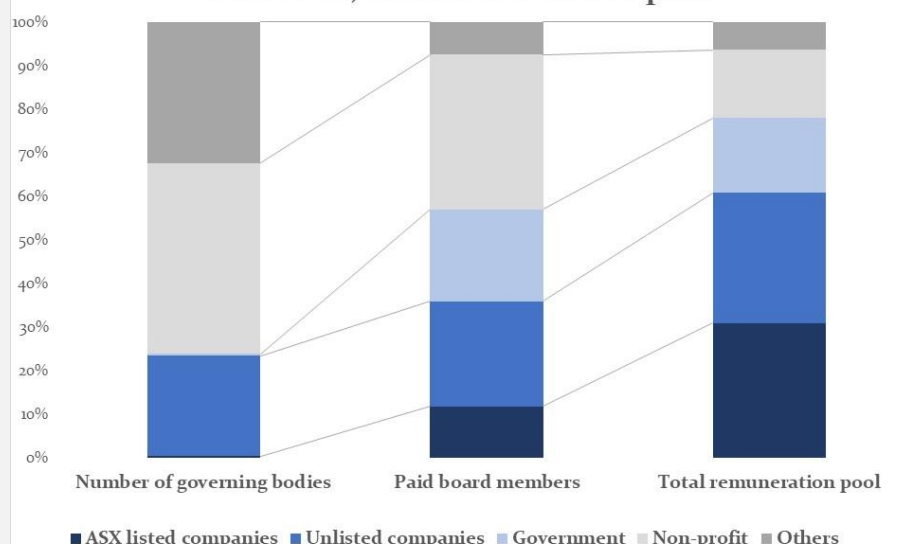
There are around 520,000 governing bodies in Australia. This includes ASX-listed companies, registered charities, government agencies, unincorporated associations, body corporate committees, school boards, and private companies. About 7-8% of the adult population sit on the board or committee of a governing body.

## Small pockets of well-paid directors

The total remuneration pool for boards is about \$3.6 billion, which is 0.4% of employee compensation. Around 85-90% of this is enjoyed by 2-4% of directors (who are at ASX companies, government boards, very large charities, large private companies, and super funds).

The voluntary contribution of board members is likely to be worth \$15-20 billion per annum, with directors making a material contribution to the overall volunteering effort in Australia. This is a value transfer from unpaid directors to staff/clients/beneficiaries/investors, which is not captured in economic statistics such as GDP.

Composition of governing bodies, paid board members, and remuneration pool



## Three significant benefits of paying director fees are:

1. Attract high calibre candidates with the right skills
2. Improve diversity, with directors who are representative of key stakeholder groups
3. Cultural change, in order to recognise the value of board members



## Professionalisation of the governance sector

Smaller organisations commonly spend over 10% of revenue on executive remuneration. Registered charities with \$1-10 million revenue can spend 20% of this on their CEO/leadership team and other Key Management Personnel. It's not uncommon to see more than 100% of revenue being paid in executive compensation for listed companies with less than \$5 million revenue and for start-ups (both anticipating large growth in the future).

Small organisations should expect to spend about 1% of revenue on governance (including education/training for board members, board service providers, and expense reimbursement). Very small organisations would be higher than this. Medium to large companies, charities, and government boards often spend 0.3-0.8% of revenue on governance (director fees, digital board portals, consultants, facilitators, and internal staffing). ASX companies spend 0.1-0.2% of revenue on director fees and governance processes, while paying about 1.4% of revenue on executive remuneration. Similar to audit fees, governance costs as a proportion of revenue falls as the size increases, because they have elements of fixed cost/overhead in addition to some variable elements.

## Catalysing positive change for our community

Many non-profits and smaller organisations are poorly governed. Well-meaning volunteer directors often don't have the expertise or professional skills that are needed. A large proportion of board positions are taken up by wealthy and older people (who aren't fully representative of clients/beneficiaries, staff, or other stakeholders).

Governing bodies are needed to effectively balance internal interests (staff, executives, volunteers) with external pressures (clients, beneficiaries, funders, donors). Higher quality board members, who are more representative, will bring the voice of clients, families, patients, and other stakeholders into the boardroom. Better governance enhances measurable client outcomes, as well as delivering positive social and environmental impact.

## About the author and this research project

David Maywald is a Non-Executive Director for several companies and charities, including a public company. He is a Fellow of the Governance Institute, Graduate of the Australian Institute of Company Directors, and a Member of the Institute of Community Directors. As a Chartered Financial Analyst his professional expertise includes Portfolio Management, product development, marketing, and customer service. David worked for JP Morgan, Credit Suisse, BT Funds Management, and a successful start-up prior to embarking on a full-time board career. He has been a leader in sustainability and ESG integration for two decades.

Sources and calculations for this Thought Piece are publicly available [here](#).

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