



Director Sentiment Survey 2025

Not-for-profit insights

Each year, the Institute of Directors' (IoD) Director Sentiment Survey, produced in conjunction with ASB, captures the views of New Zealand's governance community on the economic, business and governance landscape. Within the 2025 results, not-for-profit (NFP) directors represent 29.6% of the 900 respondents, up from 28.1% in 2024, providing a detailed snapshot of sentiment across the sector. This dedicated NFP Insights report explores what those directors told us — highlighting how governance in NFP organisations compares with the wider governance community, where challenges are most acute and how boards are adapting to increasing complexity and expectation.

Now in its seventh year, the Not-for-Profit Insights from our annual *Director Sentiment Survey* capture a sector driven by purpose and defined by persistence and pressure. Spanning more than 115,000 organisations — from community clubs and local trusts to national charities and membership bodies — the NFP sector remains a cornerstone of New Zealand's social, environmental and economic fabric.

There are around 29,000 registered charities governed by more than 120,000 officers, while a further 24,000 incorporated societies provide structure for sporting, cultural, environmental and community groups across the country. Beyond these, tens of thousands of additional community organisations, trusts and service bodies operate outside formal registers, reflecting the sector's breadth and diversity.

Collectively, these organisations contribute billions of dollars in services, social capital and civic value each year. In 2025, NFP directors describe a landscape where optimism is measured, resilience is worn thin and every dollar and volunteer hour must stretch further.

New Zealand's NFP sector plays an essential role in addressing some of the country's most complex issues — from health and housing to environment and education — while navigating pressures that mirror those of larger enterprises: funding uncertainty, workforce constraints, political and policy instability, and growing regulatory expectations. Economic headwinds, reduced philanthropic and other sources of funding, and the ongoing re-registration of incorporated societies have added further strain to already stretched governance systems.

While a small number of larger NFP organisations manage significant budgets and employ professional staff, the vast majority are community-based, volunteer-led and reliant on limited reserves. This diversity is both a strength and a constraint, dispersing capability and stretching oversight across thousands of independent boards.

Directors continue to play a critical role in holding this complexity together — setting tone, ensuring accountability, and maintaining trust in a space where public expectation is high and resources are scarce. In the *IoD/EY Directors’ Fees Report 2025/2026*, more than four in ten directors serve on at least one trust or not-for-profit board, and the majority of these positions remain unpaid.

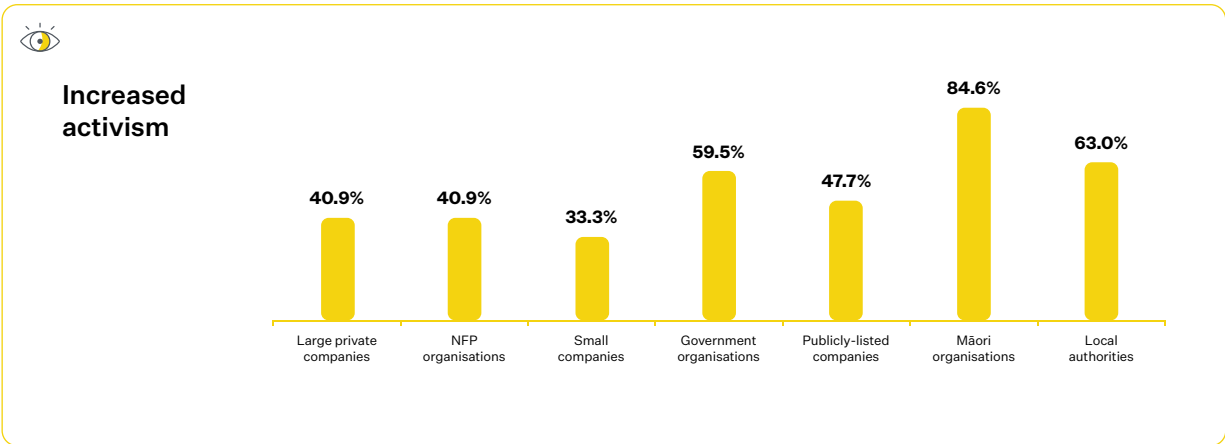
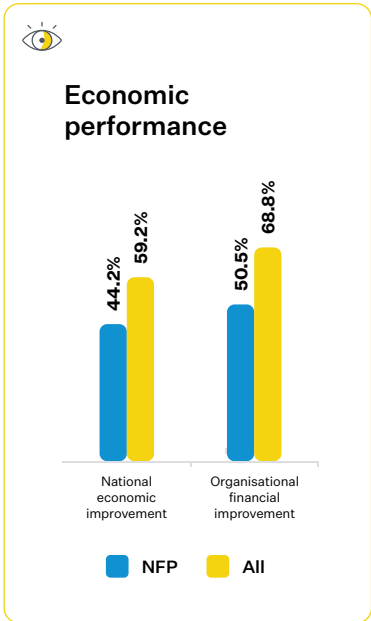
The result is a highly-committed but capacity-strained sector – one that continues to deliver essential services despite limited resources and rising expectations.

This year’s analysis explores what directors in the NFP sector told us, drawing out the variations between NFP directors (those whose primary governance role is within a not-for-profit organisation) and all other respondents (“All”). Together, these results paint a portrait of a sector that is pragmatic rather than pessimistic — aware of its fragility but deeply committed to specifically-defined purposes.

Business and economic confidence

Despite increasing economic confidence across the governance community, NFP directors’ confidence has eased modestly. 44.2% of NFP directors expect the national economy to improve over the next 12 months (down from 45.7% in 2024), compared with 59.2% of all directors (up from 54.6%). The sentiment reflects cautious optimism rather than recovery momentum – a recognition that while the sharp pessimism of recent years has eased, structural and cost pressures continue to shape the environment.

Organisational outlooks are slightly stronger but still conservative. Half (50.5%) of NFP directors expect their organisation’s financial performance to improve over the next year (up from 47.1% in 2024), but well behind the 68.8% recorded among all directors (up from 62.7%).



The findings suggest that while financial confidence is improving, growth expectations remain muted. This points to a sector focused on continuity rather than expansion — managing within tight margins and escalating delivery expectations. For many, sustainability still means

survival: keeping essential services running despite volatile funding, rising costs, increasing demand, and policy uncertainty.

Expectations of greater member activism are rising, with 40.9% of NFP directors and large

private companies anticipating a moderate or high impact on their organisations over the next two years (40.9%) but well below Māori organisations (84.6%), local authorities (63%) and government organisations (59.5%). This suggests that while activism remains less intense across much of the sector, pressure is growing. Unlike shareholder activism, which tends to target financial performance, NFP activism is often driven by mission alignment, ethical standards and leadership accountability with often limited understanding of the financial pressures being faced. For boards, this trend presents both risk and opportunity, strengthening the case for transparent communication, ethical leadership, and active engagement to maintain trust and legitimacy.

Determining purpose

Strategy

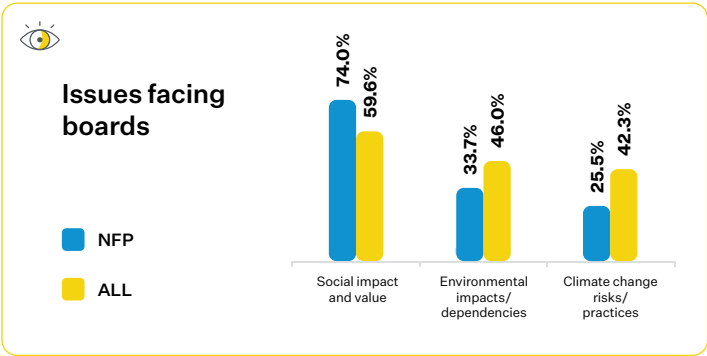
Considering long-term sustainability (82.1%) and discussing innovation and strategic opportunities (79.3%) were the top two priorities for NFP directors, mirroring the focus of most other sectors. Local authorities and directors of council-controlled organisations were the exception, placing innovation (88.9%) and crisis management planning (77.8%) highest.

A growing proportion of NFP boards are also reviewing their structures (29.3%, up from 27.8% in 2024), reflecting both regulatory change and renewed attention to long-term fitness for purpose. Financial pressures, along with regulatory reform such as the sector’s looming April 2026 re-registration deadline under the Incorporated Societies Act 2022, and the new three-yearly governance review requirement introduced by the Charities Act, are prompting many boards to re-examine their constitutions, membership rules and governance models.

Issues facing boards

Attention to non-financial priorities has softened further this year, with NFP directors easing in all measures except for a slight increase in reporting of climate-related risks and impacts (11.1%, up from 9.3% in 2024).

Social impact and value remain the dominant focus for NFP boards (74.0% versus 59.6% across all organisations), reflecting the sector’s strong purpose orientation. Yet NFP directors are less likely than their peers to report active attention to environmental impacts and dependencies (33.7%



versus 46%) or engagement on climate change risks (25.5% versus 42.3%).

The modest rise in climate disclosure sits against a broader decline in other environmental measures, indicating that progress remains uneven. For most NFP boards, their specifically-defined purpose remains the dominant focus of their activities, while wider sustainability considerations are still emerging within governance oversight.

An effective governance culture

Board practices

NFP boards demonstrate strong purpose alignment and a commitment to inclusive governance. A large majority (81.3%) describe their board culture as inclusive, only slightly below the overall average (85.2%), suggesting that inclusivity remains a core strength even within resource-constrained settings. NFP directors are also more likely than others to discuss board composition, skills and experience (72.1% compared with 57.5%), reflecting active attention to succession and capability balance.

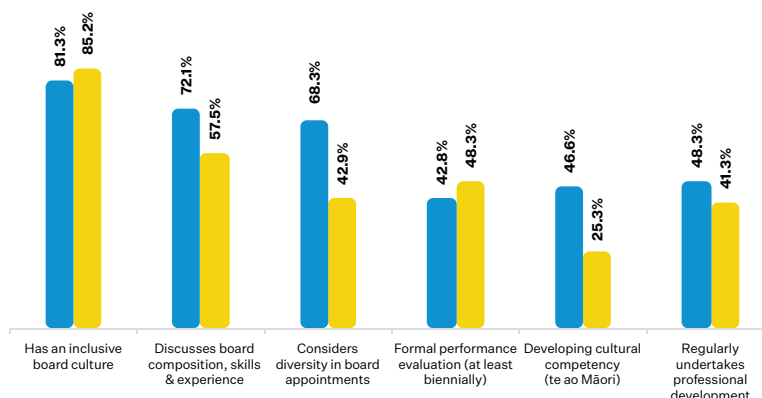
Diversity remains a defining focus, with 68.3% of NFP boards considering diversity in board appointments — far higher than the 42.9% recorded across all organisations. This reinforces the sector’s intent to reflect the communities it serves, particularly as many boards continue to rely on voluntary participation. Cultural competency is also an area of strength, with nearly half (46.6%) developing te ao Māori capability, almost double the average of all other organisations, signalling steady progress in bicultural understanding and representation.

Just 42.8% of NFP boards undertake formal performance evaluations, compared with 48.3% across all organisations, suggesting scope to



Board capability

■ NFP
■ ALL



strengthen reflection and learning practices. Regular evaluations also provide an opportunity to review committee structures, assess board composition and skills mix, and plan proactively for renewal — helping boards lead on change and succession rather than respond to it.

Professional development participation (48.3% versus 41.3%) is stronger than average, reflecting directors' willingness to learn despite time and funding pressures, sometimes with organisational support acknowledging their voluntary roles. Overall, the findings reflect a sector with strong intent and inclusivity, but where governance discipline through structured evaluation and continuous learning remain uneven.

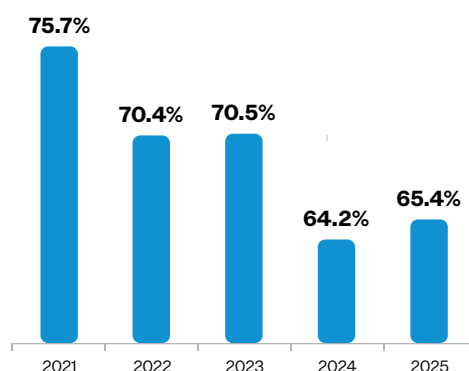
Ethics, culture and conduct

A strong culture remains the foundation of ethical and effective governance, yet this year's results suggest that NFP boards are discussing it less often. Just 65.4% of NFP directors said their board discusses or monitors organisational culture (77.3% for all directors), and only 41.7% assess ethics risks (50.2% for all). This figure rose slightly from 64.2% last year but remains well below the 75.7% recorded in 2021.

While many NFPs operate with deep integrity and purpose, fewer appear to be testing whether that intent consistently translates into practice. Strong culture is the mechanism through which purpose is lived, shaping how decisions are made, how conflicts are resolved, and how openly people speak up when something feels wrong. When boards stop asking about culture, it can drift quietly off course.



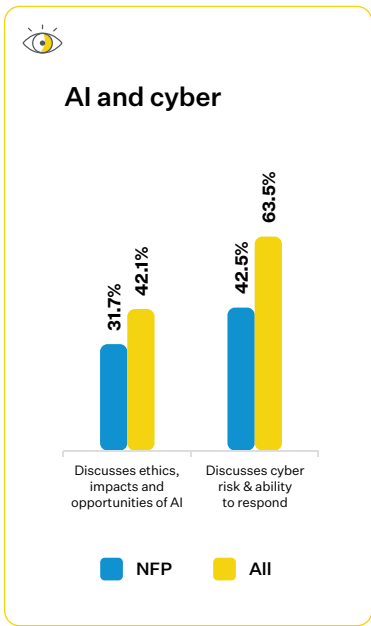
Discusses and monitors organisational culture



Discussion of whistleblowing and speak-up provisions also remains flat across the sector, indicating that while policies may exist, the comfort and confidence to use them often do not.

For mission-driven organisations, the stakes are high. Ethical lapses or misalignment between stated values and lived behaviour can quickly erode trust. Boards that regularly reflect on how their values show up in everyday decisions, not just in their policies, help ensure that integrity is part of how people work and lead. Boards that model openness and accountability from the top send a clear signal: that purpose and integrity are inseparable, and that trust is sustained through transparency.

Holding to account



Digital divide

Artificial intelligence (AI) is emerging as both a strategic tool and an ethical frontier for NFP boards. A new measure this year, while 31.7% of NFP directors said their board discusses the ethics, impacts and opportunities of AI (compared with 42.1% of all directors), the findings suggest that many are still working through where oversight begins and ends. The rapid evolution of AI is outpacing governance norms, raising new

questions around transparency, accountability, and data stewardship — all areas that go to the heart of organisational trust. For purpose-driven organisations, the challenge is not only how to use AI responsibly, but how to ensure it reinforces, rather than erodes, their values.

Cybersecurity remains another pressing issue. Just 42.5% of NFP directors said their boards discuss cyber risk and their ability to respond, well below the 63.5% reported across all boards. Rising digital dependence, coupled with constrained resources, leaves many NFPs vulnerable to cyber threats and data breaches. As operational systems become increasingly digital and interconnected, cyber resilience must be treated as a core governance priority, not a technical afterthought. Encouragingly, more NFP directors are assessing the impact of digital technology on their organisations and skills needs (49%, up from 31.5% in 2024) and exploring its potential to improve productivity (45.7%, up from 28.4%).

For NFP boards, the priority is to balance innovation with vigilance, embedding ethical oversight, data protection and digital resilience so that technology advances their mission without compromising integrity or trust. As digital transformation accelerates across all sectors, NFP boards that integrate

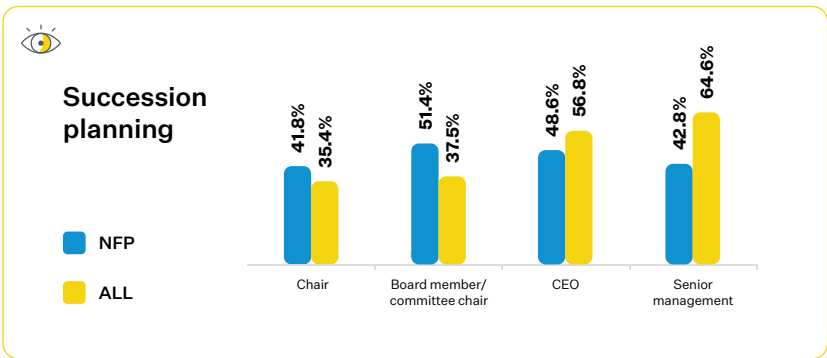
technology oversight into broader risk and strategy discussions will be better positioned to protect information, strengthen trust and improve efficiency.

Succession planning

Effective succession planning remains a hallmark of good governance, ensuring continuity of leadership and stability through change. This year's results reveal an interesting contrast: while NFP boards are comparatively strong in planning for board renewal, they lag behind in management succession. Over half (51.4%) of NFP directors said their boards discuss succession planning for board members or committee chairs, and 41.8% for the chair, both well ahead of all other organisations (37.5% and 35.4% respectively). However, fewer NFP boards are planning for CEO or senior management succession — 48.6% and 42.8% respectively — compared with 56.8% and 64.6% across all boards.

This pattern reflects both the strengths and constraints of the sector. NFP boards are attentive to continuity at the governance level, where turnover is frequent and roles are often voluntary, but less resourced to plan for operational transitions where staff movement can be high. The IoD/EY *Directors' Fees Report 2025/2026* highlights the short average tenure of NFP directors, which, while promoting renewal, can disrupt long-term planning.

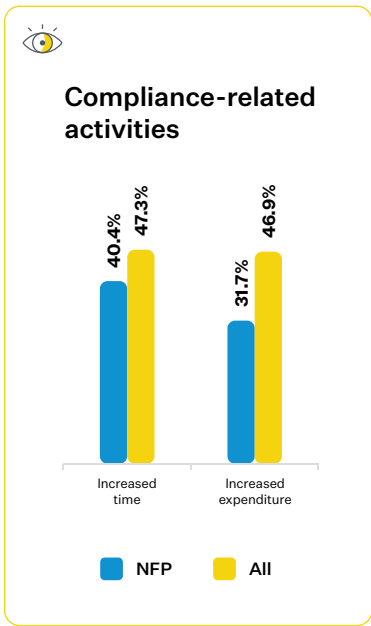
Succession planning is more than risk mitigation; it is stewardship. Boards that take a structured approach, mapping skills, mentoring future leaders and aligning renewal with strategy, ensure not just who leads next, but how purpose and capability are carried forward. In an environment of rising complexity and limited capacity, planned renewal and digital readiness together underpin board effectiveness — helping NFPs sustain capability, continuity and trust over time.



Effective compliance

Compliance

Compliance pressures continue to rise but NFP boards are feeling them less acutely than many of their counterparts. Two in five NFP directors (40.4%) said their board is spending more time on compliance-related activities (down from 43% in 2024), compared with 47.3% across all organisations. A new measure this year, only 31.7% reported increased expenditure on compliance-related activities, well below the 46.9% recorded across the broader sample.



These results suggest that while compliance expectations continue to grow, many NFPs are absorbing the additional workload internally rather than investing in new systems, professional advice or governance support. The sector continues to adapt to evolving obligations – from the ongoing re-registration process under the *Incorporated Societies Act 2022* to engaging with potential tax reform (now largely

discontinued). For smaller or volunteer-led entities, legislative and regulation shifts (e.g. health and safety reform) can compound existing resource pressures and highlight the need for practical support and fit-for-purpose compliance frameworks.

For boards, the challenge lies in balancing compliance obligations with capacity constraints. Proactive oversight, targeted investment in governance systems, and periodic external reviews can help ensure that compliance remains not just a regulatory requirement, but an essential expression of transparency, integrity and public trust.

Ultimately, effective compliance reflects the same stewardship that underpins all good governance – protecting reputation, sustaining confidence, and supporting the sector’s long-term credibility.

Institute of Directors

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