

Amnesty International Members Only

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To: All sections & structures

From: Accountability and Control Committee

Date: 13 June 2009

## **REPORT OF THE ACCOUNTABILITY AND CONTROL COMMITTEE (ACC) TO SECTIONS AND STRUCTURES**

### **Summary**

This report for the attention of sections and structures review the current IEC compensation scheme.

### **Distribution**

This internal, organizational circular is being sent to all sections and structures.

### **Recommended Actions**

Please ensure this circular is brought to the attention of the section chair, treasurer, director, finance director and others responsible for financial matters.

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**Amnesty International  
Accountability and Control Committee**

**Compensation scheme for International Executive Committee members**

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13 June 2009

**Executive Summary**

**1.1. Context**

The ACC has the responsibility from its terms of reference, established by ICM 2007 decision 23, to “design and monitor the implementation of the IEC compensation scheme”.

The committee was also asked by the IEC to review the current IEC compensation scheme at the end of 2007.

The FCC’s first considered this matter in detail in 1993 (see section 1.19.2).

Since 1993 very considerable organisational changes have taken place. Amnesty’s organisation has grown enormously in size and sophistication, the ACC’s mandate has broadened and relevant NGO law and best practice has evolved.

We believe this is a sensitive and important area. We have accordingly used this opportunity to take the time to reconsider this matter in detail from first principles.

## **1.2. Process**

The committee started by identifying the core moral, reputational, legal and practical principles that should guide the design of a compensation scheme (section 1.6). We then considered the implications of those principles (section 1.6).

Alongside the clear practical considerations, we looked at current practice at Amnesty International alongside the practice of other organisations, we considered a legal perspective, relying both on the general advice of the UK Charity Commission as well as on expert counsel specially retained to advise the ACC on this issue, and we considered ethical and moral questions in relation to Amnesty International's status as a volunteer movement.<sup>i</sup>

We then considered in turn the different 'levels' of scheme which could be implemented and which of these complied best with the principles as we had identified them (section 1.9).

## **1.3. Analysis (section 1.13)**

Remunerating non-executive Trustees of a volunteer organisation headquartered in the UK is not the norm: only 10 out of the UK's 100 largest charities have taken such a decision.

This said, there are few hard legal constraints on the design of a compensation scheme for IEC members, since Amnesty is technically not a UK charity, and the IEC members are technically not its trustees. However Amnesty International enjoys the moral authority of a voluntary movement, engages in charitable activities, and is assumed by many of its members worldwide to be a charity. We have therefore relied heavily on recommendations from the UK's Charity Commission which are pertinent to this question.

These recommendations and the principle of volunteerism which lies at the heart of the movement and its ethos, both argued strongly that remuneration of IEC members was difficult to justify without two clear items:

1. An explicit and unambiguous democratic decision of the ICM that IEC members should be paid either a salary for being Trustees, or should be paid compensation for lost earnings (such a decision requiring consideration of the pros and cons and due consultation); and,
2. The infrastructure to meet the UK Charity Commission's guidelines for charities wishing to remunerate their Trustees, and in particular the ability to manage the performance of Trustees who did receive income from the organisation.

Regards #1, our task was complicated by what we perceive to be the ambiguous drafting of the relevant 1991 ICM resolution. In 1993 the ACC's forebear committee, the FCC, took the view that it was justifiable to remunerate IEC members for their time. Given prevailing

trends, current best practice, legal context, moral considerations, and the increased quality of professional executive management provided by the IS, we struggled to find sufficient comfort in that 1991 resolution to come to the same conclusion.

Item #2 on the other hand is a fairly simple question of process, but would need to be considered in the context of Amnesty International's democratic structure.

#### 1.4. **Decision (section 1.17)**

The ACC therefore decides that as of the start of the next ICM cycle in August 2009, IEC members should not be compensated for the fact of being on the committee.

IEC members should continue to receive:

(a) reimbursement for reasonable expenses incurred in the performance of their official duties, to include the cost of dependent care, and the cost of travel associated with Amnesty International involvement, and

(b) a strong and perhaps increased level of administrative support to include the provision of essential tools (laptop, mobile telephone, and so forth), executive summaries of long-form reading materials, and other non-monetary assistance.

A report should be presented to the ACC (or as appropriate its successor oversight body) each year which details the expenses claimed by IEC members.

Efforts might also be made to reduce the workload of IEC members by ensuring that they are not asked to bear work that would more appropriately be carried out at an executive level.

The ACC does not believe that implementing this decision requires any new ICM resolution because the ACC is already mandated by the ICM to design and implement the IEC compensation scheme (see Decision 63, ICM 1991, and Decision 23, ICM 2007).

#### 1.5. **Implementation**

The current IEC compensation scheme remunerates IEC members modestly for time spent on Amnesty International activities beyond a 21 days threshold, up to a maximum number of days each year (see Appendix: current arrangement, below). The decision therefore represents a reduction in net compensation provided to IEC members.

To the extent that the IEC or other bodies within the movement take the view that compensation is essential to attract competent non-executive Trustees, notwithstanding any countervailing considerations, we would encourage the ICM to pass an unambiguous resolution to this effect (see sections 1.13 and 1.19 below). The organisation should then establish an appropriate performance management regime, and refer the matter back to the ACC or its successor body.

## Contents

Executive Summary.....	2
1.1. Context.....	2
1.2. Process.....	3
1.3. Analysis (section 1.13).....	3
1.4. Decision (section 1.17).....	4
1.5. Implementation.....	4
Contents.....	5
Context of this review.....	7
1.6. The current compensation scheme.....	7
Principles.....	8
Discussion of principles.....	9
1.7. Principle #3, ‘Accept intent of ICM’.....	9
1.8. Principle #4, ‘Be legal’.....	9
1.9. Principle #5, ‘Respect best practice’.....	10
Possible levels of compensation and support.....	11
1.10. Level 1: Pay expenses.....	11
1.11. Level 2: Non-monetary incentives.....	11
1.12. Level 3: Compensation for demonstrable income loss.....	11
1.13. Level 4: Remuneration for trusteeship.....	12
Selecting the right level.....	14
1.14. Strict expenses vs. non-monetary incentives.....	14
1.15. Pay vs. expenses.....	14
1.16. Selection of IEC members for compensation.....	15
1.17. In summary, effective choice.....	15
Conclusion.....	16
1.18. Decision.....	17
1.19. Implementation.....	17
Appendix: other considerations for a compensation scheme.....	18
Appendix: factors to consider when approving payment to Trustees.....	19
Appendix: Brief case studies.....	20

1.19.1. Oxfam (no compensation).....	20
1.19.2. Medecins sans frontieres (compensation).....	20
Appendix: current arrangement.....	21
1.20. Introduction.....	21
1.21. Principles.....	21
1.22. Compensation scheme.....	22
1.23. Explanatory notes.....	22
1.24. Implementation.....	22
Endnotes & references.....	24

## Context of this review

The ACC has been requested by the IEC to **review the current IEC compensation scheme**. According to the International Committee Meeting (ICM) 2007 decision 23 (Accountability and Control Committee), the IEC compensation scheme lies with the ACC:

“The ACC shall [...] design and monitor the implementation of the IEC compensation scheme.”

We are aware of the fact that any scheme determined by the ACC **may create a precedent** for the other committees as well as sections and structures.

The ACC sees the main **challenge** in defining a **system** that is seen to be both just and transparent. It should also be simple and easy to explain.

### 1.6. The current compensation scheme

The FCC's originally advised on this matter in 1993. A copy of the memo is included as an appendix to this document (section 1.19.2).

IEC members are eligible for compensation of time spent on IEC-duties subject to the following conditions:

1. No compensation will be paid for time spent on Amnesty International activities at weekends, evenings and for the first twenty working days in each year of IEC-membership (running from the time of election). Above threshold days in excess of 40 are also not compensated. In special cases to be defined by the chair of the IEC, extra days up to a maximum of 10 can be allotted.
2. Compensation will be paid for time spent on official Amnesty International activities such as IEC meetings, missions, visits to sections and participation in special events, and time spent on travel related to such activities. Time for which compensation is due would have to be a minimum of half a working day spent on the Amnesty International activities just mentioned.
3. The rate of compensation is GBP 104 per day, to be adjusted annually for inflation.
4. All time for which compensation is due must be approved by the chair of the IEC or, in the case of the chair, by the Treasurer.
5. In case of extraordinary expenses because of IEC duties, not covered by existing rules, the chair of the IEC or, in the case of the chair, the treasurer decides on a case by case basis about reimbursement.
6. The IEC should provide the FCC with a detailed report annually.

## Principles

When considering the compensation scheme, the ACC has been guided **by the following principles**:

1. **Volunteerism**: the willingness of active members to give time freely for the benefit of others and not for their own financial reward –helps to sustain trust and confidence in Amnesty International, and the movement’s moral authority<sup>ii</sup>;
2. **Avoid conflicts**: trustees must not be placed in a position where their personal interests conflict with their duty to act in the interests of Amnesty International unless authorised to do so;
3. **Accept intent of ICM**: per the ICM resolution noted below, there should be “compensation to IEC members for time spent on IEC duties” (see further discussion on this point, below);
4. **Be legal**: any scheme must comply with relevant legal requirements in the UK<sup>iii</sup>;
5. **Respect best practice**: it must be aligned with NGO best practice;
6. **Attractive**: it should help to attract the best people to the IEC;
7. **Not unduly remunerative**: it should not serve the purpose of encouraging committee members to spend more time on Amnesty International activities than is necessary and appropriate for the successful execution of their duties;
8. **Unrestrictive**: so far as possible, it should ensure that membership of the IEC is affordable for any qualified candidate.

Finally, whatever compensation scheme is adopted, its administration must be **transparent**, so that disbursements made within such a scheme should be reported to members and noted in the organisation’s annual financial reports.



## Discussion of principles

The ACC believes there is some intrinsic tension between item #3 and items #4 and #5 on this list for the following reasons.

### 1.7. Principle #3, 'Accept intent of ICM'

The ACC did **not set out to question the principle** that there should be some kind of compensation since there is a valid ICM decision 63 point E of the 1991 ICM (compensation scheme for IEC members) that states:

"Decides that the IEC should have adequate support to perform its function;  
Decides that financial provision should be made in the international budget for compensation to IEC members for time spent on IEC duties;  
Decides that financial provision should be made in the international budget for reimbursement of extraordinary expenses, such as dependent care;  
Resolves to refer the design of the reimbursement scheme to the FCC [now ACC]."

However, the ACC believes that there is some ambiguity about the intent of this ICM resolution. In particular it is not unambiguously clear that the movement has decided democratically that IEC members should be *paid for their services* rather than just *compensated for their expenses*.

### 1.8. Principle #4, 'Be legal'

However, to the extent that Amnesty International is considered a charity, Principle #4 stands at odds with this. UK Charity Commission (<http://www.charity-commission.gov.uk>) is wary of compensating directors of a charity unless a number of criteria are met. In general terms, these criteria are as follows (a fuller list is given in **section 1.19** below):

- There is no general power in charity law for compensation of trustee boards; normally organisations cannot do so unless their governing document specifically allows it, or unless their trustees have authority from the Commission or the Court.
- Payment is possible only when there is a *clear and significant advantage* to the charity that will outweigh any disadvantages. That will usually involve explaining what steps have been taken to *recruit trustees without payment*, and demonstrating that the functions to be carried out are genuinely those of a trustee as distinct from functions of an employee or a consultant.
- The total number of trustees receiving payment from the charity's funds must be in a minority on the trustee board.

- Under the SORP 2005 accounting framework, charities that prepare their accounts on an accruals basis must give details of payments and other benefits to charity trustees and connected persons [...]. They are also required to say under what legal authority the payment is made, together with the reason for it.

While this is true for UK charities, the legal structure of Amnesty International is unusual in two respects:

1. Firstly, while the IEC operates as a de facto “Board of Directors” for the movement, its members do not today formally serve as Trustees of any organization (though this structure is under review by the IEC Audit Committee).
2. Secondly, Amnesty International is not corporately recognised as a charity at an international level, even though it is informally perceived by external parties (and for the most part internally perceives itself) to be one.

From a formal standpoint the UK Charity Commission’s guidelines and regulations are therefore not applicable.

However, regards the **first** of these points, the ACC takes the view that since the IEC is delegated responsibility for governance of the movement between ICMs by the movement, and since its members bear moral and arguably fiduciary responsibility (to the extent they are characterised as ‘shadow directors’) for the good operation of Amnesty International as a whole, the IEC should reasonably be considered in spirit as equivalent to a Trustee Board.

Regards the **second** point, the ACC takes the view that since Amnesty International is viewed as a charitable organization by its members and donors, and further that since it seeks the moral authority and tax privileges granted to charities, it ought to seek no lower a standard of governance than that which would be expected of a recognised charity. As the UK is the international organisation’s host country, this effectively obliges it to comply with the relevant UK charity laws and regulations in this regard.<sup>iv</sup>

#### 1.9. Principle #5, ‘Respect best practice’

It is further worth noting regards Principle #5, that only 10 out of the UK’s 100 largest charities have taken the decision to remunerate any of their Non-Executive Directors for time spent on charitable duties.<sup>v</sup> The implication of this fact is that it implies that Amnesty International would need to be an exceptional case should remuneration be justified.

## **Possible levels of compensation and support**

We analysed the possible approaches to compensation and found it easier to discuss when classifying them into 4 levels, as follows.

### **1.10. Level 1: Pay expenses**

All travel expenses and other expenses reasonably incurred in the process of Amnesty International business should be reimbursed in accordance with the standard IS travel expense policy.

As stated in the ICM decision, “reimbursement of extraordinary expenses, such as dependent care” falls into this level.

It is hard to see any context in which payment of documentable travel and other expenses associated with performance of duties related to IEC membership would be inappropriate.

### **1.11. Level 2: Non-monetary incentives**

Without paying IEC members for their time, a range of other non-monetary emoluments could be offered (to the extent justifiable under UK Charity Commission guidelines).

These might include flexible and adaptable meeting arrangements, an improved expenses procedure, enhanced support arrangements, availability of relevant tools to assist with Amnesty International work, such as a mobile phone, a laptop, and so forth. These might also include help digesting or preparing executive summaries of necessary reading material for IEC members’ benefit. The intent would be to minimize the friction associated with IEC membership without deviating from a pro bono ethos.

### **1.12. Level 3: Compensation for demonstrable income loss**

Compensation for the opportunity cost of spending time Amnesty International duties. This includes both compensation for direct documentable income loss, and in the case of the self-employed and those in occupations having billable time such as consulting, accounting, law, and so forth, the value of the time where the commercial price of a member’s time could reasonably be determined.

A scheme compensating for income loss would advantage those IEC members who are employed or self employed; IEC members who are unemployed, but giving up their free time and energy for the charity could not thereby be compensated.

This approach would likely result in a very marked disparity of compensation levels among IEC members depending on the nature of their full time jobs: a senior tax lawyer billing

\$1,000 an hour with private clients might for instance end up putting in a claim for \$250k in compensation from Amnesty International. (Although of course a scheme at this level could also include a modest cap on acceptable compensation to redress this imbalance.)

While for public trust it can be relevant to make the distinction between compensation for loss of earnings and payment for being a trustee, it is worth noting that the UK Charity Commission does not view payments for loss of earnings differently to direct remuneration. Both type of earning must be reported as such in the charity's accounts and both are considered to be monetary inducements<sup>vi</sup>.

The Charity Commission has in some cases agreed on compensation for child care or a very conservative level of income loss.

#### **1.13. Level 4: Remuneration for trusteeship**

Some (the Minority of) IEC Members would be remunerated directly for time spent on Amnesty International activities at a fixed annual rate.

A third party payment expert would be commissioned to prepare a report on an appropriate level of compensation given the skills and experiences expected of an IEC Member.

Within the agreed Minority (or perhaps constituting it), the roles of Chair and Treasurer might receive a higher level of pay according to the increased level of responsibility and specialized skill requirement.<sup>vii</sup>

Where the Charity Commission has agreed to allow some specific UK charities to remunerate Trustees (in the case of Housing Associations, registered social landlords, for instance), it has been persuaded by the case that such remuneration was essential for attracting suitably qualified candidates. In such cases, the Commission takes the view that remunerating Trustees raises the expectations placed on them.

The precise level for a Level 4 compensation might be calculated as follows:

- A specification should be prepared detailing the skills that a competent IEC member would possess, and the time commitment reasonably expected from a competent individual to prepare for and attend IEC meetings.
- Additional specification sheets would also be prepared for IEC members having additional duties (in particular, the Chair and the Treasurer) according to the additional skills and qualifications that a competently qualified individual in such a role would possess, and the extra time required of such a role.
- This specification would be given to a suitably qualified third party firm experienced in compensation consulting<sup>viii</sup> to determine a suitable level of remuneration for a non-executive director of a charitable organization. The final level of compensation should be a significant discount from what is appropriate in the private sector.

- The IEC member should be compensated accordingly, through the payroll as appropriate.

*The current compensation scheme is best described as a limited-form Level 4 scheme, with pay capped at a modest level.*

## Selecting the right level

### 1.14. Strict expenses vs. non-monetary incentives

The ACC takes the view that Level 2 is preferable to Level 1, since while not in any meaningful sense constituting ‘remuneration’, Level 2 reduces the friction associated with the demanding role of IEC membership and increases the extent to which those without home offices or access to private IT or secretarial resources can comfortably accommodate their Amnesty International workload.

### 1.15. Pay vs. expenses

A number of legal, regulatory and best practice provisions pertain to the remuneration of Trustees of UK Charities.

“Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. [...]”

“Levels of remuneration for non-executive directors should reflect the time commitment and responsibilities of the role. [...]”<sup>ix</sup>

- The Trustee Act 2000 places a higher duty of care on trustees who are paid, on the basis of their special knowledge or experience, and they may be held accountable if a loss is incurred as a result of a failure to exercise that level of expertise.
- The UK Charity Commission advises that, as good practice, a trustee board should regularly **review** the performance of each trustee (including the chair). This is particularly important where a trustee is receiving a payment from the charity.
- Any decision to pay trustees should be open and transparent at all stages and proper management of any potential conflict of interest is essential.
- Properly assessing any potential **risks** and managing **conflicts** of interest are important factors when a charity is proposing to pay trustees.

For these reasons, and because as stated the Charity Commission does not view there as being any fundamental difference between remuneration and compensation for income loss, were Amnesty International to wish to move to a Level 3 or a Level 4 compensation scheme, regular performance reviews of paid IEC members would need to be undertaken.

In deciding whether to approve a Level 3 or Level 4 scheme, the Charity Commission would take into account the question of whether sufficient effort has been made to find suitably qualified trustees without offering financial inducements. It is worth noting that the IEC was very recently successful in co-opting two qualified IEC members.

While the job of an IEC member is currently demands significant time and commitment, the Charity Commission sees the role of a trustee as having responsibility for setting of strategic targets, defining the budgets and monitoring performance.

#### **1.16. Selection of IEC members for compensation**

The Charity Commission advises that when compensation is given, only a minority of members should be included. As IEC members are elected it might be difficult to identify which IEC members in particular would be beneficiaries of a scheme and which would not.

Furthermore, it would be difficult to ascertain when an elected IEC member was not delivering the level of value corresponding to his or her level of compensation, and how that individual's performance could be managed given his or her mandate was democratic.

Notwithstanding the above, were a choice to be made just between Level 3 and Level 4, for reasons for transparency and fairness, the ACC would recommend Level 4.

#### **1.17. In summary, effective choice**

The ACC therefore believes that the choice of scheme effectively boils down to Level 4 (compensate an agreed minority of Trustees, that is favouring one reading of the ICM resolution over the spirit of the UK Charity Commission guidelines and the general direction of best practice) or Level 2 (that is favouring best practice and the spirit of the guidelines over the supposed intent of the ICM resolution).

## Conclusion

Remunerating non-executive Trustees of a volunteer organisation headquartered in the UK is not the norm: only 10 out of the UK's 100 largest charities have taken such a decision.

There are few hard legal constraints on the design of a compensation scheme for IEC members, since Amnesty is technically not a UK charity, and the IEC members are technically not its trustees. However Amnesty International enjoys the moral authority of a voluntary movement, engages in charitable activities, and is assumed by many of its members to be a charity. We therefore rely heavily on recommendations from the UK's Charity Commission which pertinent to this question.

These recommendations, and the principle of volunteerism which underpins the organisation, both argue strongly that remuneration of IEC members is difficult to justify as this stand today.

It was not and is not the ACC's task to question the movement's intent. Were the ICM resolution therefore to be unequivocal and unambiguous in stating that IEC members should be compensated not only for their expenses but *also* for their time, this would override the majority of such concerns.

In the absence of an unambiguous mandate, taking these considerations into account, and given the stated framework of ICM 1991 decision 63 noted above, the ACC decides that the IEC should be compensated on a Level 2 basis only, to commence with the 2009 ICM.

IEC members should be eligible for Level 4 compensation for time spent on IEC duties only should the movement decide unambiguously that this is appropriate and therefore pass a clear ICM decision to this effect.

Furthermore, since a Level 3 or Level 4 compensation places a number of requirements on the organisation, even in the presence of such a resolution, it would **only** currently be appropriate to move to a scheme that directly or indirectly compensations IEC members for their time after implementing appropriate systems for appraisal, and making a persuasive argument that compensation was essential to attract suitable Trustees (ideally, by meeting the relevant UK Charity Criteria, summarised in section 1.19below).

Until such time as this argument is made, an unambiguous resolution passed, and such systems are in place, the ACC therefore decides that a Level 2 compensation scheme should be implemented. In particular this would cover direct expenses associated with attending meetings, but not compensation for either direct documentable income loss or opportunity cost.

Efforts might be made in parallel to reduce the workload of IEC members by providing them with improved technical and organisational support, and by ensuring that they are not currently being asked to bear work that would more appropriately be carried out at an executive level.



### 1.18. Decision

The ACC therefore decides that as of the start of the next ICM cycle in August 2009, IEC members should not be compensated for the fact of being on the committee.

IEC members should continue to receive:

(a) reimbursement for reasonable expenses incurred in the performance of their official duties, to include the cost of dependent care, and the cost of travel associated with Amnesty International involvement, and

(b) a strong and perhaps increased level of administrative support to include the provision of essential tools (laptop, mobile telephone, and so forth), executive summaries of long-form reading materials, and other non-monetary assistance.

A report should be presented to the ACC (or as appropriate its successor oversight body) each year which details the expenses claimed by IEC members.

Efforts might also be made to reduce the workload of IEC members by ensuring that they are not asked to bear work that would more appropriately be carried out at an executive level.

The ACC does not believe that implementing this decision requires any new ICM resolution because the ACC is already mandated by the ICM to design and implement the IEC compensation scheme (see Decision 63, ICM 1991, and Decision 23, ICM 2007).

### 1.19. Implementation

The current IEC compensation scheme remunerates IEC members modestly for time spent on Amnesty International activities beyond a 21 days threshold, up to a maximum number of days each year (see Appendix: current arrangement, below). The decision therefore represents a reduction in net compensation made to IEC members.

To the extent that the IEC or other bodies within the movement takes the view that compensation is essential to attract competent non-executive Trustees, notwithstanding the countervailing considerations, we would encourage the ICM to pass an unambiguous resolution to this effect, establish an appropriate performance management regime, and refer the matter to the ACC again.

## **Appendix: other considerations for a compensation scheme**

- Professional advice should be sought concerning taxation as well as implications concerning the charity status in the UK before any new system is put into effect.
- The compensation has to be taxed according to laws and required labour taxes and pension contributions, including national insurance.
- In case of extraordinary expenses (such as dependent care) incurred in the performance of IEC duties, the chair of the IEC or, in the case of the chair, the treasurer may opt on a case by case basis to sanction extraordinary reimbursement. It is not anticipated that this should include any provision for foregone earnings. Any decisions made in this regard should be reported promptly to the ACC or other committee having responsibility for compensation matters with details as to the levels of such payment.
- No substantial changes to the current scheme should be implemented until the beginning of the term of the new IEC
- The implementation of any Level 4 scheme should be made in accordance with the impact of other changes like a nomination committee and/or the change of the IEC to a global – non-executive – board. In particular it is envisaged that such wider structural governance changes might include creation of the type of selection and appraisal infrastructure appropriate for a Level 4 compensation scheme.

## Appendix: factors to consider when approving payment to Trustees

Text adapted from UK Charity Commission, CC11 – Trustee Expenses and Payments, June 2008

Among other things, the trustee board needs to show

- What steps have been taken to recruit trustees without payment - if none, then reasons should be given<sup>x</sup>.
- Why it considers there are clear and significant advantages to the charity in paying a trustee rather than, for example, spreading duties among other trustees, or increasing the number of unpaid trustees (if the governing document allows it).
- Whether the functions to be carried out are genuinely those of a trustee - as distinct from functions of an employee or a consultant. Has the charity made the right balance between its executive and non-executive functions?
- What risks they have identified and how they will manage them.
- How the unpaid trustees will be able to review performance (including dealing with poor performance), judge value for money and, if necessary, bring the payments to an end.
- How the conflicts of interest will be managed, so that the 'conflicted' trustee can still take an effective role in the governance of the charity.
- In cases where the UK Charity Commission is able to provide authority to Trustees to approve payments, it would normally expect to give this where the number of trustees benefiting is in a minority.

Particularly if Amnesty International wishes to pay significant numbers of trustees (for example, payment of chairs and regional chairs, payment of whole boards), the relevant Boards may wish to consider whether it would help to consult with those with a significant interest in the charity or any of its stakeholders. 'Stakeholders' in this sense can include anyone with a direct interest in the charity's operation: funders, donors, users and beneficiaries, members, staff, volunteers, business/operating partners, and other relevant regulators or agencies.

## **Appendix: Brief case studies**

### **1.19.1. Oxfam (no compensation)**

Oxfam is a development, relief, and campaigning organisation that works with others to overcome poverty and suffering around the world. Alongside paid staff, Oxfam works with more than 20,000 volunteers.

Making the distinction between compensation for loss of earnings and payment for being a trustee, Oxfam has found it important to motivate their volunteers through setting the voluntary ethos at the very top of the organisation.

For Oxfam there is little evidence paying trustees would resolve problems in recruiting trustees. Oxfam feel that motivation, dedication and voluntarism are key attributes of trusteeship; attributes which are essential to the smooth running of the charity, as well as to maintaining public confidence in the value of charity.

Oxfam is incorporated in UK.

### **1.19.2. Medecins sans frontieres (compensation)**

Medecins sans frontieres compensates the international board as the non-executive directors receive compensation from their local organisations and their international task is part of their duty. The level of compensation is a percentage of the executive directors wage.

MSF is incorporated in Switzerland.

## Appendix: current arrangement

Extract from FIN 20/01/93

Report of the Financial Control Committee to the 1993 ICM: compensation scheme for IEC members

### 1.20. Introduction

Decision 63 point E of the 1991 ICM states:

"Decides that the IEC should have adequate support to perform its function;

Decides that financial provision should be made in the international budget for compensation to IEC members for time spent on IEC duties;

Decides that financial provision should be made in the international budget for reimbursement of extraordinary expenses, such as dependent care;

Resolves to refer the design of the reimbursement scheme to the FCC."

Below a compensation scheme is proposed.

### 1.21. Principles

Membership of the IEC remains voluntary work. Only when the workload for individual members of the IEC increases unavoidably above a threshold level can compensation be considered. There are two different approaches to such compensation. In the first place, demonstrated actual loss of income could be compensated. The advantage of this method is that the IEC member receives a total reimbursement, once the voluntary component has been fulfilled. Thus, no economic hardship is created. The drawbacks are the following. It is not easy to determine lost income. Also, it pays people who are wealthier more than others for comparable work. And it provides no compensation for the economically unemployed.

The second method would be a flat per diem allowance. Advantages are that it is a simple system and that it is based on equal pay for equal work, which seems to be more in the spirit of the resolution cited above. Disadvantages are that members of the IEC may suffer economic loss as a result of service on the IEC, and that other members may be overcompensated. The FCC believes that the second approach is the one that should be adopted. We therefore propose the following scheme.

### 1.22. Compensation scheme

IEC members are eligible for compensation of time spent on IEC-duties subject to the following conditions:

1. No compensation will be paid for time spent on Amnesty International activities at weekends, evenings and for the first twenty working days in each year of IEC-membership (running from the time of election). Above threshold days in excess of 40 are also not compensated. In special cases to be defined by the chair of the IEC, extra days up to a maximum of 10 can be allotted.
2. Compensation will be paid for time spent on official Amnesty International activities such as IEC meetings, missions, visits to sections and participation in special events, and time spent on travel related to such activities. Time for which compensation is due would have to be a minimum of half a working day spent on the Amnesty International activities just mentioned.
3. The rate of compensation shall be ,75 per day, to be adjusted annually for inflation.
4. All time for which compensation is due must be approved by the chair of the IEC or, in the case of the chair, by the Treasurer.
5. In case of extraordinary expenses because of IEC duties, not covered by existing rules, the chair of the IEC or, in the case of the chair, the treasurer decides on a case by case basis about reimbursement.
6. The IEC should provide the FCC with a detailed report annually.

### 1.23. Explanatory notes

- Re 1 The FCC believes that the maximum of 40 and, in special cases, 50 days is reasonable, as it implies a total of normally 60 working days spent on Amnesty International activities. The total cost of up to ,21,000 is the maximum advisable in normal situations. The limit set may also induce the IEC to explore ways of reducing the demands of membership of the IEC.
- Re 3 It is difficult to find an objective basis for the rate of compensation. We believe that ,75 per day is reasonable and keeps the cost for the international budget at a feasible level.
- Re 5 The costs of dependent care are an example of such compensatable extraordinary expenses.

### 1.24. Implementation

- If adopted now, the scheme should be applied retroactively to a starting date of 1 August 1992.

- Professional advice should be sought as to whether or not non-resident individuals would be subject to taxation in the UK, before the system is put into effect.

FCC

7 March 1993

## Endnotes & references



<sup>i</sup> The ACC should like to thank Melvin Coleman in particular for his assistance.

<sup>ii</sup> “Unpaid trusteeship has always been a distinctive feature of charitable activity, and greatly enhances public confidence and trust in charities. There is a general expectation that charity assets should be used directly for the purposes of the charity. As a consequence, any departure from this position is only likely to occur in exceptional circumstances and needs to be fully justified by trustee boards as being clearly in the interests of their charity.” UK Charity Commission, CC11 – Trustee Expenses and Payments, June 2008.

<sup>iii</sup> <http://www.charity-commission.gov.uk/>

<sup>iv</sup> The ACC notes that the IEC Audit Committee took a similar view at its March 2009 meeting.

<sup>v</sup> <http://www.charity-commission.gov.uk/enhancingcharities/trpayments.asp>

<sup>vi</sup> “The same considerations apply as for any payment of a trustee; the trustee board needs to show why it is clearly advantageous to the charity to pay for the services of the person concerned. This will depend on the abilities and experience the person concerned can bring to the trustee board. Details of any especially relevant skills, knowledge or expertise should be provided. In addition, the trustee board need to consider whether the person could act as an unpaid adviser, or whether it would be possible to recruit a suitable replacement without the need for payment.” See section H1 of CC11, *ibid*.

<sup>vii</sup> “For the 10 charities out of the 100 largest that compensate payments to non-executive trustees taking the role of chair averaged £23,371;<sup>6</sup> and payments to all other non-executive board members in the top 100 charities varied between £5,000 and £18,000.” <http://www.charity-commission.gov.uk/enhancingcharities/trpayments.asp>.

<sup>viii</sup> E.g., <http://www.towersperrin.com/tp/lobby.jsp?country=global>

<sup>ix</sup> Text from the Combined Code a commonly-cited source on governance issues, produced by the FRC in the UK, <http://www.frc.org.uk/CORPORATE/COMBINEDCODE.CFM>.

<sup>x</sup> “The trustee board should show why the charity will not be as effective without payment. If it is proving difficult to recruit new trustees without payment, the board should normally provide evidence that it has made a serious attempt to recruit trustees on an unpaid basis. It is not in the interests of a charity to pay a trustee if it is easy to appoint one with the right skills and competence to act without payment”, CC11, *ibid*.