

Budget Policy Division
Treasury
Langton Crescent
Parkes, ACT, 2600

Friday 27 January 2023

Via email: PreBudgetSubmissions@treasury.gov.au

Dear Treasury,

FY2023-2024 Pre-Budget Submission

Thank you for the opportunity to provide a submission to help inform the Commonwealth Government's upcoming 2023-2024 Budget (**Budget**).

The AICD's mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership of more than 50,000 reflects the diversity of Australia's director community, comprised of directors and leaders of not-for-profits (**NFP**), large and small businesses and the government sector.

The AICD strongly supports policy settings that allow organisations to thrive in a rapidly evolving, increasingly challenging, operating environment. It is crucial that a collaborative approach is taken by Government, working closely with industry and other stakeholders to ensure that policies operate as intended and in the public interest. Cyber security regulation, for example, is one such area where a partnership-based approach would be in the collective interest of the nation.

Too often in the past, regulations have been passed in haste, without sufficient stakeholder consultation or consideration of their cumulative effect. In particular, new obligations have frequently been imposed that duplicate or confuse existing requirements, leading to unnecessary compliance costs and lost time at both management and board levels. Therefore, in preparing the upcoming Budget, we encourage Government to prioritise identifying policy areas where a consolidation and simplification of regulatory requirements can be pursued.

This submission outlines three key areas where we consider the Government should prioritise corporate governance related reforms, while providing broader commentary on the macro-economic outlook drawing on our biannual survey of the director community (**the AICD Director Sentiment Index**).

1. Executive summary

The AICD offers the following principal observations to inform Budget deliberations:

- Existing cyber security and data management settings are complex and fragmentary, with a partnership approach critical to building the nation's cyber resilience. A high priority should be placed on coordinated regulation that supports effective governance and risk management;
- The introduction of a mandatory climate reporting regime poses significant opportunities for Australia to align with global practice, especially those of key trading partners. [Legal liability settings](#) will need to be carefully reviewed to ensure that they promote comprehensive, good

faith adoption that meets the market and broader stakeholder expectations. Left unresolved, liability concerns could drive bare bones disclosure that fails to provide the necessary level of transparency to support Australia's carbon emission targets;

- Ongoing policy uncertainty and unnecessary regulation continues to hold back the NFP sector. We encourage urgent action to harmonise fundraising laws across the country, and careful consideration of the costs and benefits associated with re-imposing individual director's duties under the *Corporations Act 2001* (**Corporations Act**);
- DSI results indicate that labour and skills shortages are the most important economic challenges facing Australian organisations, followed by inflation and interest rates; supply chain problems; global economic uncertainty and the cost of living;
- AICD members, through the DSI, have highlighted addressing skills shortages, climate change and energy policy as the top three areas for short term policy intervention.

These issues are discussed in further detail below.

2. Corporate governance reforms – suggested priority areas

The AICD recognises that increasingly Australian organisations face a range of complex challenges. In particular, there are an array of environmental, social and governance (**ESG**) issues that require careful oversight in order for sustainable value to be built and maintained over time.

Outlined below are three key areas of corporate governance where we encourage the Government to focus its attention on, along with the desired policy outcome.

(a) Cyber policy settings which are coordinated across government and support effective risk oversight

Directors are acutely aware of the significant risks posed by cyber criminals, with the major incidents seen in the second half of 2022 only serving as a timely reminder. The AICD encourages the Government to take a holistic and coordinated approach to regulation and building national cyber resilience, recognising that cyber related policy can touch on such diverse areas as data governance, privacy, market disclosure and critical infrastructure.

Currently, there is a patchwork of laws governing cyber security and data management more broadly, with even more regulation mooted (for example, the outcomes of the recent *Privacy Act 1988* (Privacy Act) review have yet to be made public).

The AICD's strong view is that a partnership between Government and industry, including support for organisations of all sizes, has the best chance of improving Australia's cyber security practices. We believe that a partnership focused on the sharing of intelligence, guidance, training, targeted investment (e.g. for SMEs and NFPs) and support in the event of a significant incident, represents a more effective approach than a narrow focus on more regulation.

Therefore, the AICD was heartened by the Government's announcement in December 2022 of the appointment of an Expert Advisory Board to support the development of the *2023-2030 Australian Cyber*

Security Strategy (**Cyber Security Strategy**) with a focus on whole-of-nation cyber security efforts to protect Australians and the economy.

In terms of specific policy recommendations, we encourage the Government to use the development of the Cyber Security Strategy as a chance to undertake a **stocktake of existing cyber-related policies** to ensure any new regulation is necessary and complementary. By way of example, higher penalties for privacy breaches were recently legislated with minimal consultation and without the Government having published the outcomes of the Privacy Act Review (AICD submission [here](#)). Accordingly, penalties were increased despite a number of salient policy issues having been examined in that review. Parliamentarians and stakeholders did not have the benefit of that analysis, yet had to make significant judgements without a comprehensive picture of how the various pieces of the regulatory puzzle fitted together.

We also encourage the Government in its guidance materials, and any future regulation, to **support industry adoption of the joint AICD-Cyber Security Cooperative Research Centre Cyber Governance Principles** released in October 2022 (**Cyber Governance Principles**, link [here](#)). The Principles were the subject of significant consultation with government, industry and other stakeholders, and in our view, represents a clear articulation of better board practice. Illustrating the high level of director community engagement in this area, the Principles and related supporting resources have had more than 14,000 unique downloads since their release.

Given that what constitutes good cyber governance has previously been somewhat unclear, we would welcome the Government explicitly supporting the Principles through relevant policy departments and regulatory agencies (for example, Home Affairs, Treasury, ASIC, APRA, the Australian Cyber Security Centre) to help lift standards across industry. In that respect, we note that the Minister for Home Affairs and Cyber Security has [publicly endorsed](#) the Principles, although more could be done to carry that support through across the whole of government.

(b) Disclosure policy settings that encourage good faith adoption of climate and sustainability standards

The AICD [supports](#) the Government's commitment to introducing mandatory climate disclosures, aligned with emerging international standards. In our view, the lack of policy certainty in this area has left Australia out of step with key trading partners, and failed to support organisations to meet rapidly evolving investor and stakeholder expectations. Further, we consider that more needs to be done to build director's climate competency in this area, and to that end, as host of the [Climate Governance Initiative Australia](#), we have been focused on producing supportive resources, working with partners.

Accordingly, we welcomed the recent commencement of Treasury's consultation on how to devise and implement a mandatory climate disclosure regime as a key step towards effective governance. We acknowledge that current market disclosures often do not meet those expectations, and that the lack of clear policy guardrails has not assisted. Directors have a strong interest in policy settings that support reliable, comparative disclosures, allowing both boards and the market to more effectively gauge progress.

While such a reporting regime has various complexities, from the scope of disclosures through to appropriate implementation timetables, we encourage Treasury to devote particular attention to how legal liability settings can be appropriately framed. Put simply, those settings must support

comprehensive, good faith disclosures by entities, rather than incentivising cautious, generalised statements that are unlikely to provide meaningful information to the market.

As has been canvassed with Treasury and in Parliamentary inquiries previously, entities face challenges complying with Australian continuous disclosure and misleading and deceptive conduct laws, given the strictness of those regulations (see submission [here](#) which includes comparative legal analysis from Herbert Smith Freehills). Of particular relevance to climate reporting, the Corporations Act requires forward looking statements to have a “reasonable basis” – a threshold that leaves entities and their directors open to litigation risk given the rapidly evolving nature of climate related scientific, policy and economic developments (see AICD [submission](#) to the 2021 AASB consultation on proposed global sustainability standards including detailed legal advice at Attachment D).

While the extent of such liability risks will be challenged by some stakeholders, the reality is that well advised corporations are likely to receive legal advice cautioning against fulsome climate related disclosures under current legislative settings. Indeed, such settings have played a role in the current state of market disclosures which, as noted above, have often disappointed investors and stakeholders.

Accordingly, we **encourage the Government to given serious consideration to how policy settings can be devised to address these legal risks**. In our view, appropriate mechanisms could include: targeted safe harbours for climate related forward-looking statements and/or limiting enforcement of relevant disclosure laws to federal regulators (e.g. ASIC) rather than allowing private litigation.

We look forward to providing a comprehensive response to Treasury's current consultation.

(c) NFP sector regulation enhances accountability

The NFP sector is a major focus of the AICD's work with a majority of our members involved in the governance or management of NFPs, many of them making contributions as directors on a voluntary basis. The AICD is committed to advocating for a fit for-purpose regulatory regime for the NFP sector that supports and promotes good governance. In that respect, there are two key areas where the sector would benefit from greater policy certainty.

Firstly, the laws relating to NFP fundraising remain complex and inconsistent across jurisdictions (see link to previous AICD submission [here](#)). This creates significant challenges and costs for NFPs seeking to fundraise across the nation, especially as it relates to legal compliance. For some time, the AICD, working with other stakeholders, including as part of the *#Fix Fundraising* coalition, has urged the Commonwealth Government to prioritise action in this area, working closely with State counterparts.

Consequently, we were pleased to see momentum build last year through the announcement of the Commonwealth and State governments commitment to develop a principles-based framework for nationally consistent charitable fundraising laws. However, we note that such a framework was intended to be finalised by the Council on Federal Financial Relations in late 2022, but that did not eventuate. **We urge the Government to finalise the completion of this work as soon as possible.**

More broadly, we support a regulatory model that provides a simple single national point of registration, notification, regulation, audit and reporting for charitable fundraisers. While there has been some progress in this policy area over recent years, it remains piecemeal and inconsistent in nature. Reform should be regarded as an urgent economic priority by Australian governments working together to

support the sector's sustainability and growth. We support the concept of the ACNC as a "one stop shop" where registration and reporting with the ACNC amounts to registration and reporting with all States and Territories. It is important that this registration is on-line and simple, and, that by registering with the ACNC, a charity is deemed to have notified State and Territory authorities of its intention to fundraise within their jurisdiction, with no further notification necessary.

Secondly, we encourage the Government to provide clarity to the NFP sector regarding the question of individual director duties. Specifically, more than four years on from the McClure review of the ACNC – which recommended that directors duties and certain other provisions be "turned [back] on" under the Corporations Act – there is uncertainty regarding the Government's intentions and the state of the law, given common law and equitable director's duties remain.

Notably, the previous Government noted this recommendation its response to the ACNC review, simply committing to further consultation. Given the matter goes to the heart of governance expectations of NFPs and the accountability of board members, we would support a thoughtful consultation canvassing the relevant issues. We appreciate that a balance must be struck between having sufficient personal accountability to encourage good governance practices, while not discouraging individuals to take on, typically voluntary, director roles for fear of legal liability.

3. Macro-economic environment: director community observations

We would also like to draw Treasury's attention to the data provided by the AICD's twice-yearly surveys of director opinion, as captured by our Director Sentiment [Index \(DSI\)](#). The AICD has been polling our members since 2011 and now has more than a decade of data on director views on economic performance and risks as well as on priorities for policy and reform. A detailed overview of the DSI and its findings relevant to the budget are provided as an attachment to this submission, but it is worth highlighting a few key points below.

The headline message from our [latest](#) survey – conducted in the second half of last year – is that **director sentiment has turned negative for the first time since the second half of 2020**. That shift reflects the challenging global economic environment, rising inflation, higher interest rates and widespread labour shortages.

Directors participating in the survey identified factors related to labour and skills shortages as the most important economic challenge facing Australian businesses, followed by inflation and interest rates; supply chain problems; global economic uncertainty; and the cost of living. Beyond these immediate pressures, **the DSI also highlights long-running director concerns regarding climate change, energy policy, productivity growth and the regulatory burden of 'red tape'**.

Regarding preferred priorities for government policy, in the short term (that is, over the next three years), our DSI results show directors ranking skills shortages, climate change and energy policy as the top three areas for policy intervention. Over the longer term (the next 10 to 20 years), they rank climate change, Australia's ageing population, and (jointly) energy policy and international competitiveness as their top priorities.

Concerns about government debt and deficits, while still present, have slid down directors' worry lists. Similarly, tax reform is no longer ranked as pressing a priority as was the case in previous surveys.

Our DSI results find that director concerns with the burdens imposed by regulation and red tape are a long-standing economic issue. Indeed, in recent years, this issue has been ranked as a more pressing challenge than 'traditional' budget issues such as tax or debt. This reinforces the point made earlier in this submission that a holistic view of compliance obligations needs to be taken before introducing any new regulation.

4. Next steps

We hope our submission will be of assistance to Treasury. If you would like to discuss any issues we have raised, please contact Christian Gergis, Head of Policy at cgergis@aicd.com.au or Mark Thirlwell, Chief Economist, at mthirlwell@aicd.com.au.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Rigotti". The signature is written in a cursive, flowing style.

Mark Rigotti
CEO & Managing Director

ATTACHMENT:

WHAT THE AICD's DIRECTOR SENTIMENT INDEX (DSI) TELLS US ABOUT DIRECTOR VIEWS ON THE ECONOMY AND THE BUDGET

Key messages from the DSI

- A challenging global economic environment, rising inflation, higher interest rates and widespread labour shortages saw the overall index of director sentiment fall into negative territory in H2:2022. That marked the first time that sentiment has been negative since H2:2020.
- Unsurprisingly, the pandemic and its aftermath have changed directors' concerns with regard to economic challenges and their preferences with respect to policy priorities.
- For example, according to the latest DSI, directors now see the most important economic challenges facing Australian businesses as those triggered by the pandemic and the policy response; labour and skills shortages rank first, followed by inflation and interest rates; supply chain problems; global economic uncertainty; and the cost of living.
- Beyond those near-term issues, directors continue to view climate change, energy policy and productivity growth as critical concerns.
- This assessment is also reflected in directors' views on government policy priorities. In the short term (that is, the next three years), directors view skills shortages, climate change and energy policy as the top three areas for policy intervention. Over the longer term (the next 10 to 20 years), they rank climate change, Australia's ageing population, and (jointly) energy policy and international competitiveness as their top priorities.
- Concerns about government debt and deficits, while still present, have slid down directors' worry lists. Similarly, tax reform is no longer ranked as pressing a priority as was the case in previous surveys.
- In the context of any future review of Australia's taxation system, our survey results indicate that more directors would prioritise state-level tax reform followed by changes to personal income tax and company tax.
- DSI survey results also indicate that overall government investment in infrastructure is no longer seen as important as it was in the past. To the extent that directors would like to see more spending, they would focus on renewable energy, housing supply and affordability, regional infrastructure and electricity transmission networks.
- According to the DSI, directors are dissatisfied with current levels of government support for innovation and research and development (R&D) and with current government spending on education and training.
- Cybercrime / data security tops the list of issues most likely to keep directors 'awake at night', followed by labour shortages and global economic conditions.

About the AICD's Director Sentiment Index (DSI)

The DSI reports the views of the Australian Institute of Company Directors (AICD) members with current directorships, making it a valuable indicator of the opinions and future intentions of directors on a range of issues including the Australian and world economies, government policy and governance regulation. The first DSI was conducted in 2011 and since then, the DSI has been conducted twice a year, each year.

The most recent [DSI](#) covers the second half of 2022, H2:2022. The underpinning survey was conducted online between 15 and 27 September 2022 and captured the views of a representative sample of 1,475 AICD members and directors.

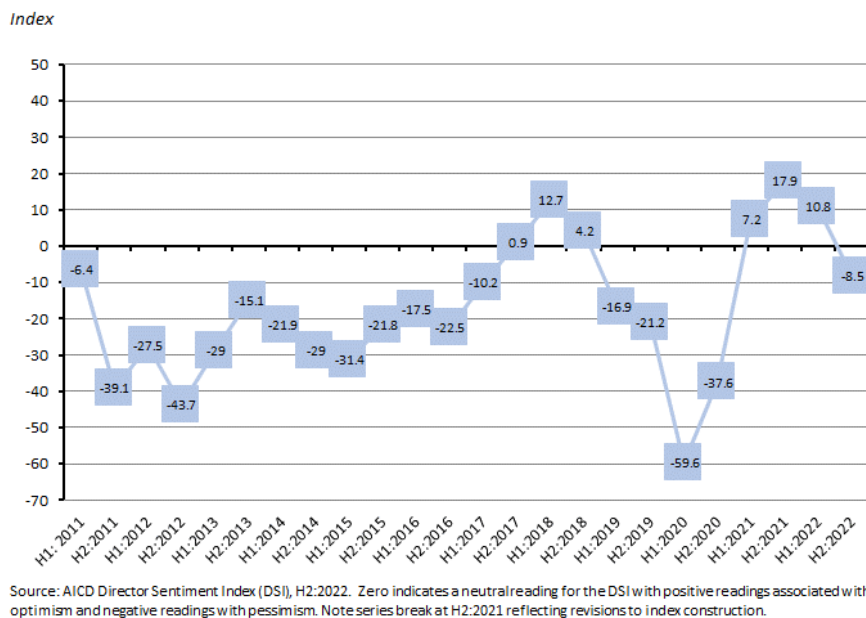
Along with a range of individual results, the DSI also reports an aggregate score that captures overall sentiment based on a subset of survey questions. A score of zero represents a neutral outcome while a positive score is associated with director optimism and a negative score with director pessimism. The formula underpinning the construction of this aggregate DSI score was changed in H2:2021, which impacts direct comparability with previous results.

More information about the DSI, including the results of all previous surveys, is available from the AICD website.

Director sentiment slipped into negative territory in H2:2022

The overall DSI score for H2:2022 was -8.5, the first negative reading reported since H2:2020 (which returned a DSI score of -37.3). That was down from a reading of +10.8 in H1:2022.

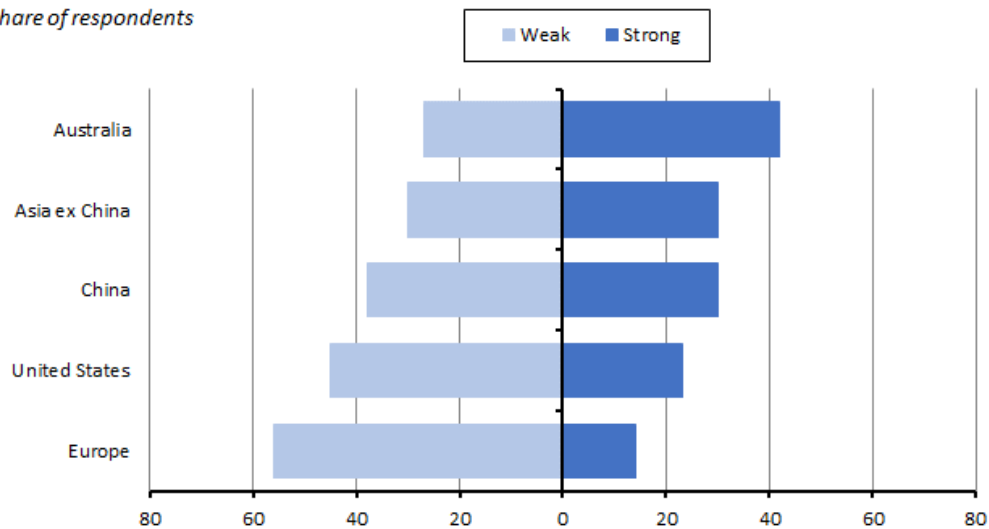
Australia: Overall Director Sentiment Index (DSI) Score



The core drivers of the H2:2022 decline in sentiment were a sharp drop in sentiment towards global economic conditions, together with falls in confidence in both national and state-level business conditions. Directors expected that economic conditions in Asia ex China, China, the United States and (especially) Europe would be weaker than here in Australia:

Expected health of economy over next 12 months

Share of respondents



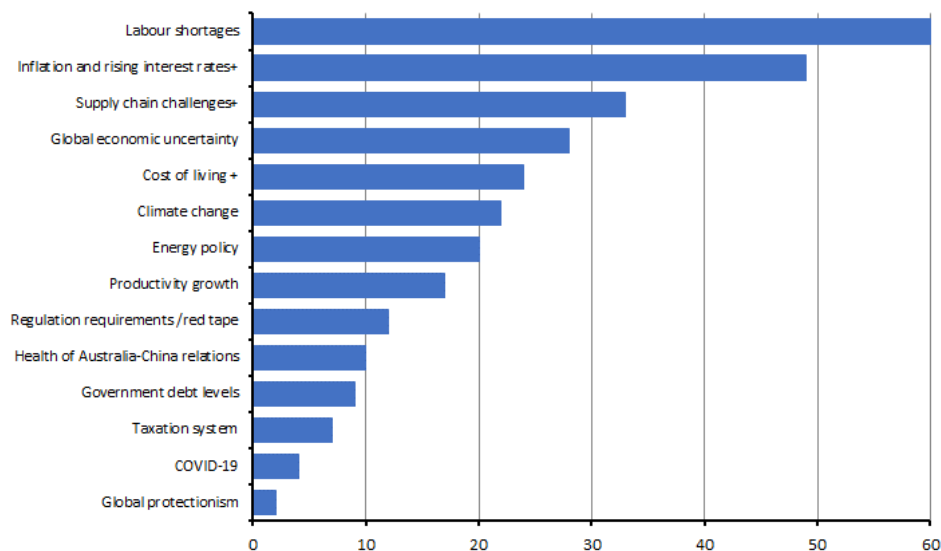
Source: AICD Director Sentiment Index (DSI), H2:2022. Note: (1) Weak combines very weak and somewhat weak and strong combines quite strong and very strong; (2) Share of respondents answering 'neither weak nor strong' is not shown.

Key economic challenges facing Australian businesses

A core question asked in every DSI survey asks directors to identify the top three economic challenges facing Australian businesses. According to the most recent DSI, labour (and skills) shortages are currently seen as the most important economic challenges, ahead of inflation and rising interest rates, supply chain disruptions and global economic uncertainty.

Australia: Main economic challenges facing Australian businesses (top three)

Per cent



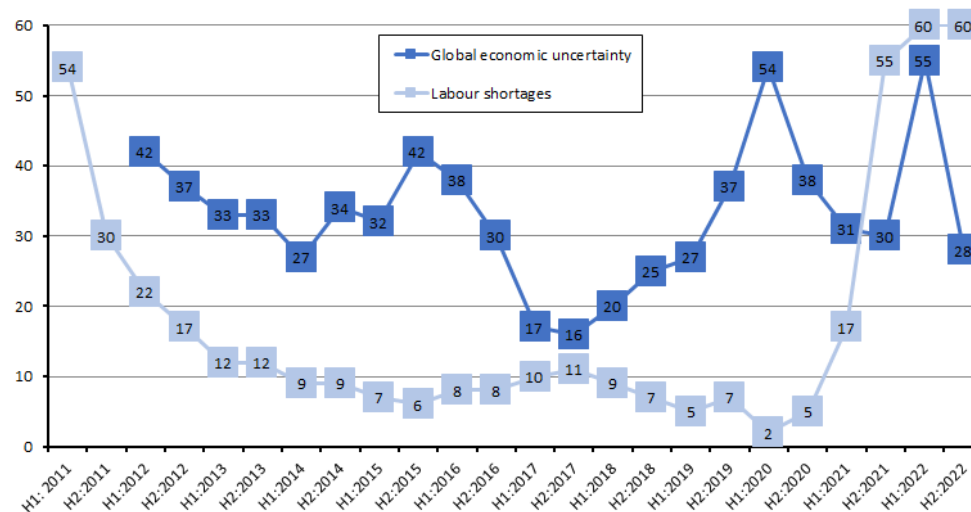
Source: AICD Director Sentiment Index (DSI), H2:2022. + indicates new factor added in this DSI.

In recent years, directors have – predictably – tended to have been focussed on the pandemic (ranked as the top economic challenge in the three surveys between H1:2020 and H1:2021) on the high level of global economic uncertainty (the top economic challenge in both 2019 surveys) over domestic economic concerns. But for the past three surveys, labour and skills shortages have been selected as the most important issue cited by respondents. That reflects the combined impact of the pandemic and the subsequent

period of closed borders and tight labour market along with the pandemic-triggered reshuffling of household demand and sectoral comparative advantage.

Australia: 'Top three' economic challenges: Global economic uncertainty vs Labour shortages

Per cent share of respondents identifying issue as a top three economic challenge

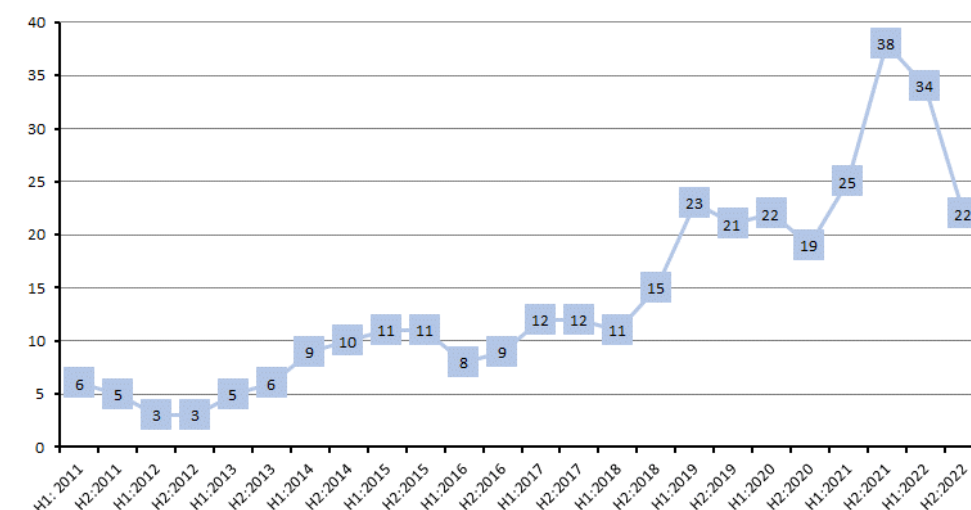


Source: AICD Director Sentiment Index (DSI), various. Note list of options can vary across years. For example, COVID-19 included from H1:2020. Global economic uncertainty first included as an option in H1:2012. The option relating to labour shortages changed wef H1:2018. Until then, the wording referred to 'skilled labour shortages'. H1:2018 added 'labour shortages' as an option and from H2:2018 the question only referred to 'labour shortages'.

The impact of COVID-19 and the associated disruptions to the economic and business environment has likewise seen a shift in the *relative* importance assigned to climate change. Until 2022, climate had been moving steadily up the rankings as a pressing economic challenge for directors, but the past two surveys have seen a degree of 'crowding out'.

Australia: Climate change as a 'top three' economic challenge

Share of respondents climate change as a top three economic challenge

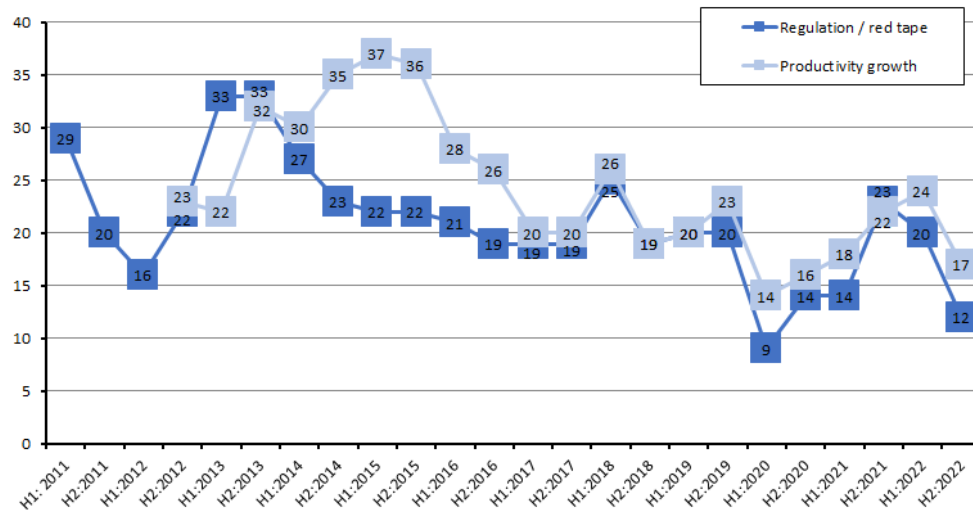


Source: AICD Director Sentiment Index (DSI), various. Note list of options can vary across years. For example, COVID-19 included from H1:2020.

Along with that multi-year rise in the importance of climate, long-standing economic issues of importance to Australian directors according to the DSI include the pace of national productivity growth and concerns regarding the burdens imposed by regulation/red tape.

Australia: 'Top three' economic challenges: Productivity growth vs 'Red tape'

Per cent share of respondents identifying issue as a top three economic challenge

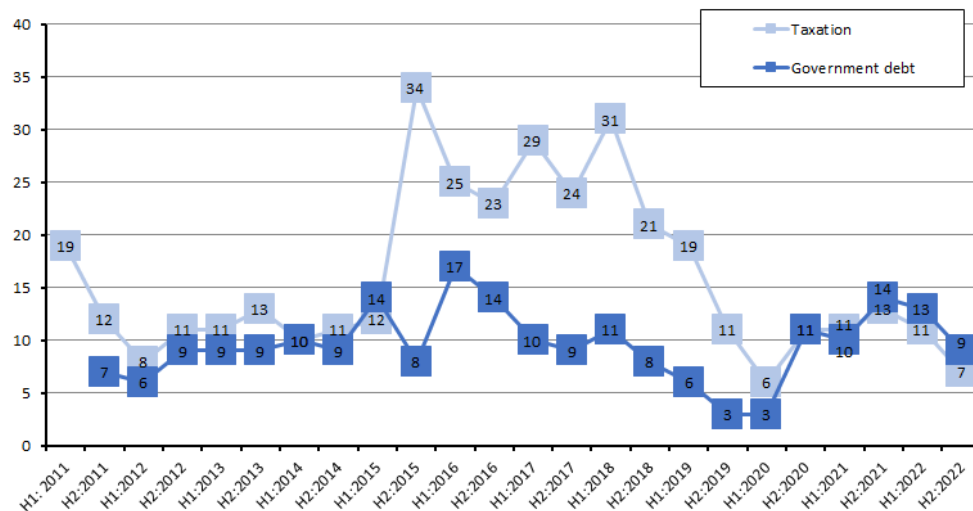


Source: AICD Director Sentiment Index (DSI), various. Note list of options can vary across years. For example, COVID-19 included from H1:2020. For regulation, option was 'too much regulation' from H1:2011 and then 'too much regulation / red tape' from H2:2012. Productivity growth first introduced as an option in H2:2012.

More 'traditional' budget issues – captured in the DSI 'economic challenges' question in the form of options around taxation and government debt levels – are currently seen as relatively less pressing, ranking below both current problems such as labour shortages, inflation and the cost of living as well as below 'structural' challenges such as climate change, energy policy, and productivity growth. Tax reform, for example, peaked as a DSI priority issue for directors between 2015 and 2018 but has since faded in relative importance. Government debt has been ranked relatively lowly for most of the history of the DSI, in keeping with Australia's modest levels of public debt compared to many of our developed economy peers.

Australia: 'Top three' economic challenges: Taxation and Government debt

Per cent share of respondents identifying issue as a top three economic challenge



Source: AICD Director Sentiment Index (DSI), various. Note list of options can vary across years. For example, COVID-19 included from H1:2020. For taxation, option was 'tax level too high' from H1:2011, 'ineffective taxation system' from H2:2015, 'ineffective taxation system / taxation system' in H1:2018 and 'taxation system' from H2:2018.

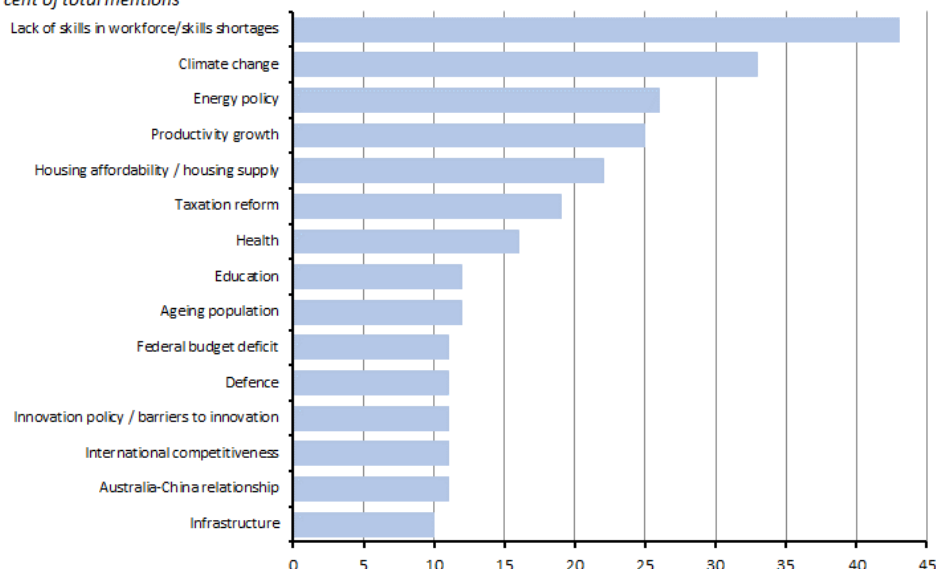
Policy priorities for Government

A second set of long-running DSI questions relates to the policy priorities directors would assign to the Federal Government. These are classified by the survey into the short term

(within the next three years) and longer term (the next 10 to 20 years). According to the latest H2:2022 DSI, directors consider that skills shortages, climate change and energy policy should top the Government's policy priority list in the short term, followed by productivity growth.

Australia: Issues Federal government should address in the short term (top three)

Per cent of total mentions

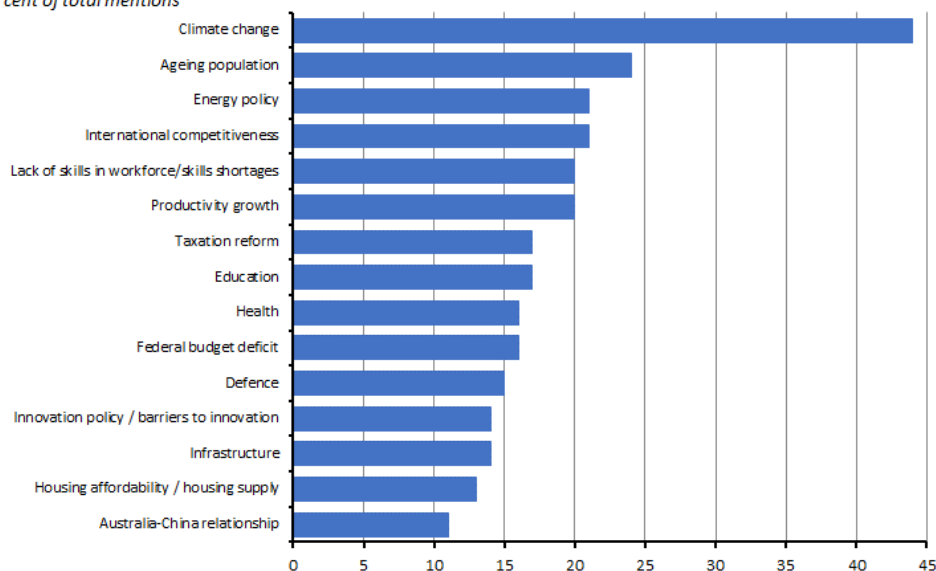


Source: AICD Director Sentiment Index (DSI), H2:2022. The short term here refers to the next three years.

In the longer term, the top three policy priorities nominated by directors comprise climate change, Australia's ageing population, and (tied in the rankings) energy policy and international competitiveness.

Australia: Issues Federal government should address in the longer term (top three)

Per cent of total mentions



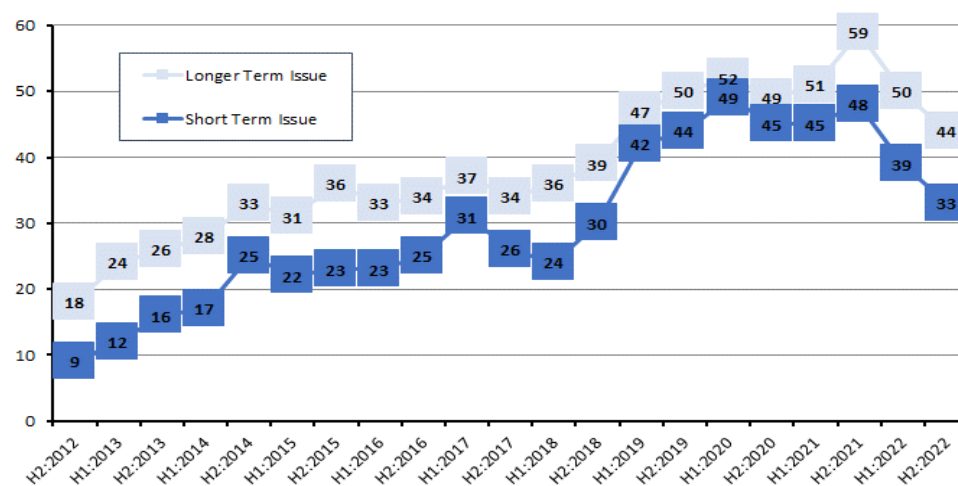
Source: AICD Director Sentiment Index (DSI), H2:2022. The longer term here refers to the next 10 to 20 years.

As might be expected, DSI results over the history of the survey depict trends in priorities that are broadly consistent with the trends in economic challenges identified above. For example, over the course of the DSI directors have become increasingly concerned with climate change both as a short-term and a longer-term policy challenge, although recently

this shift has been tempered somewhat by the adjustments required by the pandemic and its aftermath. Even so, climate change remains the top longer term and second highest short-term DSI policy priority.

Australia: Climate change as a Federal Government policy priority

Per cent share of respondents selecting climate change as a top policy priority for the Government

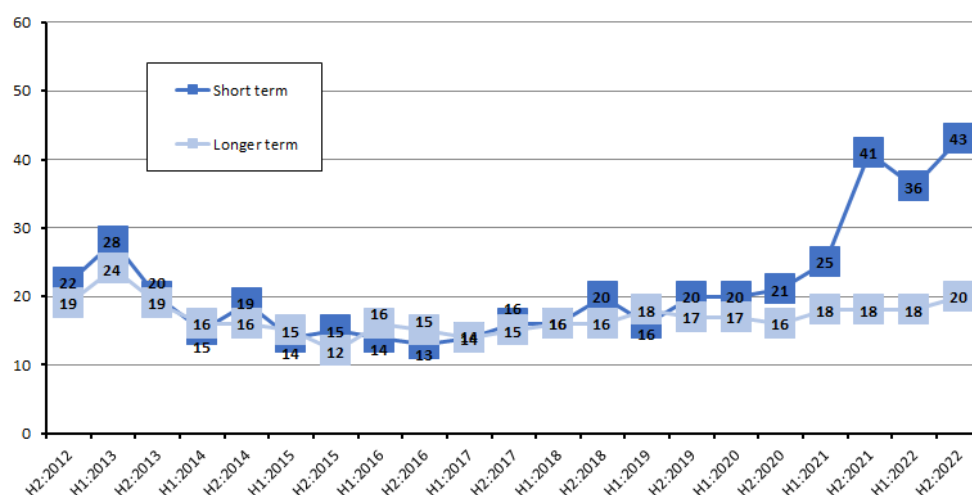


Source: AICD Director Sentiment Index (DSI), various issues. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they are asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys.

As already noted, those pandemic-related adjustments include a growing focus on the need to tackle skills shortages, which was ranked by the DSI as the second most important short-term priority in H2:2021 and H1:2022 and as the most important short-term priority in H2:2022.

Australia: Skills shortages as a Federal Government policy priority

Per cent share of respondents identifying skills shortages as a top policy issue for the Government

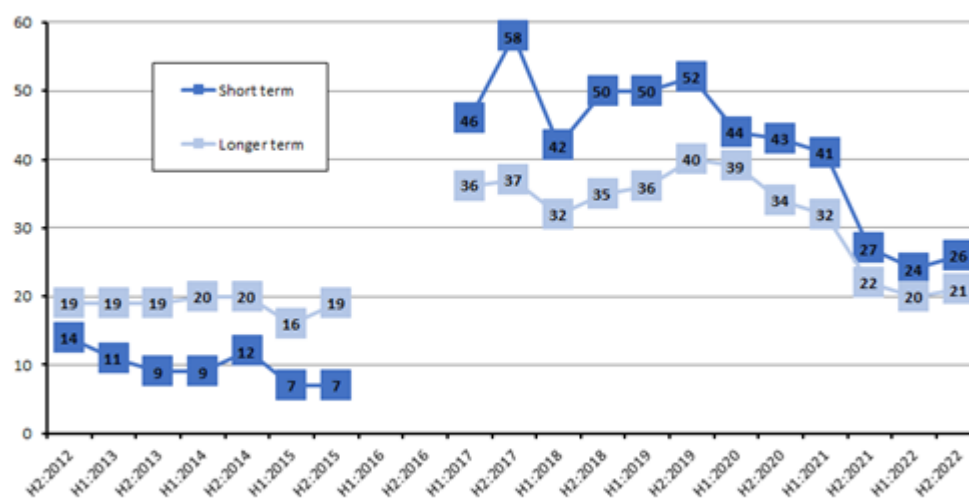


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys.

Sitting just behind climate change on many of their worry lists, directors also see energy policy as both a short-term and longer-term government priority (ranked third in both lists in the most recent survey). This ranking had fallen following the initial onset of the pandemic but increased again in the latest DSI.

Australia: Energy as a Federal Government policy priority

Per cent share of respondents identifying energy resources / policy as a top policy issue for the Government

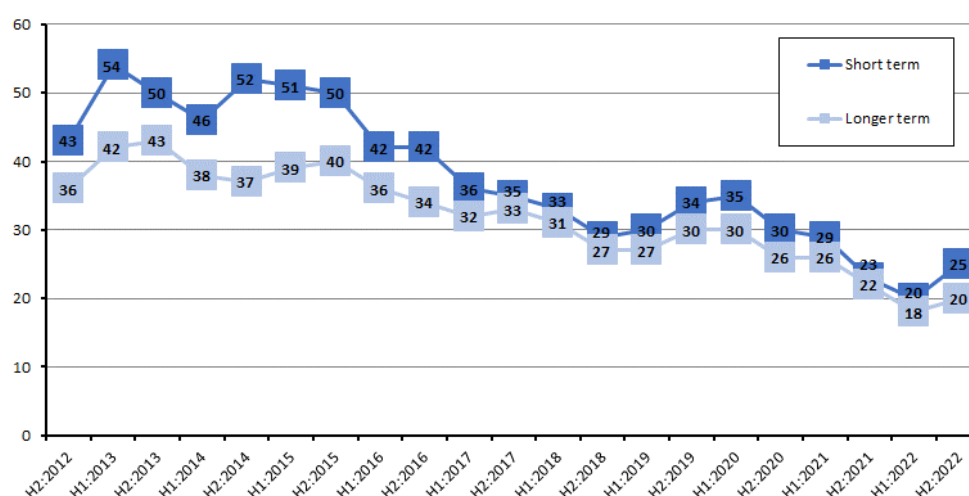


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys. The question referred to 'energy resources' until H2:2015 and 'energy policy' from H1:2017.

Productivity growth has consistently been identified as an important policy priority, albeit one that is now ranked slightly lower than was the case during the early years of the DSI.

Australia: Productivity growth as a Federal Government policy priority

Per cent share of respondents identifying productivity growth as a top policy issue for the Government

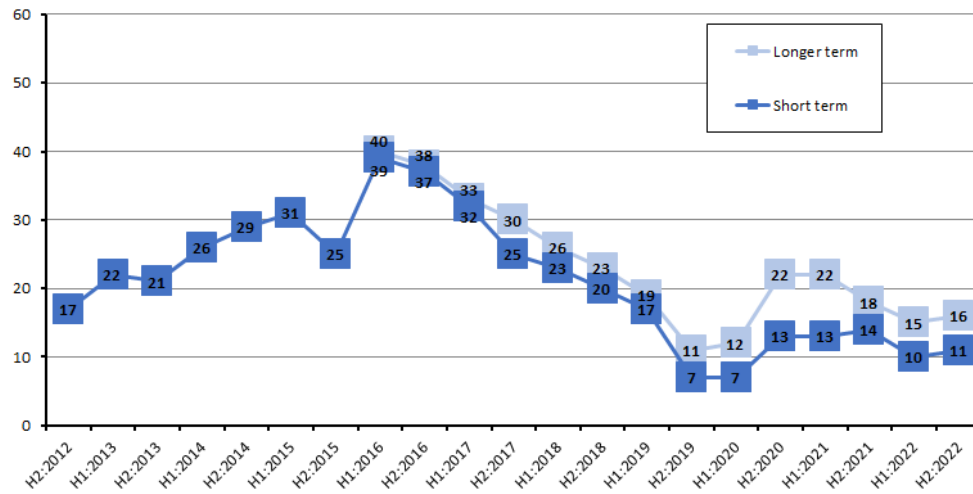


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys.

DSI results also suggest that directors assign a lower priority to dealing with the budget deficit (ranked 10th as both a short-term and longer term priority in the H2:2022 survey) relative to a range of other policy challenges, although it is also the case that the expansion of government spending in response to the pandemic has seen an increase in the share of nominations for the deficit as a policy priority relative to the low reached in H2:2019 and H1:2020.

Australia: The Budget Deficit as a Federal Government policy priority

Per cent share of respondents identifying the budget deficit as a top policy issue for the Government

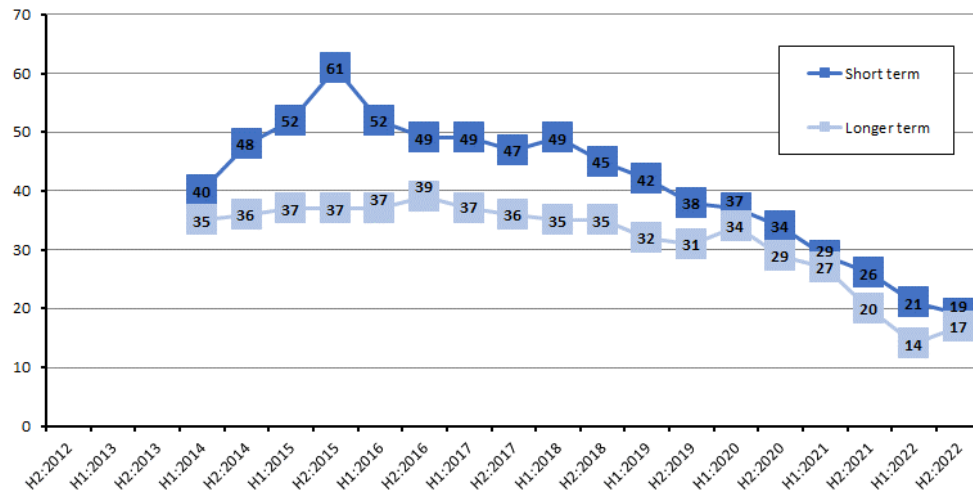


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys. The budget deficit was not included as a longer term option between H1:2013 and H2:2015.

Taxation reform as a DSI policy priority for directors has also fallen from the peaks reached in the early years of the survey. By the time of the H2:2022 DSI, reform was ranked as the sixth most important policy priority for the short term and the seventh for the longer term.

Australia: Tax Reform as a Federal Government policy priority

Per cent share of respondents identifying tax reform as a top policy issue for the Government

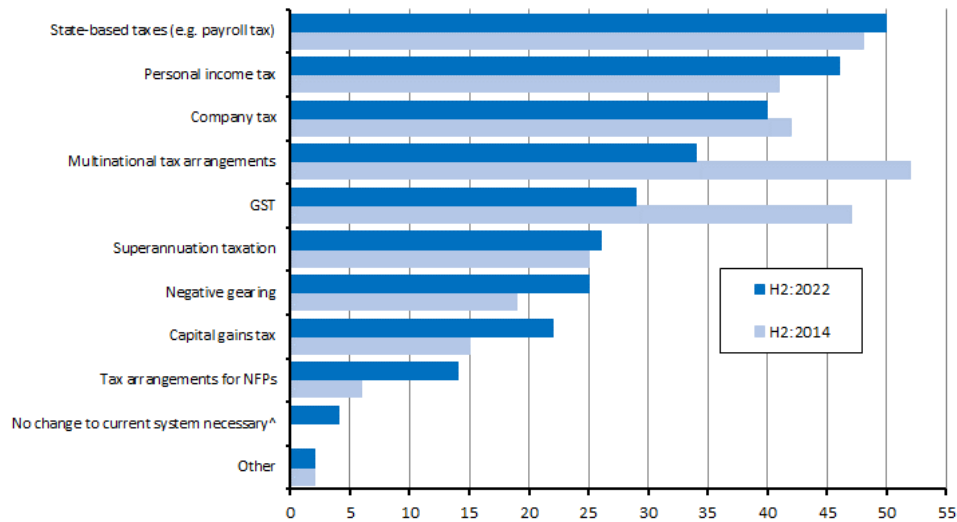


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys.

Sticking with tax, the DSI provides data on what *kinds* of tax reform directors would like to prioritise. State-based taxes such as payroll tax are seen as the most pressing reform task, followed by personal income tax and the company tax.

Australia: Priorities for tax reform (top three)

Per cent



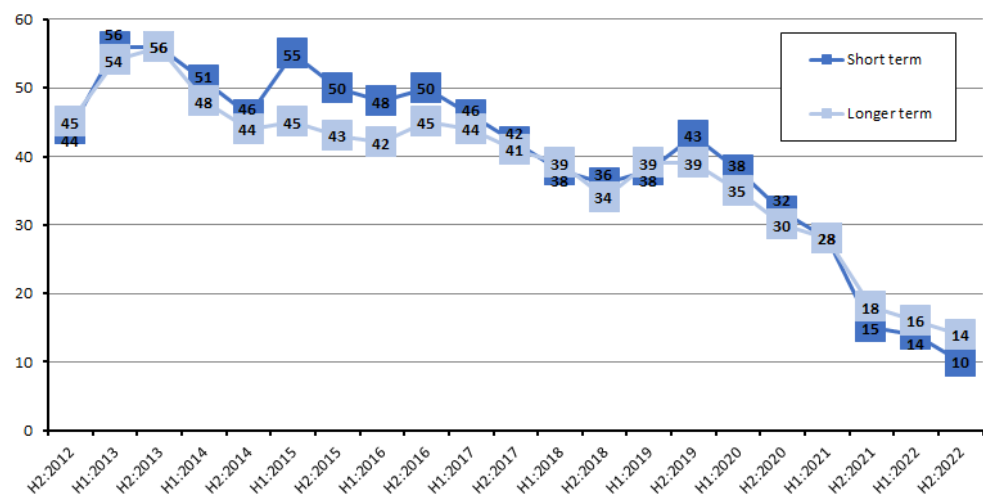
Source: AICD Director Sentiment Index (DSI), H2:2022 and H2:2014. Note question frame the top three priorities for tax reform in the context of a possible review of the current taxation system. ^Not offered as an option in H2:2014

Since we first started asking this question in H2:2014, relative shifts suggest that directors have become considerably less focused on reform of multinational tax arrangements and the GST, and more concerned about taxation relating to negative gearing, the capital gains tax, and around tax arrangements for NFPs.

Directors have also become less pre-occupied with infrastructure investment, which in H2:2022 was ranked as the 15th most important short-term priority (out of 15 options) and the 13th most important longer-term one.

Australia: Infrastructure as a Federal Government policy priority

Per cent share of respondents identifying infrastructure as a top policy issue for the Government

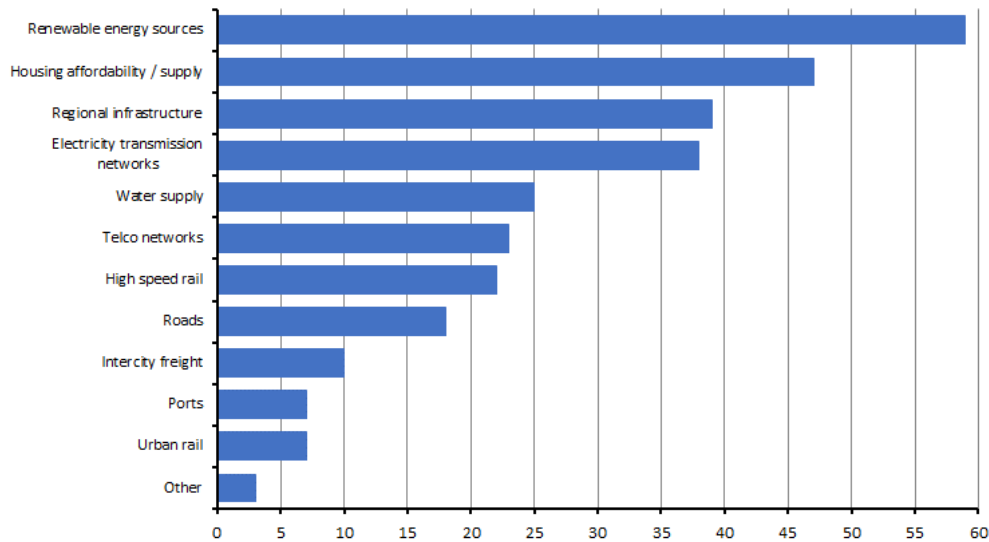


Source: AICD Director Sentiment Index (DSI), various. Respondents are asked to nominate the top issues they think the Federal Government should address in the short and longer term. Respondents were asked to select their top five policy choices until H1:2021. From H2:2021, they were asked to select their top three policy choices. Short term refers to next three years, longer term to next ten to 20 years. Note, options can vary across surveys.

According to the H2:2022 DSI, directors see renewable energy, housing affordability/supply and regional infrastructure as the most important targets for government infrastructure spending.

Australia: Top three priority areas for infrastructure investment

Per cent of respondents



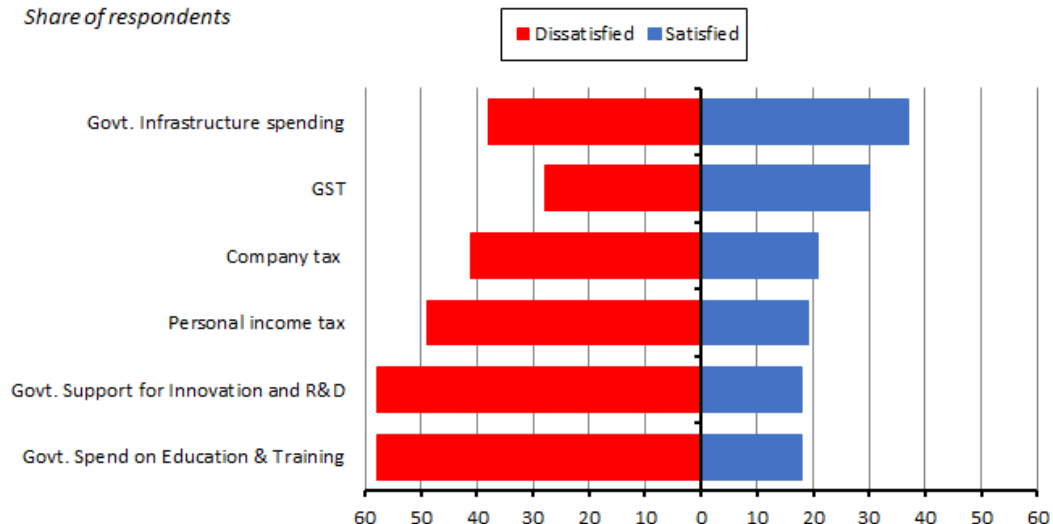
Source: AICD Director Sentiment Index (DSI), H2:2022. Directors asked to nominate top three from 12 options.

Satisfaction with government policies

The DSI also provides some information on the extent to which directors are satisfied with current policy settings and priorities. According to our most recent survey, satisfaction is highest for the current level of infrastructure spend (consistent with the policy priority findings discussed above) and the current GST while it is lowest for government support for innovation and for research and development (R&D) and for government spending on education and training.

Australia: Satisfaction with Government policy settings / priorities

Share of respondents



Source: AICD Director Sentiment Index (DSI), H2:2022. Note: (1) Dissatisfied combines Very and Somewhat Dissatisfied responses and Satisfied combines Very and Somewhat Satisfied responses; (2) Share of respondents reporting 'Neither Satisfied Nor Dissatisfied' is not shown here.

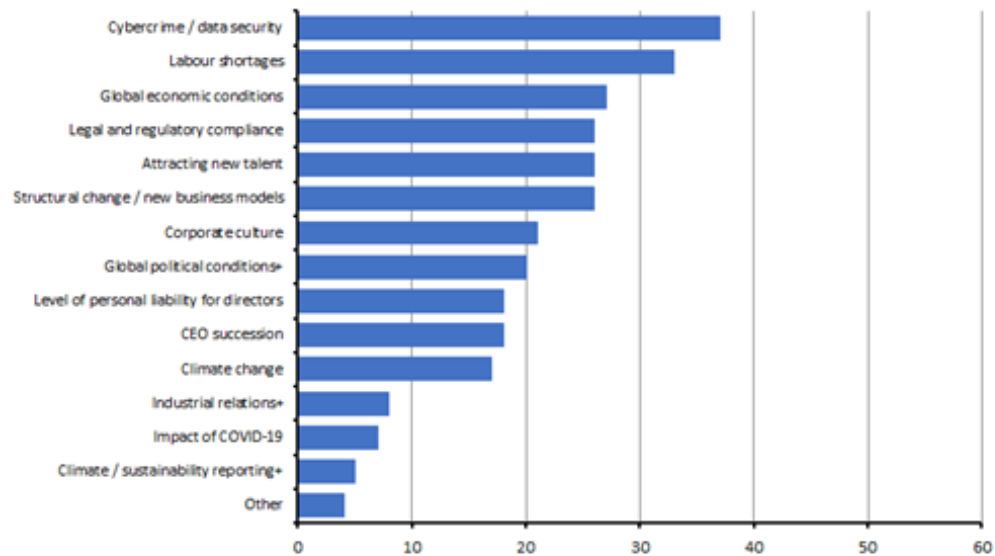
The issues that keep directors 'awake at night'

Finally, the DSI includes a regular overview of the top issues that are likely to keep respondents 'awake at night' as a director on their board.

According to our latest survey, cybercrime and data security, labour shortages, global economic conditions, legal and regulatory compliance, attracting new talent, and the impact of structural change are the issues that currently headline directors' worry lists.

Australia: Issues most likely to keep directors awake at night (top three)

Per cent of respondents



Source: AICD Director Sentiment Index (DSI), H2-2022. + indicates new factor added in this DSI.

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