



2013

DIRECTOR SENTIMENT INDEX: RESEARCH FINDINGS FIRST HALF 2013

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First half 2013 sample profile

A random sample was sourced from the Australian Institute of Company Directors' member database.

Fieldwork period: 5th – 18th March 2013

Total respondents 504

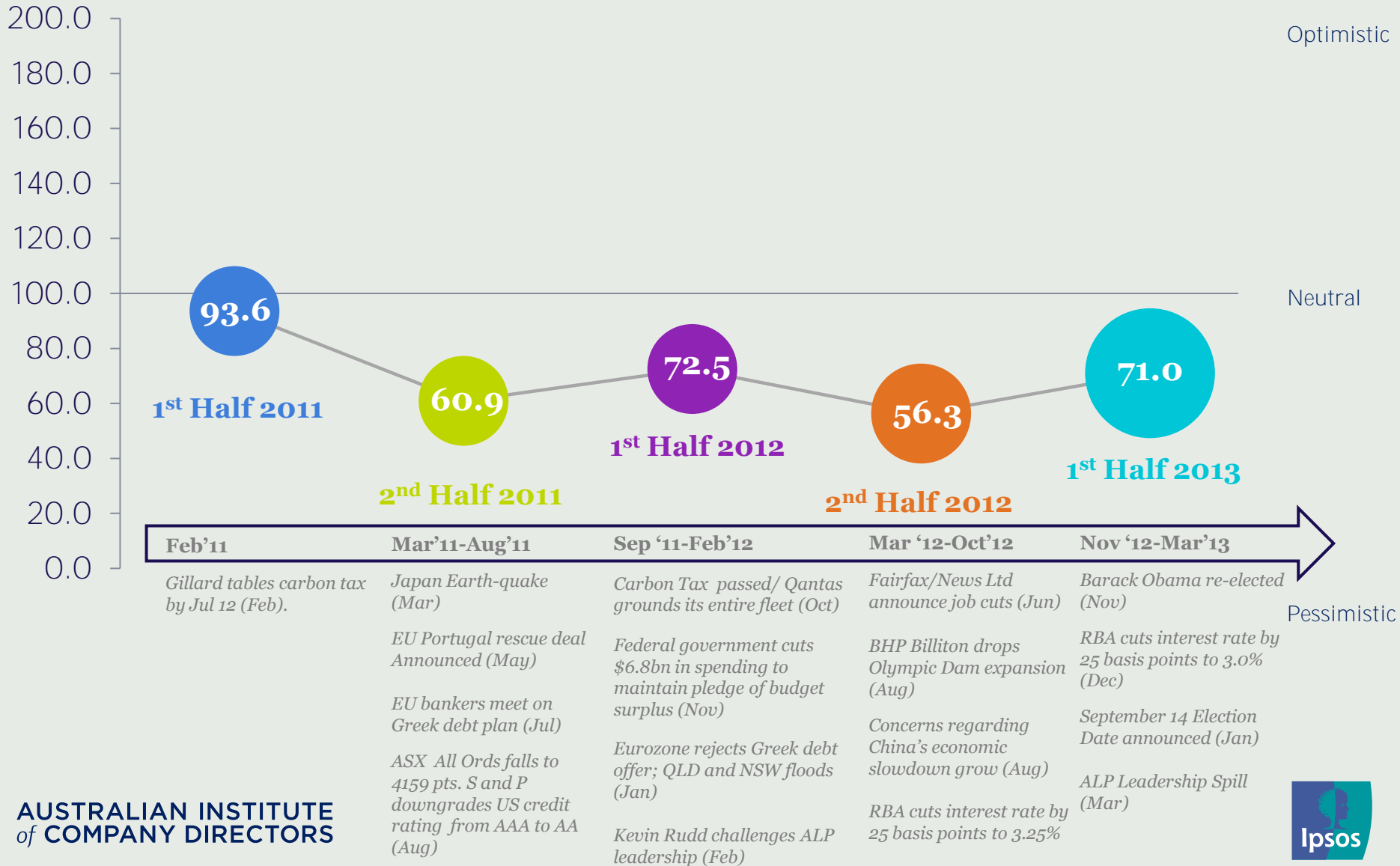
	%
No. of current directorships	
1	29 (38)
2	31 (26)
3 or more	40 (35)
Prefer not to say	- (1)
Positions held on board(s)	
Executive Director	41 (48)
Non-Executive Director	63 (60)
Chairman	34 (26)
Other	7 (6)
Prefer not to say	2 (1)
Primary directorship company	
Publicly listed Australian entity	14 (12)
Private/non-listed Australian entity	53 (53)
Not-for profit entity	31 (33)
Prefer not to say	2 (2)

	%
Primary directorship business sector(s)	
Health and Community Services	22 (21)
Finance and Insurance	18 (15)
Property and Business Services	12 (12)
Manufacturing	9 (10)
Education	9 (9)
Mining	8 (11)
Personal and Other Services	8 (5)
Agriculture, Forestry and Fishing	8 (6)
Communication Services	6 (4)
Construction	6 (6)
Government Administration and Defence	5 (6)
Transport and Storage	5 (3)
Energy	4 (6)
Retail Trade	4 (5)
Cultural and Entertainment industry	2 (3)
Wholesale Trade	2 (2)
Accommodation, Cafes and Restaurants	1 (2)
Other	- (-)
Gender	
Male	84 (76)
Female	16 (24)

Director Sentiment Index

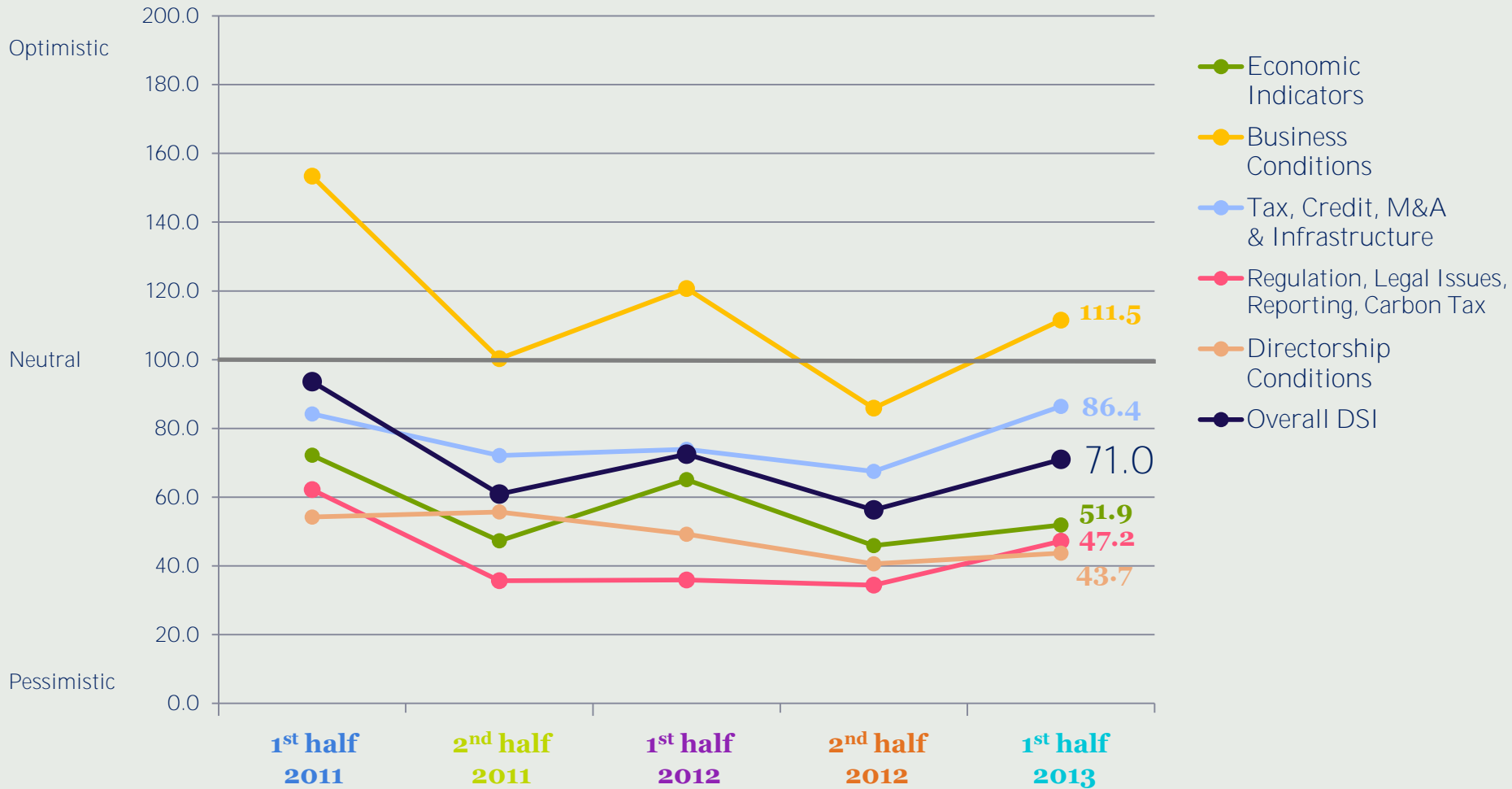
Overall Director Sentiment Index

The overall sentiment in the 1st half of 2013 is up 15 points on the last survey but remains pessimistic.



Overall Director Sentiment Index by segment

This survey finds that all Index segments have improved since the previous survey and notably sentiment towards business conditions has moved from pessimistic to optimistic.












Summary of key indicators and headlines


Summary of key indicators

(1 of 4)

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Indicator (expected change in coming 12 months)	Scale	1 st Half 2013 net balance	2 nd Half 2012 net balance
<i>Economic conditions</i>			
Health of the Australian economy	Weak/strong	-26 	-42
Health of the Asian economy	Weak/strong	37 	2
Health of the European economy	Weak/strong	-87 	-93
Health of the US economy	Weak/strong	-30 	-56
Inflation rate (Australia)	Lower/higher	21 	13
Exchange rate (value of AUD versus USD)	Lower/higher	-40	-42
RBA cash rate	Lower/higher	-18 	-58
Level of wages growth	Lower/higher	25 	7
Unemployment rate	Lower/higher	35 	47

 Significantly higher vs. 2nd half 2012 @ 95% confidence level

 Significantly lower vs. 2nd half 2012 @ 95% confidence level

Summary of key indicators

(2 of 4)

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Indicator (expected change in coming 12 months, with the exception of *)	Scale	1 st Half 2013 net balance	2 nd Half 2012 net balance
<i>Business conditions</i>			
Growth of primary directorship business	Weak/strong	24 ↑	2
Change in business investment levels	Decrease/increase	13 ↑	-2
Change in business staffing levels/labour demand	Decrease/increase	7 ↑	-7
Change in level of business exports	Decrease/increase	3 ↑	-12
Change in level of outsourcing	Decrease/increase	13	10
Expectations of profits for Jan-Jun 2013 actual versus forecast*	Below/up	6 ↑	-6
Confidence in general business outlook*	Pessimistic/opt	-1 ↑	-20
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	0 ↑	-9
<i>Directorship conditions</i>			
Impact of directors' liability on willingness to serve on a board*	Negatively/positively	-53 ↑	-62
Impact of compliance requirements on willingness to serve on a board*	Negatively/positively	-47	-50
Impact of remuneration on willingness to serve on a board*	Negatively/positively	-1 ↓	8
Impact of contribution to economy/society on willingness to serve on a board*	Negatively/positively	84 ↑	79

↑ Significantly higher vs. 2nd half 2012 @ 95% confidence level

↓ Significantly lower vs. 2nd half 2012 @ 95% confidence level

Summary of key indicators

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(3 of 4)

Indicator (expected change in coming 12 months, with the exception of *)	Scale	1 st Half 2013 net balance	2 nd Half 2012 net balance
<i>Tax, credit, M&A</i>			
Credit availability for investment purposes	Low/high	2 ↑	-19
Credit availability for asset purchases	Low/high	9 ↑	-10
Credit availability for working capital	Low/high	2 ↑	-14
Expected change in ASX All Ordinaries index	Fall/rise	50 ↑	8
Expected change in level of mergers and acquisitions	Fall/rise	59 ↑	42
Perception of current level of corporate taxation*	High/low	-43 ↑	-52
Perception of current level of personal taxation*	High/low	-65	-64
<i>Infrastructure</i>			
Perception of level of government spending on infrastructure*	Low/high	-89 ↓	-82
Agreement with building of NBN being a positive thing for Aust*	Disagree/agree	12 ↑	-1
<i>Regulation, legal issues, reporting, Carbon Tax</i>			
Agreement with 'Federal Government understands business**	Disagree/agree	-76 ↓	-66
Agreement with 'Federal Opposition understands business**#	Disagree/agree	18	N/A
Expected change in level of 'red tape' in coming 12 months	Increase/decrease	-54	-54

Summary of key indicators

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(4 of 4)

Indicator	Scale	1 st Half 2013 net balance	2 nd Half 2012 net balance
Regulation, legal issues			
How is the current Federal Government's performance affecting your business decision making?	Negatively/Positively	-67	-63
How is the current Federal Government's performance affecting consumer confidence?	Negatively/Positively	-86 ↓	-78
Perception of governance regulations	Onerous/weak	-53	-54
How is legislation affecting your business decision-making?	Negatively/positively	-38	-41
How is legislation affecting your willingness to serve on a board?	Negatively/positively	-46	-42
How is legislation affecting your willingness to accept new board appointments?	Negatively/positively	-58	-53
Extent legal judgements affect your business decision-making	Negatively/positively	-35	-31
Extent legal judgements affect your willingness to serve on a board	Negatively/positively	-44	-39
Extent legal judgements affect your willingness to accept new board appointments	Negatively/positively	-54	-51
Adequacy of business directorships and officers' insurance	Inadequate/adequate	-3	-1
Adequacy of public company remuneration reports	Inadequate/adequate	-19 ↑	-24
Priority of the reform of laws and regulations governing public company remuneration*	Low priority/high priority	35 ↑	27
Functionality of International Financial Reporting Standards (IFRS)	Dysfunctional/ functional	-5	-8
How do you expect the Carbon Tax to affect your business?	Negatively/positively	-44	-48

Executive summary

Executive Summary 1st Half 2013

-
- Director sentiment has increased 15 points since the last survey when the index was at its lowest since inception.
 - While directors continue to be pessimistic about the health of the Australian and US economies at present, there is less pessimism about the future health of those economies, and growing optimism regarding the current and future health of the Asian economy.
 - There is renewed optimism about business growth over the coming year and sentiment of each of the economic indicators has improved since the previous survey.
 - The high value of the Australian dollar continues to be a pressing concern, with directors ranking this as the top economic challenge facing Australia, followed by global economic uncertainty.
 - **Perception of the current Federal Government's understanding of business has further declined. The Federal Opposition is perceived as having a significantly greater understanding of business.**
 - Economic policy and management is seen as the most important factor that will influence directors' **votes at the federal election.**
 - Directors believe that the level of red-tape and board commitment spent on regulatory compliance have increased over the last 12 months. Regulation surrounding workplace health and safety and employing workers are rated as having the highest impact on productivity.
 - Red tape/regulation was also seen as the second biggest impediment to productivity growth, after general economic conditions .
 - For the fifth survey in a row, infrastructure is rated as the top priority for the Federal Government.
 - For the first time since the commencement of this survey, more directors consider the building of the NBN to be a positive thing compared to those that consider it to be a negative thing.

Research findings

Research Findings

The Economic Environment

Health of economies

- The outlook for world economies, except Asia, has remained pessimistic. Most directors still perceive the current and future state of the Australian, US and European economies as weak, although there is greater optimism about the current and future health of the Asian economy.

Economic challenges

- Directors rank the high value of the Australian dollar as the biggest current economic challenge, followed by global economic uncertainty and the amount of regulation or 'red tape'.

Economic indicators

- The exchange rate and RBA official cash rate are expected to decline in the coming 12 months. Directors expect the unemployment rate to rise in the coming 12 months.

Research Findings

The Business Environment

Business Growth

- Business growth declined for many in July-December 2012, with more than 40 per cent of directors claiming the growth of their business had weakened in the last six months. Expectations for growth in the future have become more optimistic.

Profits

- Over 40 per cent of directors expect an increase in profits for the second half of this year, compared to profits for the same period last year.

Business Outlook

- Business outlook has improved from pessimistic to neutral. Directors are equally optimistic and pessimistic (about 30 per cent respectively) about the general business outlook, and the outlook for their own sector.

Credit availability

- In the last six months, credit availability for investment, asset purchases and working capital purposes has remained constrained. Predictions regarding credit availability over the coming year have become slightly optimistic, with credit for investment purposes, asset purchases and working capital purposes expected to be more available.

Research Findings

Regulation, productivity, perception of Federal Government and infrastructure

Regulation

- **More than 70 per cent of directors believe that the level of 'red-tape' has increased in the last 12 months.** Akin to the previous survey's results, directors remain pessimistic regarding the level of red-tape in future, with more than 60 per cent expecting an increase in the coming year.
- More than 70 per cent of directors identify employing workers and workplace health and safety as aspects of their business most affected by 'red-tape'.
- **Directors estimate 'red-tape' compliance consumes an average of 26 per cent of their total board commitment, with more than half believing that this level of commitment has increased in the last 12 months.**

Infrastructure

- For the fifth survey in a row, infrastructure is rated the number one priority for the federal government to address in the short and long term. More than 90 per cent of directors believe that the current level of government spending on infrastructure is too low.
- Sentiment about the building of the National Broadband Network is now more positive than negative, for the first time since the question has been asked as part of the Director Sentiment Index survey.

Productivity

- Productivity follows infrastructure as the second most urgent issue for the Federal Government to address.
- General economic conditions were identified as the top impediment to productivity growth (73 per cent) followed by red-tape/regulation (50 per cent), and workplace relations laws and regulations (42 per cent).

Perception of the Federal Government and Opposition in the lead-up to the election

- There is increased pessimism with the Federal Government's performance compared to the results from the last survey and more than 80 per cent of directors maintain the belief that the Federal Government lacks understanding of business. Conversely, 50 per cent of directors believe the Federal Opposition understands business.

Research Findings

Legal and reporting issues

Director liability

- More than 40 per cent of directors believe that legislation on director liability has a negative impact on their business decision making and willingness to continue on a board, and more than 60 per cent believe it has a negative impact on their willingness to accept new board appointments.
- Pessimism remains regarding the effect of legal judgements on director liability, with more than 40 per cent of directors maintaining that legal judgements negatively impact their business decision making and their willingness to continue on a board.

Research Findings

Ethical Considerations, shareholder relations and ESG

Ethics of company directors

- Most directors perceive that Australian listed public companies are generally ethical and more so than overseas listed companies, although they believe that the public perception regarding the ethics of Australian company directors has declined.

Board diversity

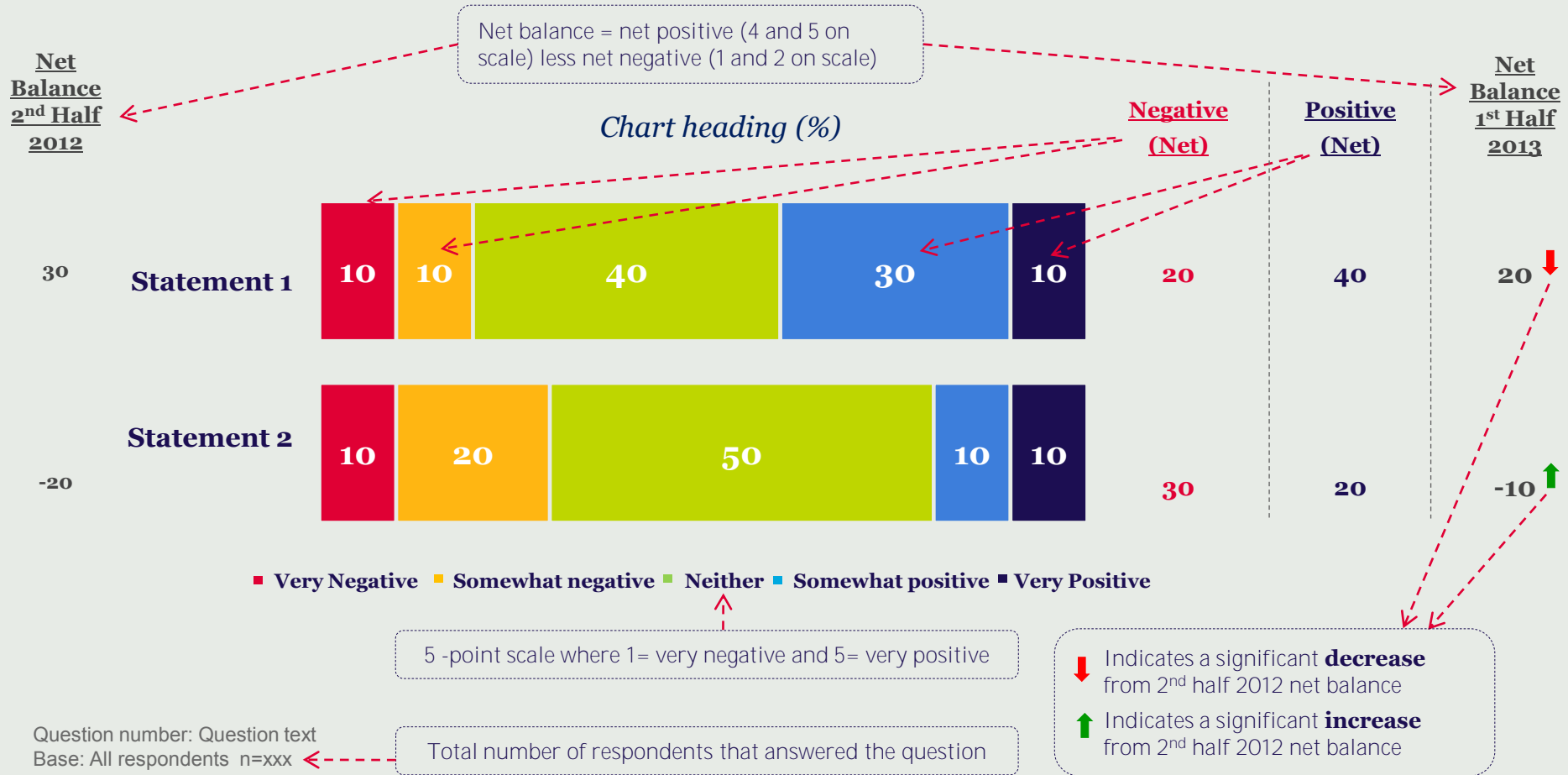
- Nearly two-thirds of directors are actively seeking to increase board diversity in terms of skills, and more than 40 per cent in the area of gender.

Carbon tax

- Pessimism regarding the Carbon Tax legislation remains, with almost half of directors perceiving it to have a negative impact on their business. Most directors maintain the perception that energy costs, domestic prices, and non-energy costs are negatively impacted by the Carbon Tax, but to a lesser extent compared to the results of the previous survey*.
- Nevertheless, more than 50 per cent of directors continue to believe that abolishing the Carbon Tax would have a positive effect on their business.

Detailed results

Explanation of charts – example only



Economic outlook

Health of economies: summary

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Pessimistic outlook remains regarding the current and future state of world economies, except Asia. Directors continue to perceive Asian and Australian economies as stronger than US and European economies.

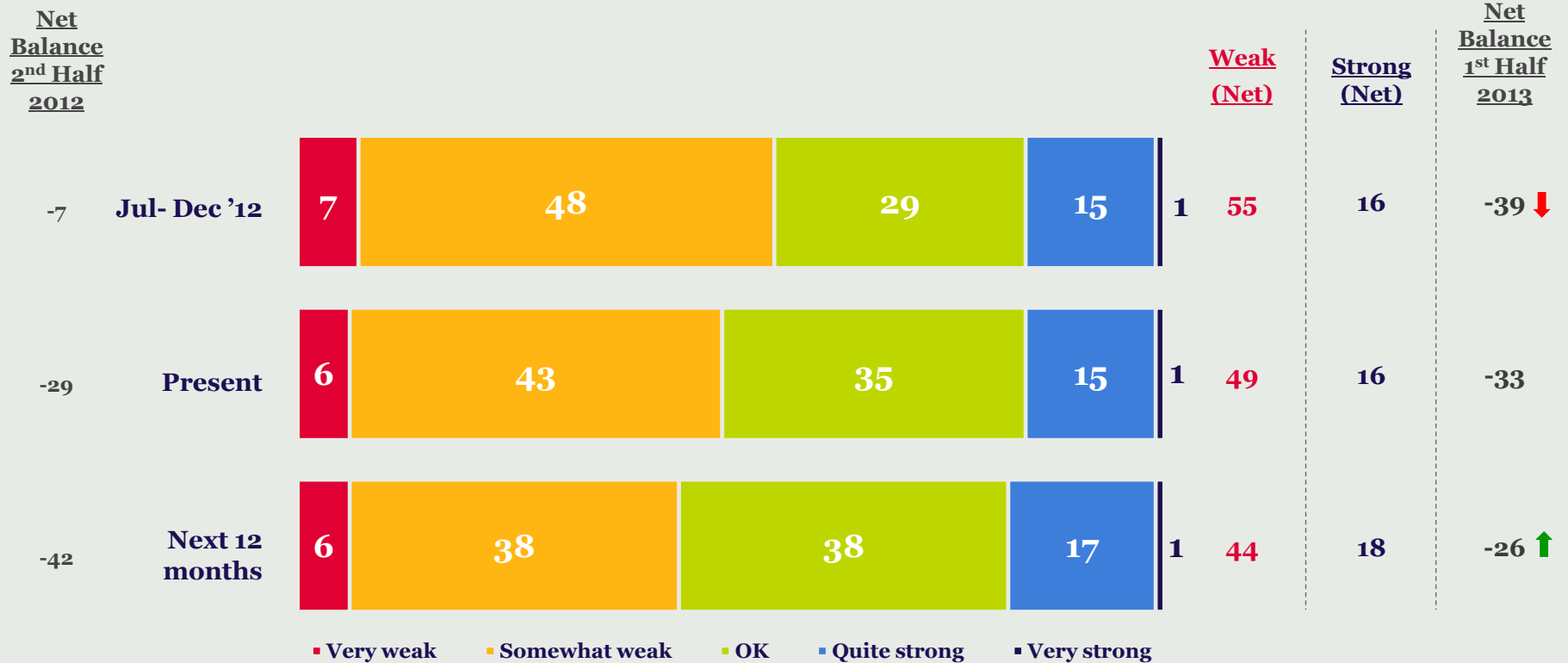
Health of economies		Survey	Australian	Asian	US	European
<i>Mean score (on a 5-pt scale, where 1 is 'Very Weak' and 5 is 'Very Strong')</i>						
Past six months	(Jan-Jun'12)	2 nd Half 2012	2.9	3.4	1.8	1.4
	(Jul-Dec'12)	1 st Half 2013	2.5	3.2	1.9	1.4
Present		2 nd Half 2012	2.7	3.1	2.0	1.5
		1 st Half 2013	2.6	3.3	2.3	1.7
Next 12 months		2 nd Half 2012	2.5	3.0	2.3	1.6
		1 st Half 2013	2.7	3.4	2.6	1.8

(1-4) Base: All respondents n=504

Health of the Australian economy

Pessimistic view remains regarding the health of the Australian economy. More than half of directors perceived our economy as weak in the past 6 months, while more than 40 per cent see it as weak at present and expect it to remain weak in the coming 12 months.

What is your assessment of the health of the Australian economy? (%)



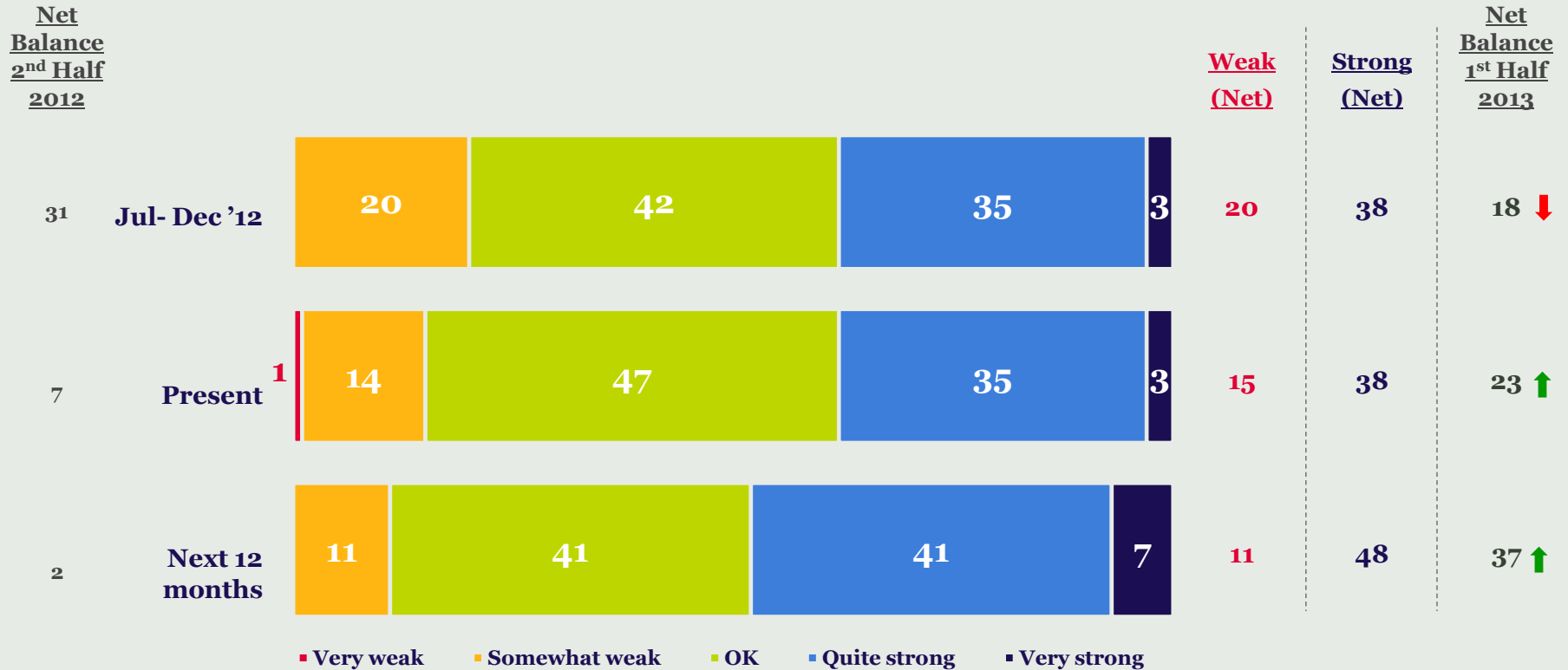
1: What is your assessment of the health of the Australian economy...?

Base: All respondents n=504

Health of the Asian economy

There is a significant growth in optimism in the health of the Asian economy over the next 12 months with almost 50 per cent of directors believing it will be strong over the next 12 months, up from 31 per cent last survey.

What is your assessment of the health of the Asian economy? (%)



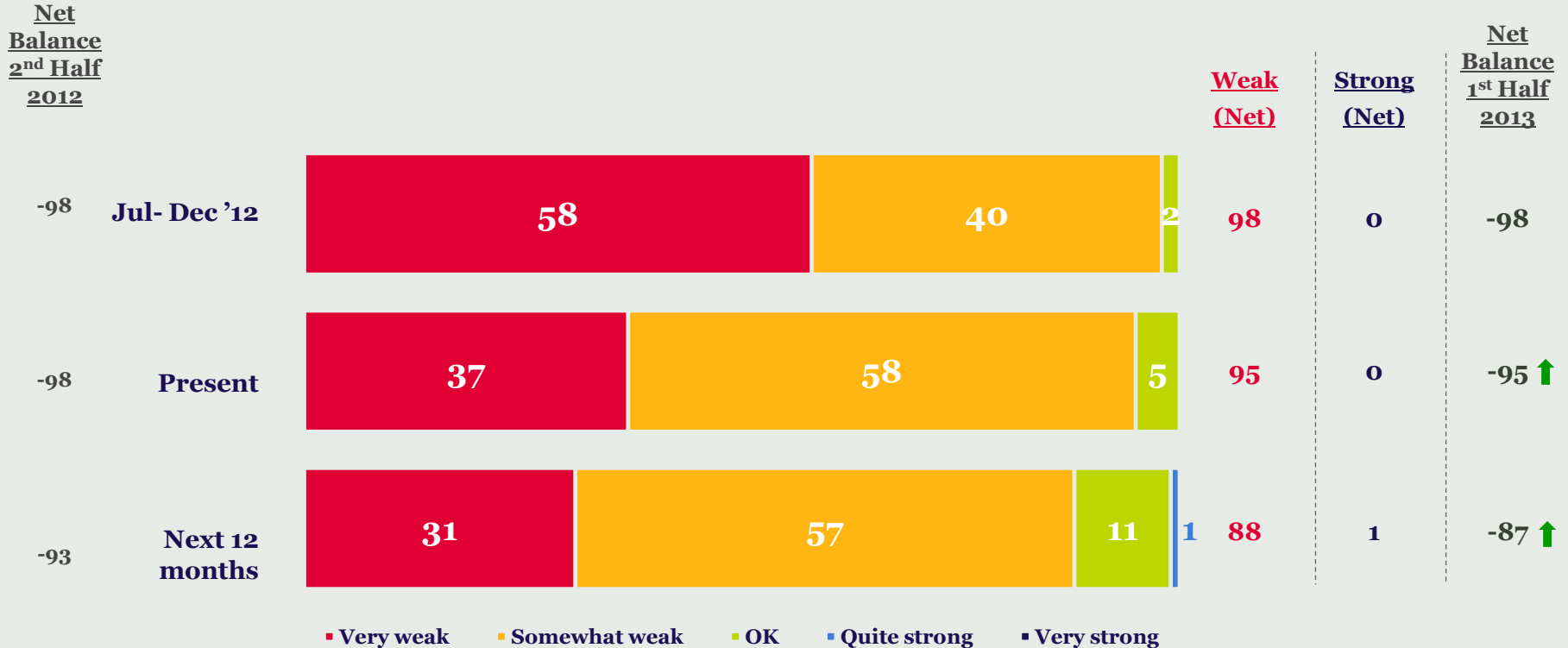
2: What is your assessment of the health of the Asian economy.....?

Base: All respondents n=504

Health of the European economy

Sentiment regarding the European economy has remained very pessimistic. More than 90 per cent of directors view the European economy as weak at present and expect little improvement over the next 12 months.

What is your assessment of the health of the European economy? (%)



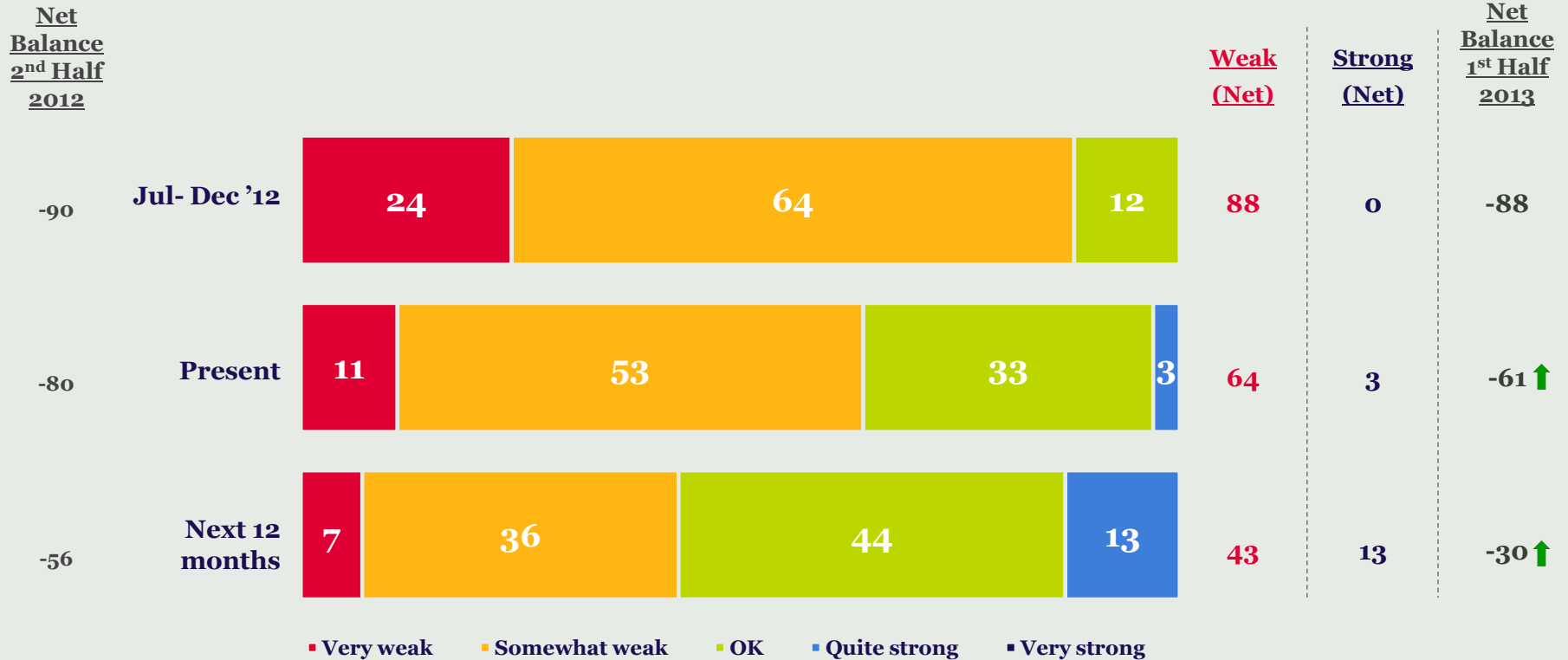
3: What is your assessment of the health of the European economy....?

Base: All respondents n=504

Health of the US economy

Perceptions have improved regarding the health of the US economy, particularly over the next 12 months. More than sixty per cent of directors assess the US economy as weak at present, but less than half expect it to remain weak over the next 12 months.

What is your assessment of the health of the US economy? (%)



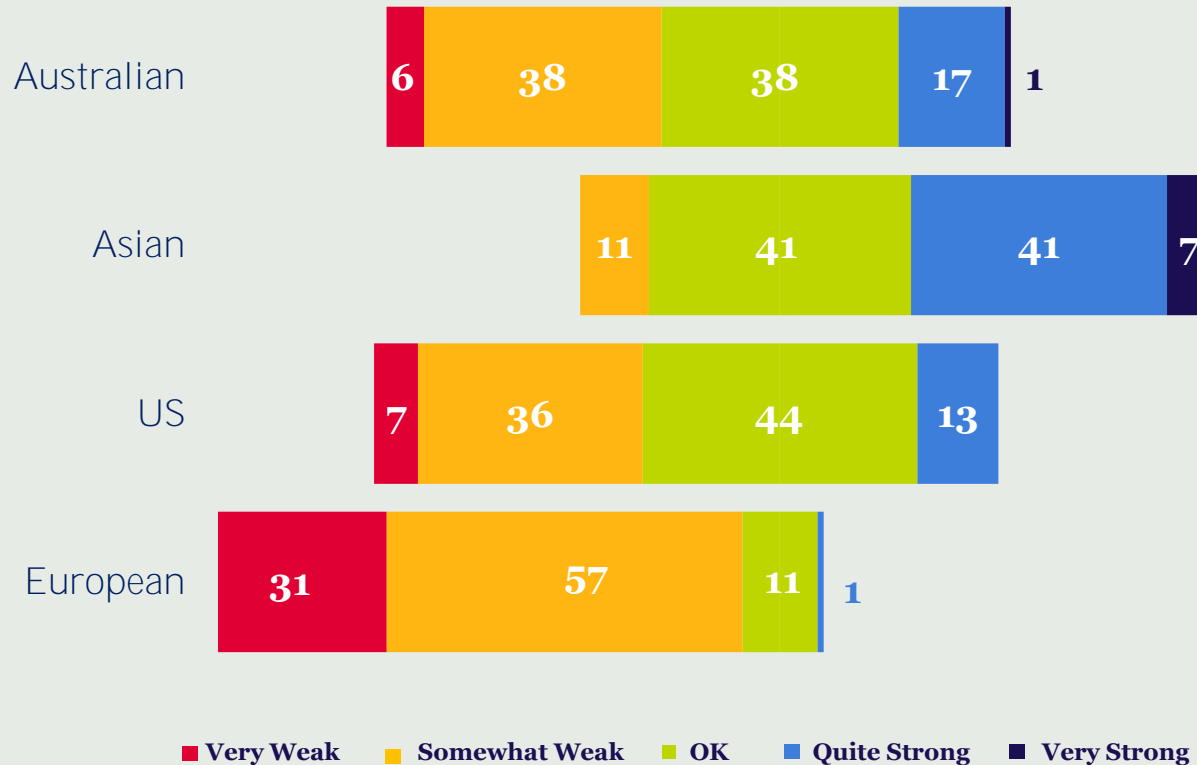
4: What is your assessment of the health of the US economy.....?

Base: All respondents n=504

Next 12 months health of economies: summary

The outlook for world economies in the next 12 months is pessimistic, except for Asia which is predicted to be mostly strong.

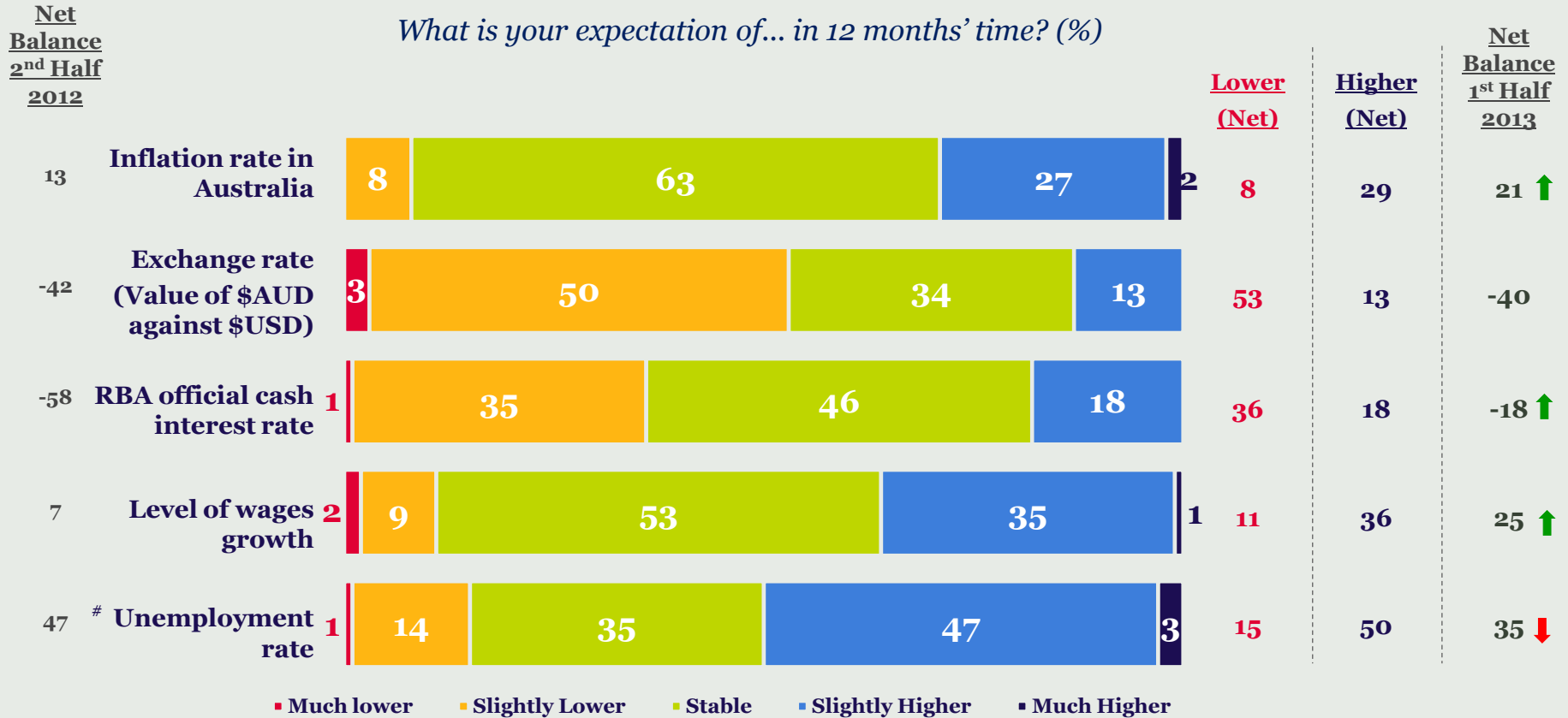
Next 12 months health of economies (%)



Note: Bars centred to midpoint within the neutral ("OK") segment of the scale

Economic indicators (Australia) – expectation in next 12 months

Sentiment is varied regarding economic indicators. More than half of directors still believe that the value of the Australian dollar will decline, while around 30 per cent expect the inflation rate and level of wages growth to increase. Nearly half of directors expect the RBA cash interest rate to remain stable, and exactly half expect unemployment to increase.



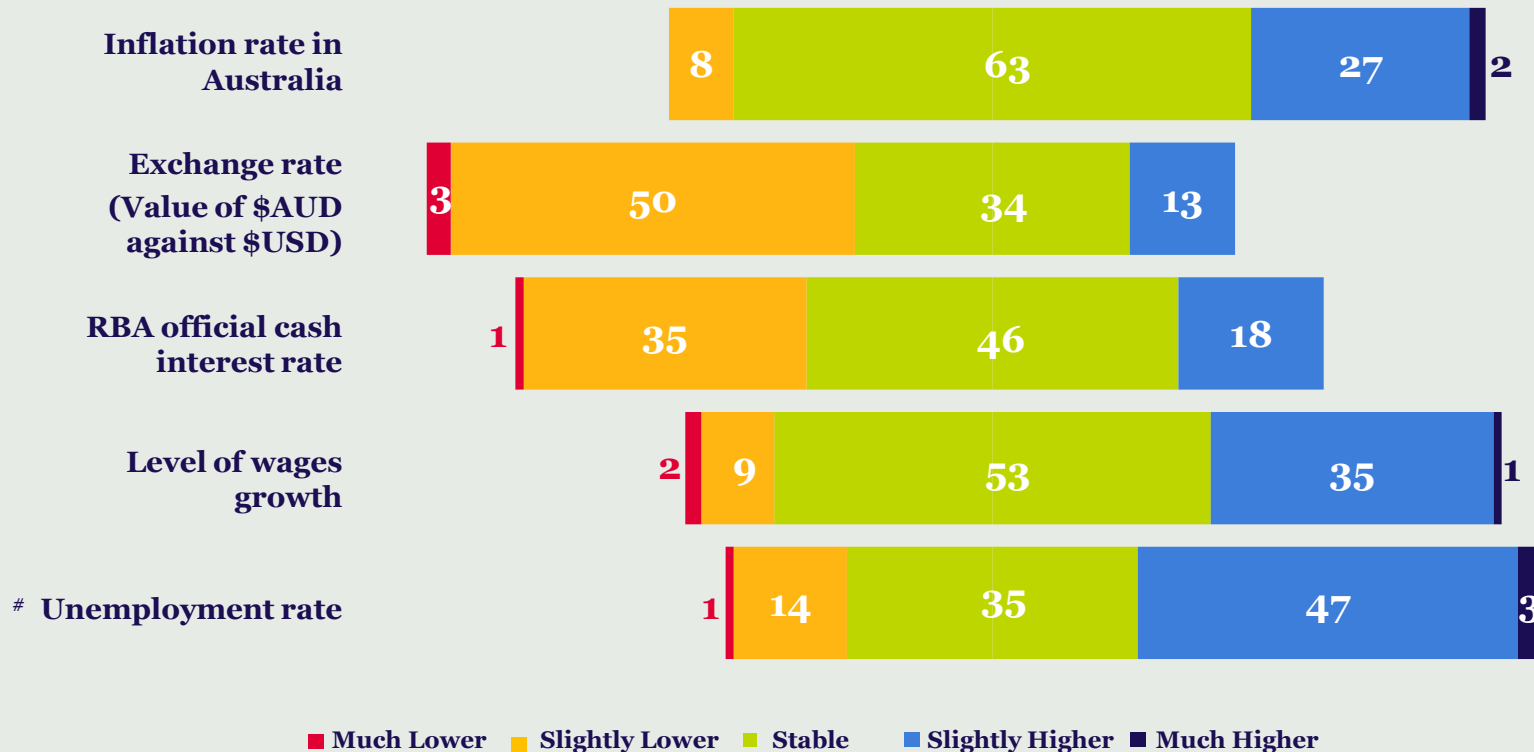
5: What is your expectation of.....?
 Base: All respondents n=504

Note: New statement asked from 2nd half 2012 onwards

Economic indicators (Australia) – expectation in 12 months’ time

The value of the Australian dollar against the US dollar is expected by most directors to be lower in 12 months’ time, and half of directors expect unemployment to rise. The inflation rate, RBA official cash interest rate and wages growth level are largely expected to remain stable.

What is your expectation of... in 12 months’ time? (%)



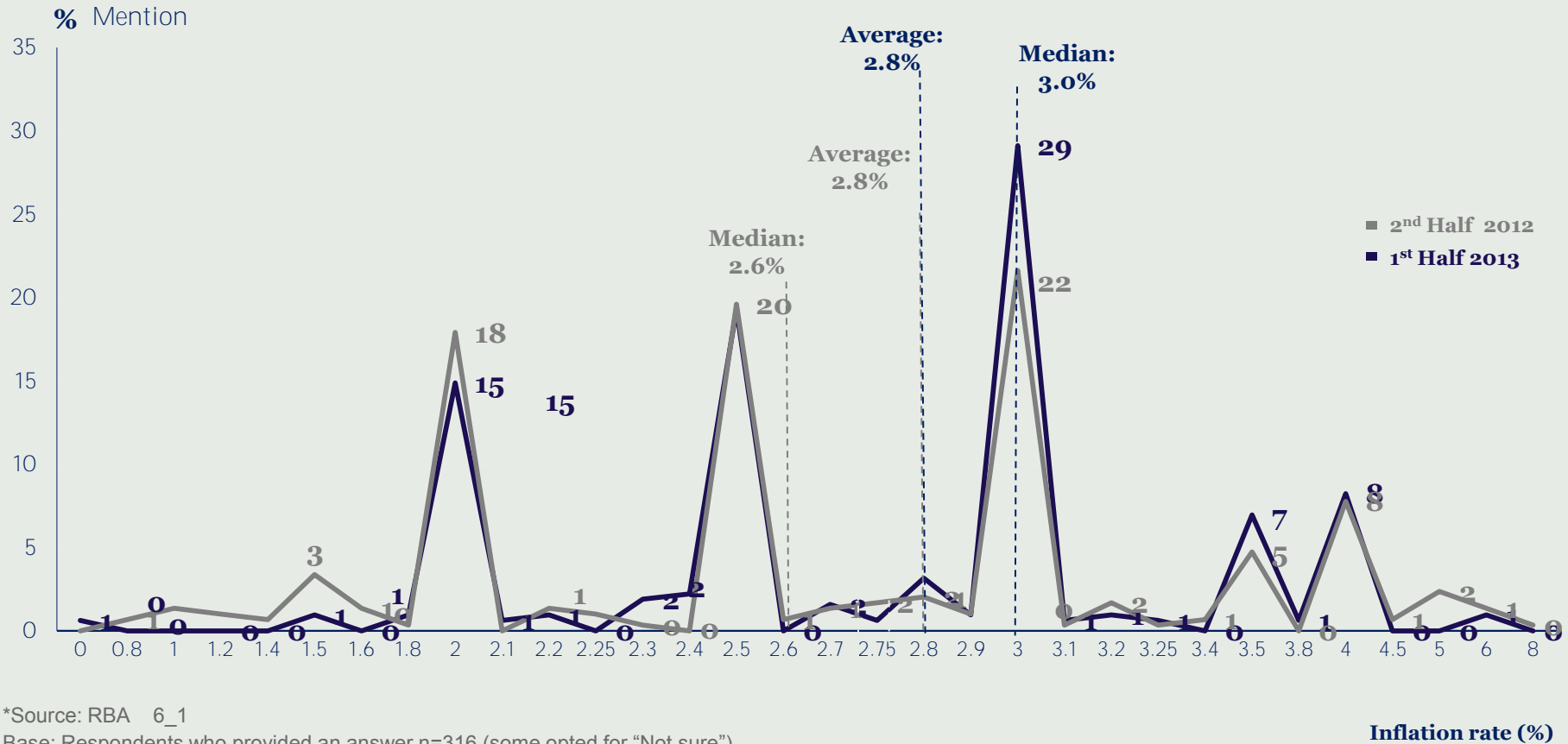
Note: New statement asked from 2nd half 2012 onwards

Note: Bars centred to midpoint within the neutral (“OK”) segment of the scale

Economic indicators – Australian inflation rate in next 12 months

Estimations of the Australian inflation rate in the coming 12 months have remained stable, at an average of 2.8 per cent, with estimates clustering around 2, 2.5 and 3 per cent. The actual inflation rate during survey fieldwork was 2.2 per cent*.

Nominate a numeric value for “the inflation rate in Australia in 12 months’ time” (%)



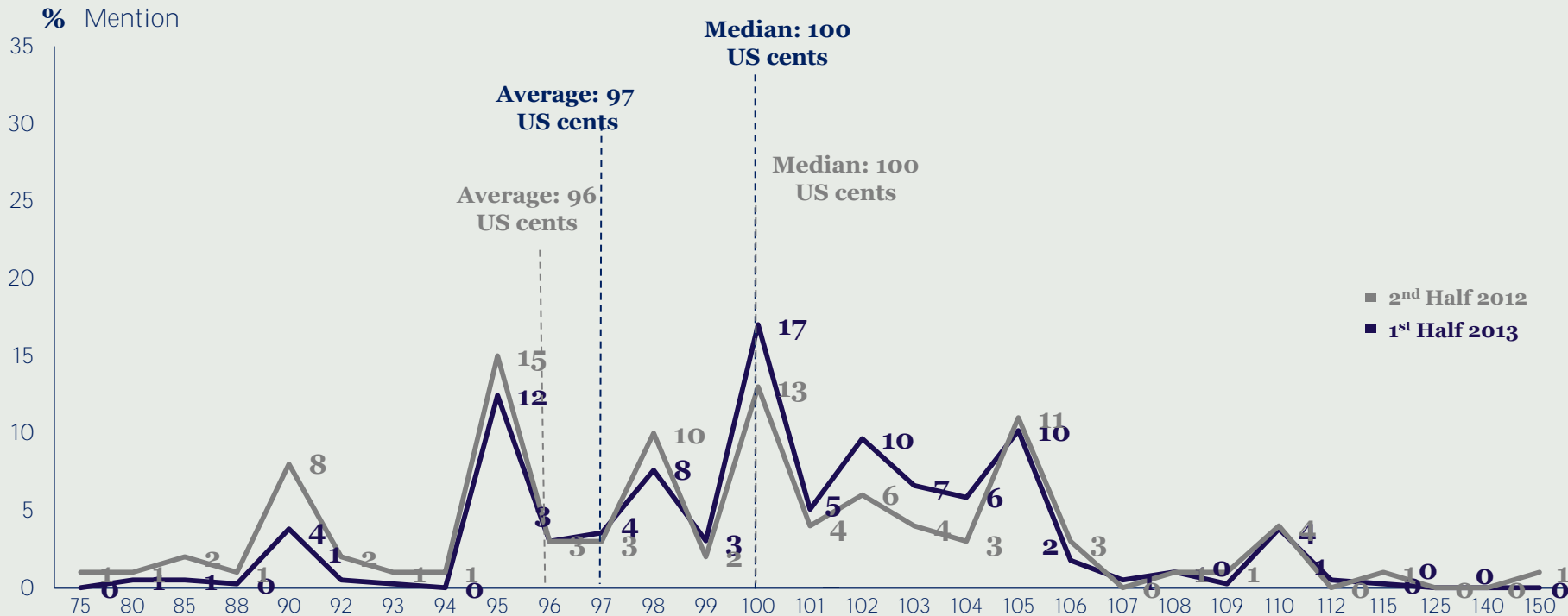
*Source: RBA 6_1

Base: Respondents who provided an answer n=316 (some opted for “Not sure”)

Economic indicators – AUD/USD exchange rate in next 12 months

Estimations of the exchange rate for the next 12 months are slightly higher, at an average of 97 US cents, with estimates clustering around 95, 100, 102 and 105 US cents. The average rate during survey fieldwork was 104 US cents*.

Nominate a numeric value for “the AUD/ USD exchange rate in 12 months’ time”
(1\$A = how many US cents)



*Source: RBA 6_2

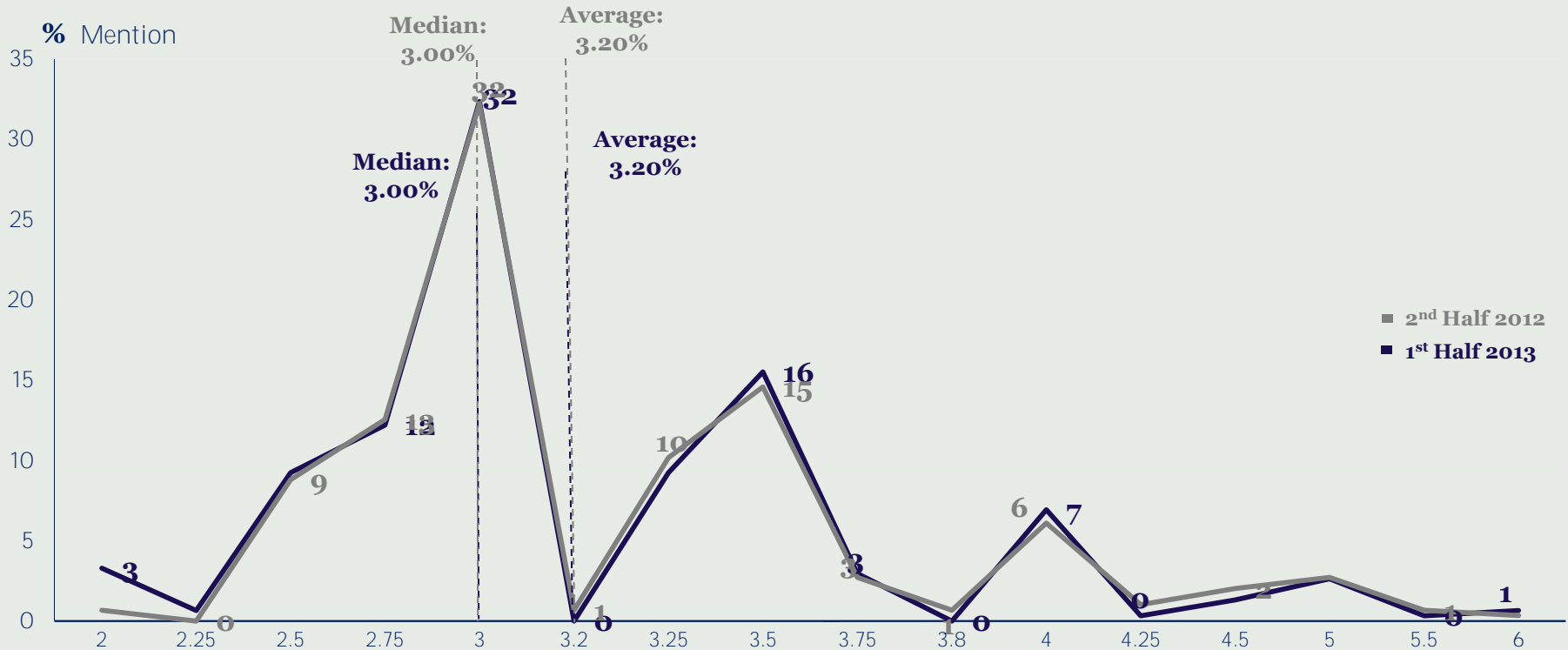
Base: Respondents who provided an answer n=394 (some opted for “Not sure”)

US cents

Economic indicators – RBA official cash interest rate in next 12 months 33

Estimations of the RBA official cash interest rate in the next 12 months are stable, at an average of 3.2 per cent, with estimates clustering around 3 and 3.5 per cent. The actual interest rate during survey fieldwork was 3.00 per cent*.

Nominate a numeric value for “the RBA official cash interest rate in 12 months’ time” (%)



*Source: RBA 6_3

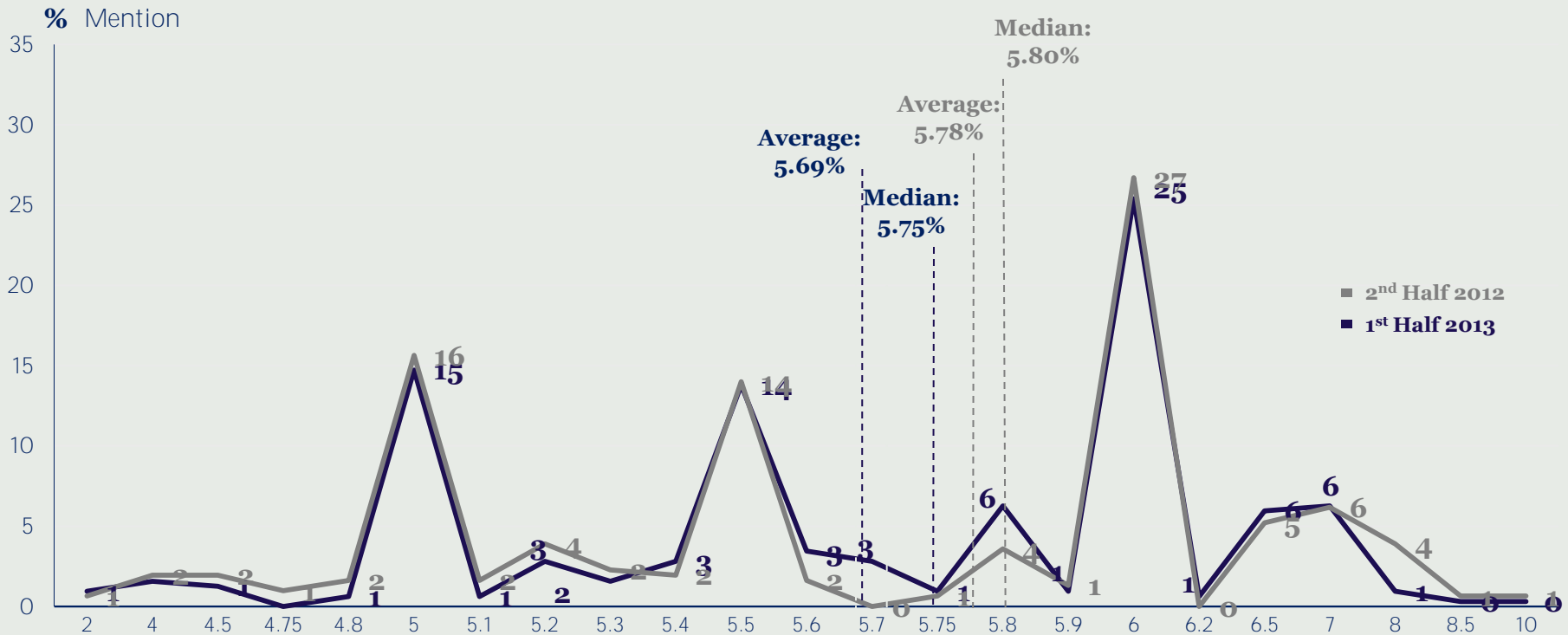
Base: Respondents who provided an answer n=303 (some opted for “Not sure”)

Cash interest rate (%)

Economic indicators – unemployment rate in next 12 months

The average expected unemployment rate in the coming year is lower at 5.69 per cent, with estimates clustering around 5 per cent, 5.5 per cent and 6 per cent. The known unemployment rate during survey fieldwork was 5.4 per cent*.

Nominate a numeric value for “the unemployment rate in 12 months’ time” (%)



*Source: ABS 6_5

Base: Respondents who provided an answer n=319 (some opted for “Not sure”)

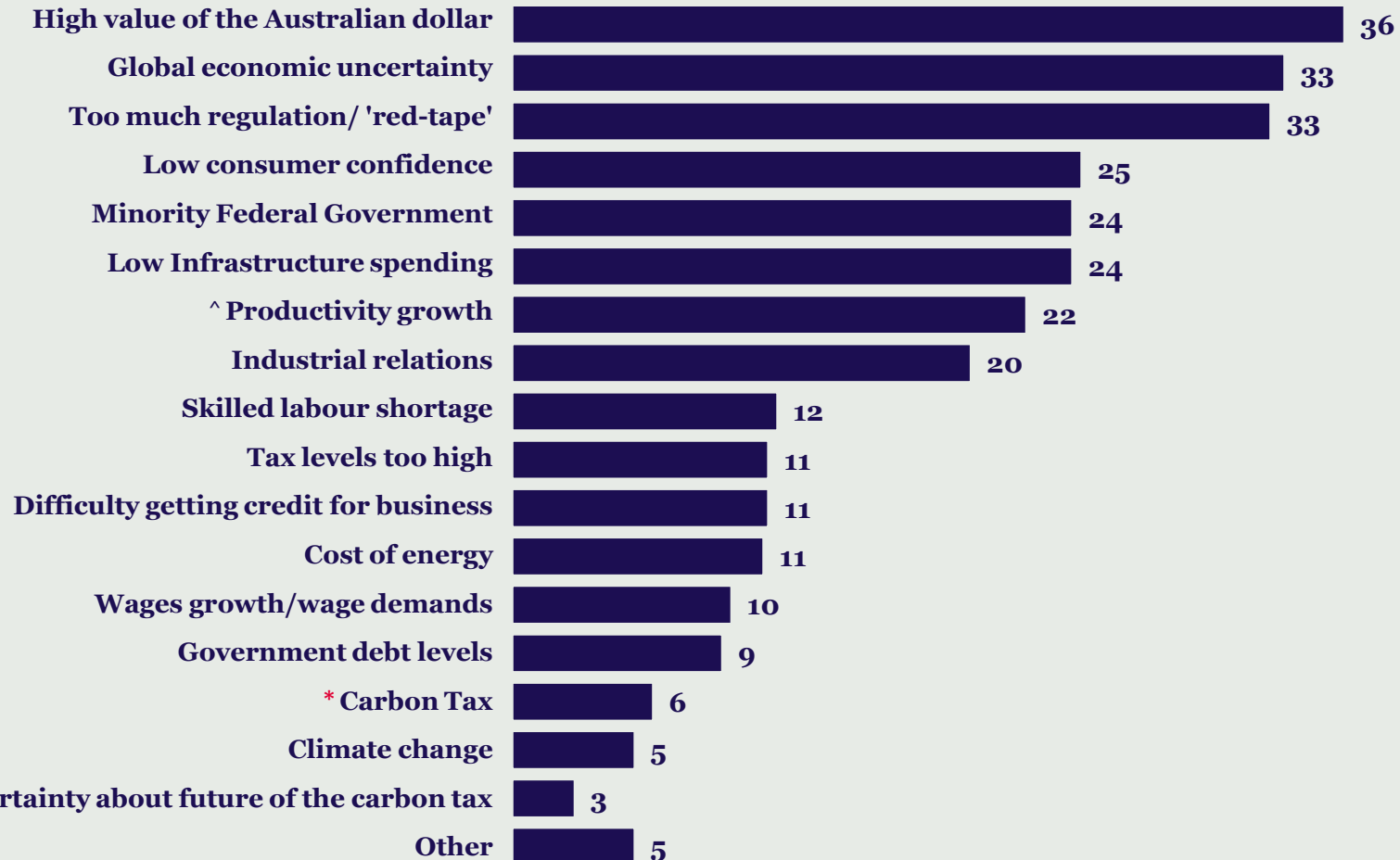
Unemployment rate (%)

Main current economic challenges (Top 3)

The high value of the Australian dollar is viewed by directors as the biggest economic challenge facing Australian business, followed by global economic uncertainty and too much regulation or 'red-tape'.

What are the 3 main economic challenges currently facing Australian business? (%)

1st Half 2013



*Note: Carbon Tax + Uncertainty about Carbon Tax's future (nett) = 9%

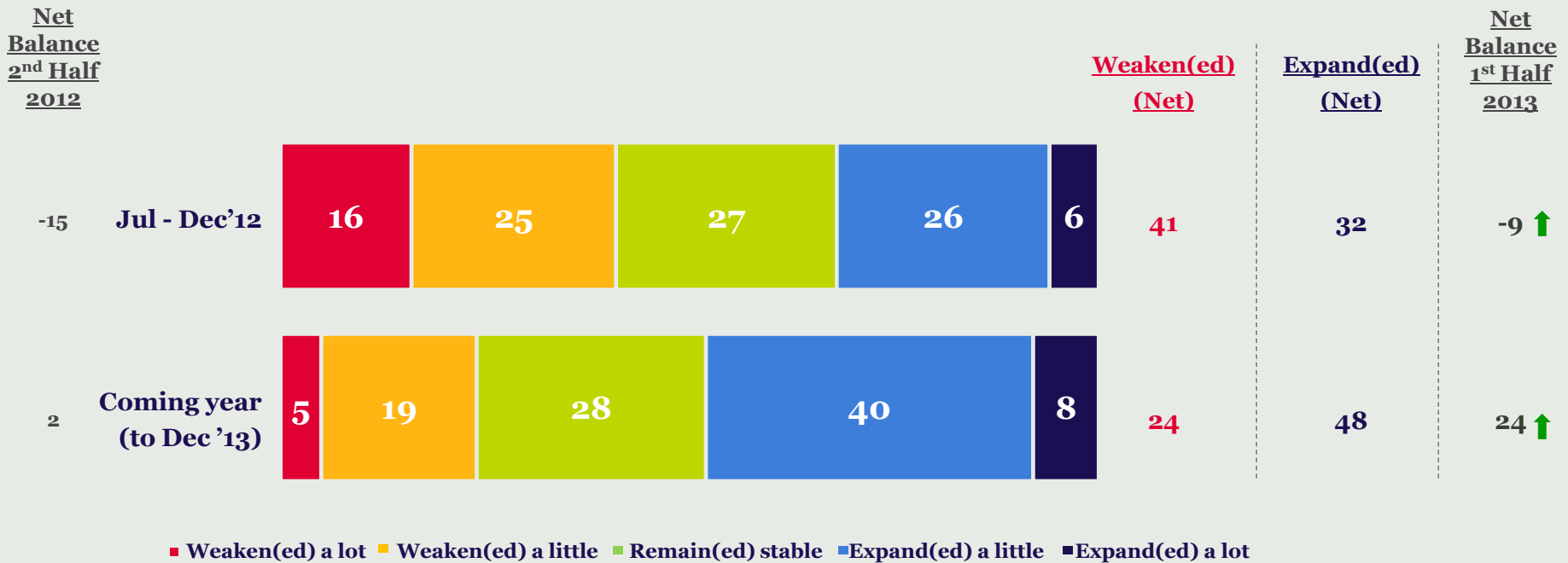
^ Note: "Productivity growth" changed to "Low productivity growth" in 1st half 2013

#Note: Six statements removed in 1st half 2013

Growth of the business (primary directorship company)

Business growth weakened for many in July-December 2012. Future projections are more optimistic, with nearly half of all directors expecting their business to grow in the coming year.

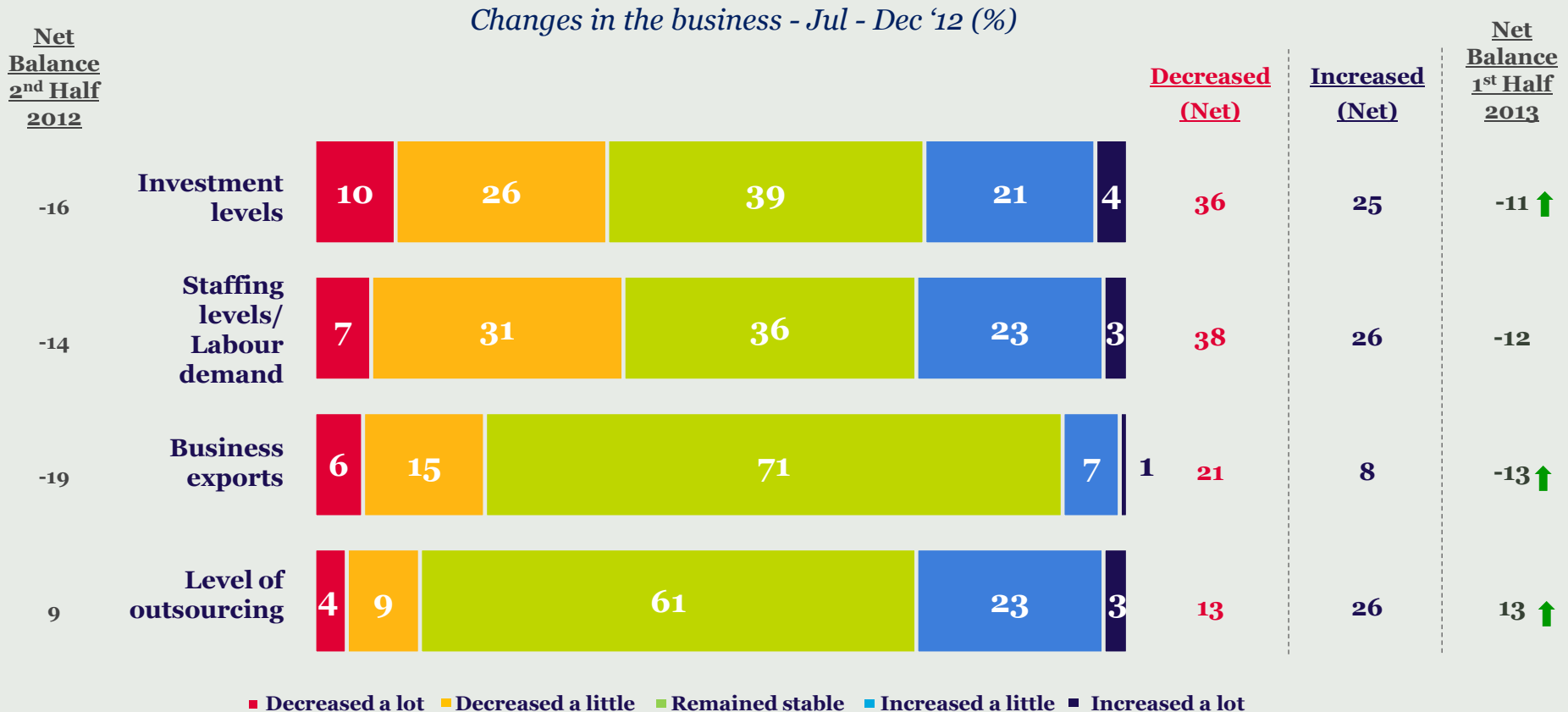
Growth of the business – Past and future (%)



9: Which best describes the growth or otherwise of the business over the period July to December 2012?
 10: What is your expectation of the growth or otherwise of the business over the coming year (to December 2013)?
 Base: All respondents n=504

Changes in the business – Jul-Dec '12

A substantial proportion of directors have experienced stability across four facets of business in the last six months.



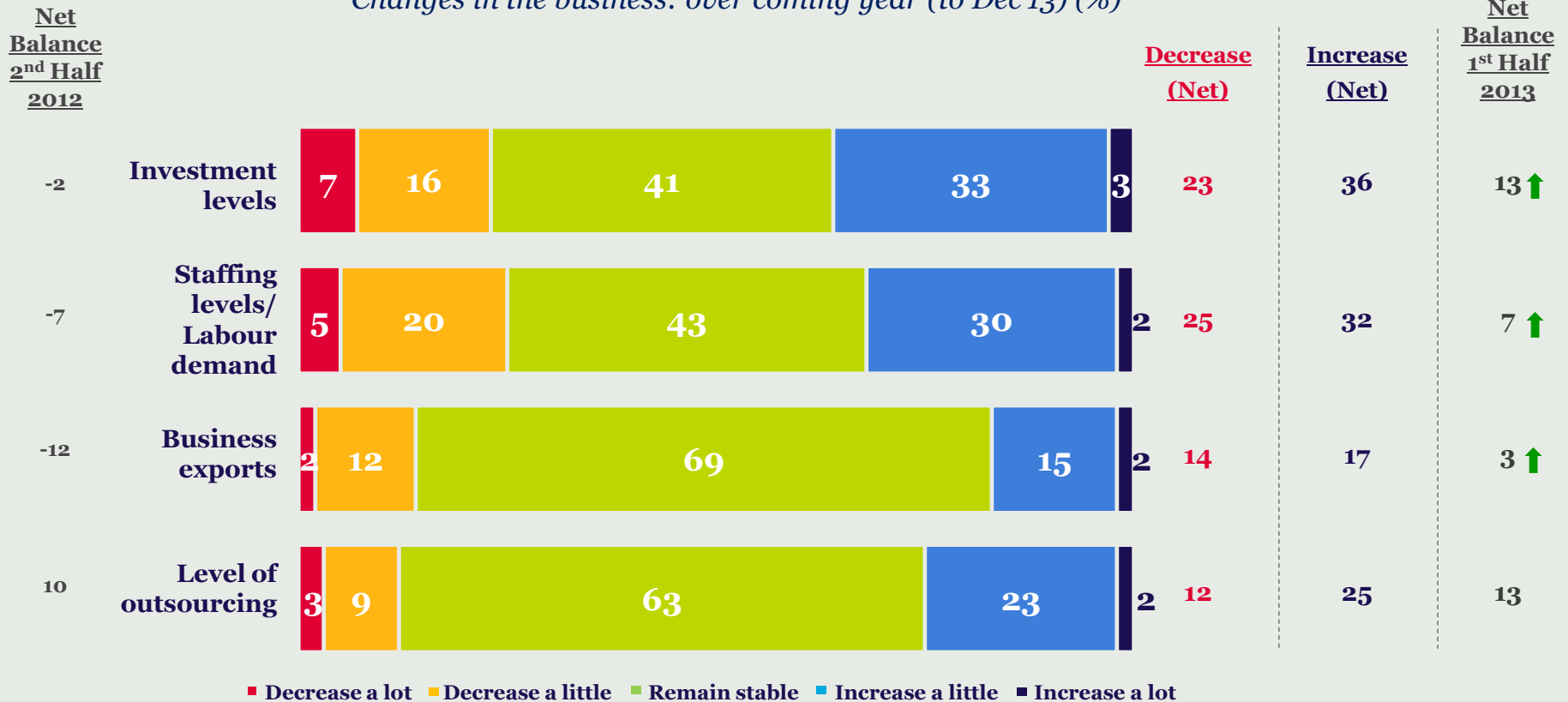
11: Which best describes changes in the business, relating to the items shown below, over the period July to December 2012?

Base: All respondents n=504

Changes in the business – coming year (to Dec ‘13)

Higher expectations of growth in the next 12 months across four facets of business with more than 30 per cent of directors expecting an increase in investment and staffing levels. Akin to the previous survey’s results, more than 60 per cent of directors expect business exports and the level of outsourcing to remain stable.

Changes in the business: over coming year (to Dec’13) (%)



12: To what extent, if any, do you expect these things to change over the coming year (to December 2013)?
Base: All respondents n=504

Main reason for change in staffing levels/labour demand

40

Compared to 2nd half 2012 results, more directors believe that a change in business conditions will result in changes in staffing levels/labour demand, with more than half identifying this as the main reason, followed by a quarter of directors identifying changed economic conditions as the main reason.

Main reason for expected change in staffing levels/labour demand (%)

Main reason for expected change in staffing levels/ labour demand (%)	Survey	Total (Those who expect change)	Those who expect decrease	Those who expect increase
Changed business conditions	2 nd Half 2012	47	38	59
	1 st Half 2013	55	48	61
Changed economic conditions	2 nd Half 2012	35	50	16
	1 st Half 2013	25 ↓	30 ↓	22
Workplace laws	2 nd Half 2012	2	4	0
	1 st Half 2013	8 ↑	13 ↑	4 ↑
Changed wage levels	2 nd Half 2012	4	5	2
	1 st Half 2013	2	3	1
Parental leave laws	2 nd Half 2012	0	0	0
	1 st Half 2013	0	0	0
Other	2 nd Half 2012	11	3	20
	1 st Half 2013	10	6	12

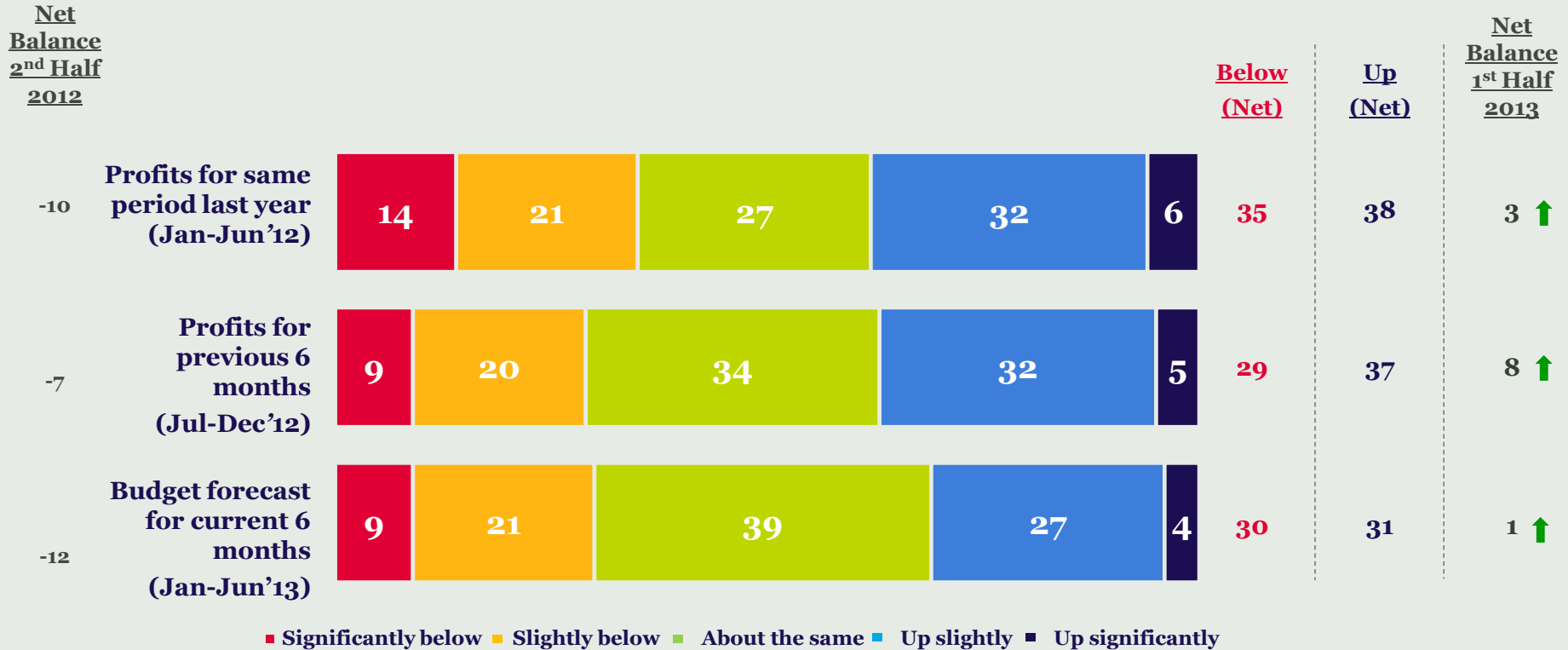
13: What is the main reason for this expected change in staffing levels/labour demand?

Base: n=290 (who expected a change in staffing levels/labour demand), n=128 (expect decrease), n=162 (expect increase)

Profits for current six months compared to...

Directors are slightly optimistic about actual profits for the current 6 months, with more than 30 per cent expecting an increase in profits compared to the same period last year, the previous six months and the current budget forecast.

Actual profits for the current six months (Jan-Jun'13) compared to... (%)



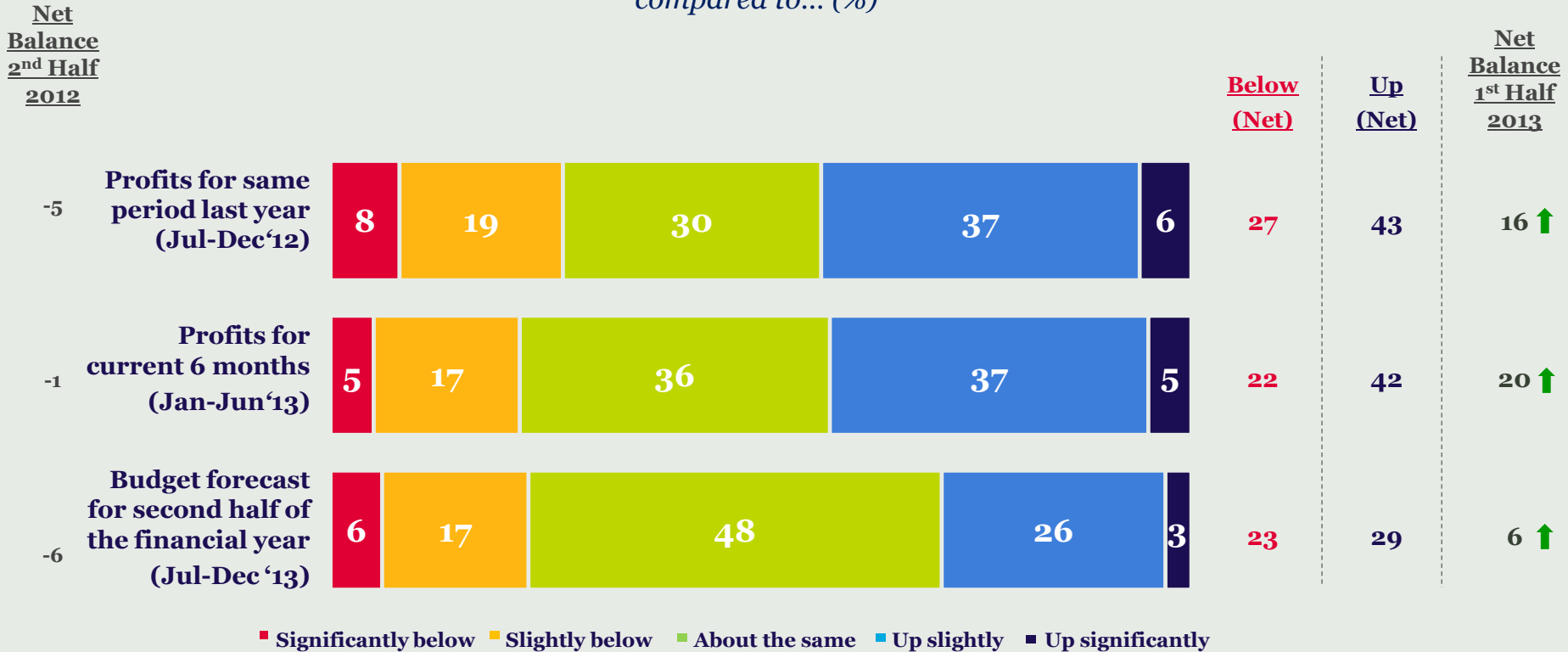
14: How do you expect your actual profits for the current 6 months, January to June 2013, to compare to...?

Base: All respondents n=504

Profits for second half of year compared to...

Expectations of profits for the second half of 2013 are higher compared to the previous survey's results. More than 40 per cent of directors expect an increase in profits for the second half of the year compared to the same period last year and the current six months. Nearly half of directors believe their second half profits will be in line with budget forecasts.

Expected profits for the second half of this year (Jul –Dec 2013) compared to... (%)



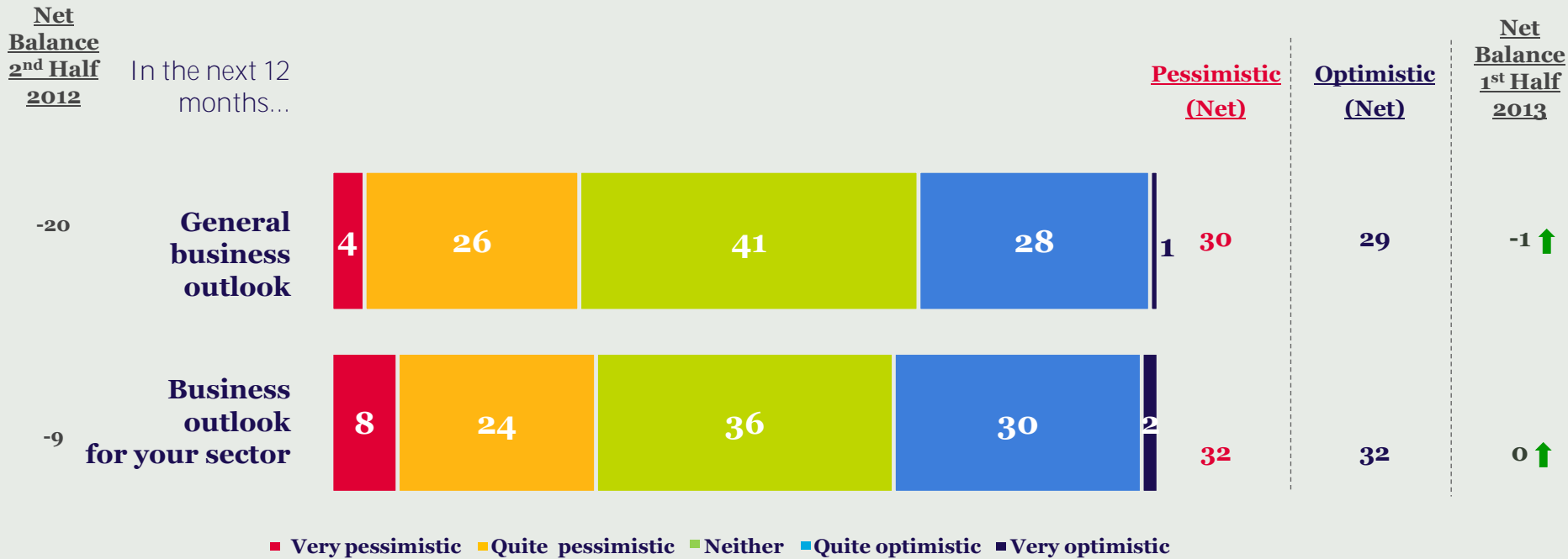
15: How do you expect your actual profits for the second half of this year, July to December 2013, to compare to...?

Base: All respondents n=504

Confidence in business outlook – next 12 months

Decreased pessimism in business outlook for the 1st half of 2013, with directors now being fairly evenly split between a pessimistic and optimistic outlook. 30 per cent of directors feel pessimistic about the general business outlook, while 29 per cent feel optimistic.

Confidence in business outlook – general and sector
next 12 months (%)

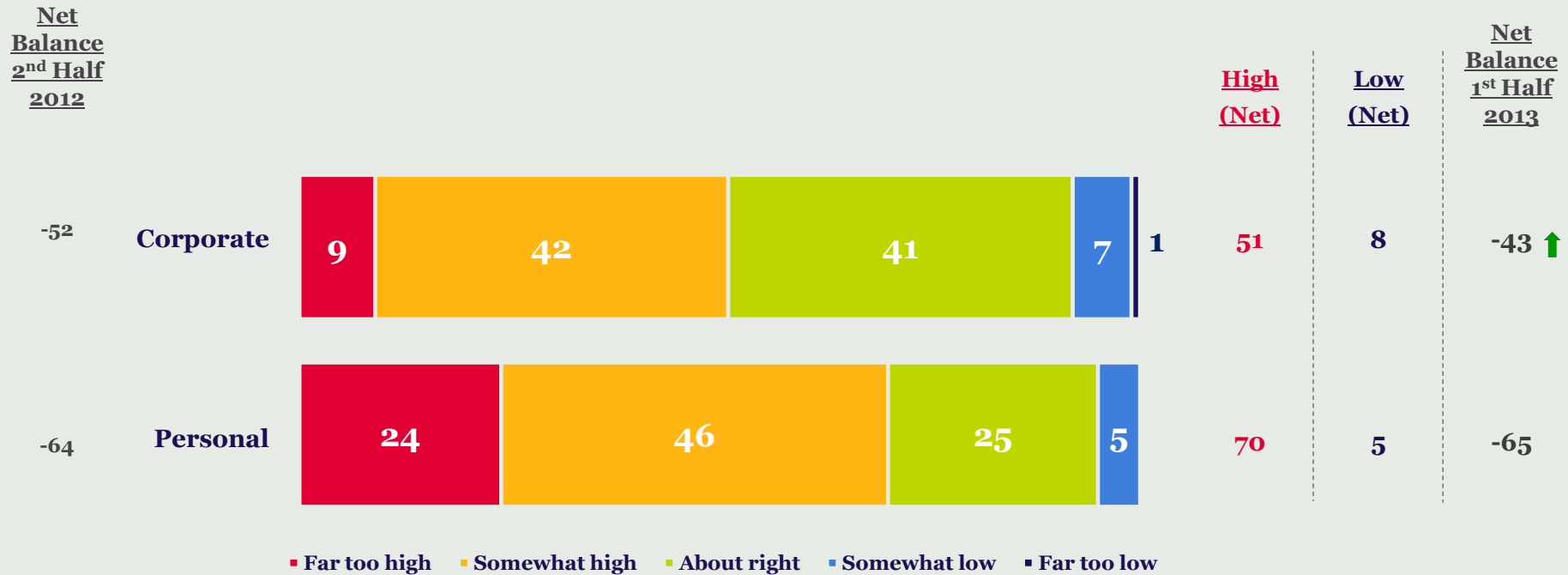


16: Overall, how confident or otherwise are you about...?
Base: All respondents n=504

Level of taxation in Australia

Directors remain pessimistic regarding the level of corporate taxation in Australia, with more than half of directors maintaining the belief that corporate taxation is too high. Akin to 2nd half 2012 results, 70 per cent of directors believe that the level of personal taxation is too high.

View on level of taxation in Australia – corporate and personal (%)



17: What is your view on the level of...?

Base: All respondents n=504

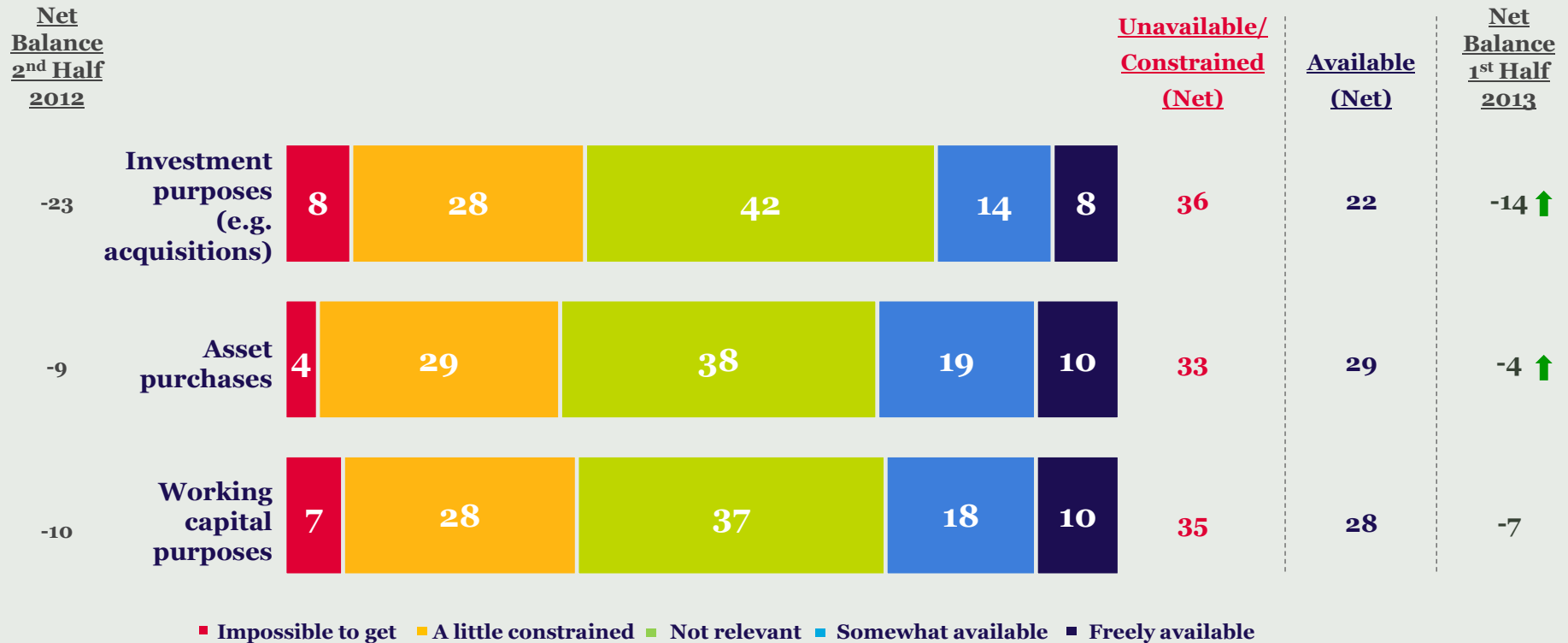
Lifeblood of the economy

Credit availability

Credit availability for business – Jul-Dec'12

In line with the previous survey results, credit availability was perceived as constrained for the past six months.

Credit availability for business – Jul-Dec' 12 (%)



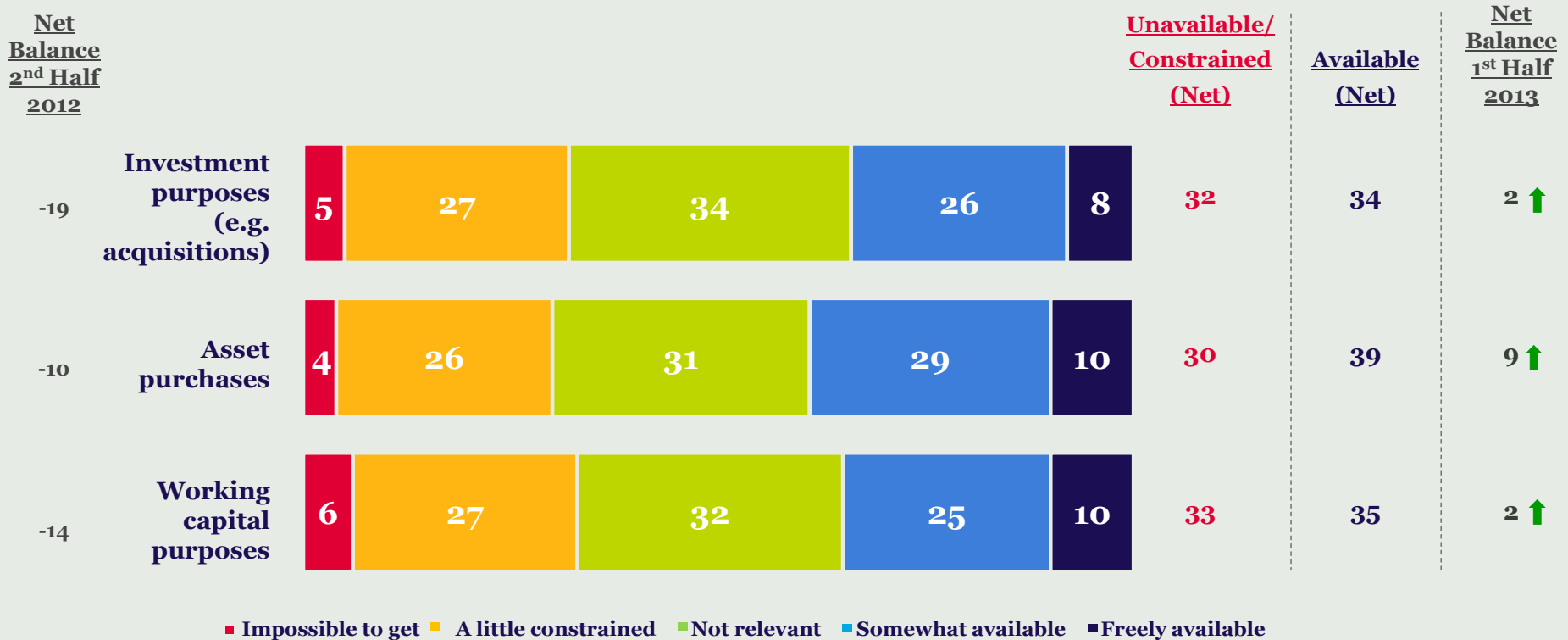
18: For the business, what has been the experience over the period July to December 2012 relating to...?

Base: All respondents n=504

Credit availability for business – next 12 months

Directors have become more optimistic regarding credit availability in the future, with more than 30 per cent of directors predicting that credit for investment purposes, asset purchases, and working capital purposes will be somewhat or freely available over the coming year.

Credit availability for business - next 12 months (%)



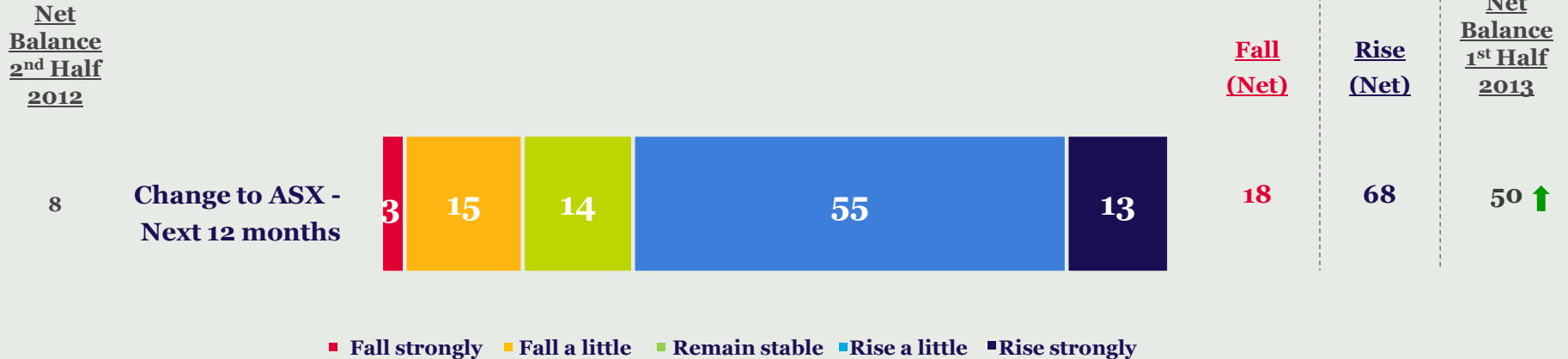
19: And what is your expectation of credit availability over the next 12 months?

Base: All respondents n=504

Expected change to ASX All Ordinaries index - next 12 months

There is greatly increased optimism regarding the ASX All Ordinaries Index in the 1st half of 2013, with nearly 70 per cent of directors expecting a rise in the ASX All Ordinaries in the coming year. The proportion of directors expecting a decrease has fallen from 36 per cent to 18 per cent since the 2nd half 2012 survey.

Expected change to ASX All Ordinaries index– next 12 months (%)



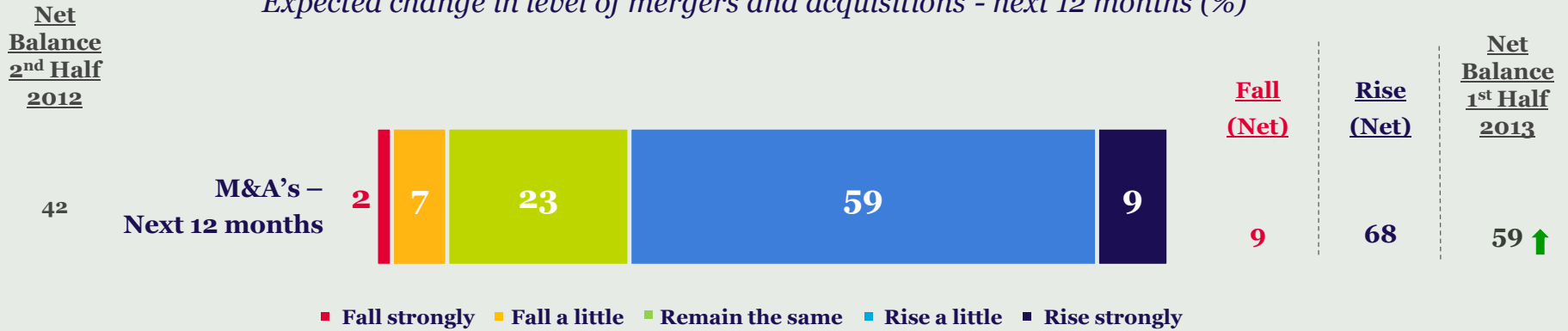
20: What is your expectation of changes to the ASX All Ordinaries index over the next 12 months?

Base: All respondents n=504

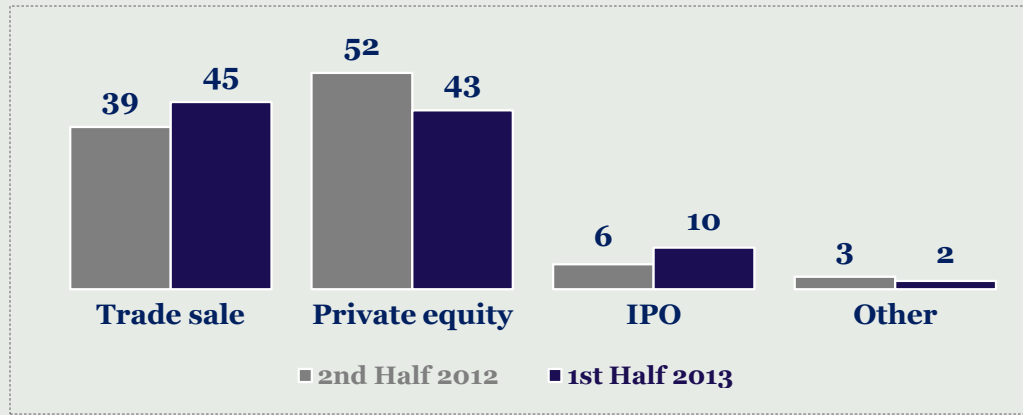
Expected change in level of mergers and acquisitions – next 12 months 49

Nearly 70 per cent of directors expect a rise in mergers and acquisitions over the next 12 months. Trade sale is now expected to be the most active business purchaser in the coming year, followed by private equity.

Expected change in level of mergers and acquisitions - next 12 months (%)



Most active business purchasers - next 12 months (%)



21: What is your expectation of changes in the level of mergers and acquisitions activity over the next 12 months?

22: Which do you expect to be the most active business purchasers over the next 12 months?

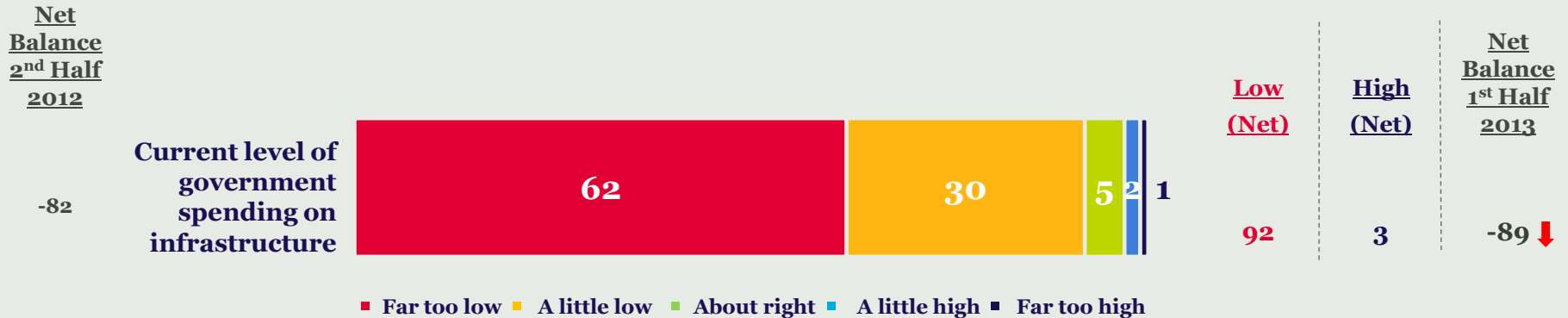
Base: All respondents n=504

Infrastructure

Current level of government spending on infrastructure

More than 90 per cent of directors believe that the current level of government spending on infrastructure is too low.

Opinion on current level of government spending on infrastructure (%)



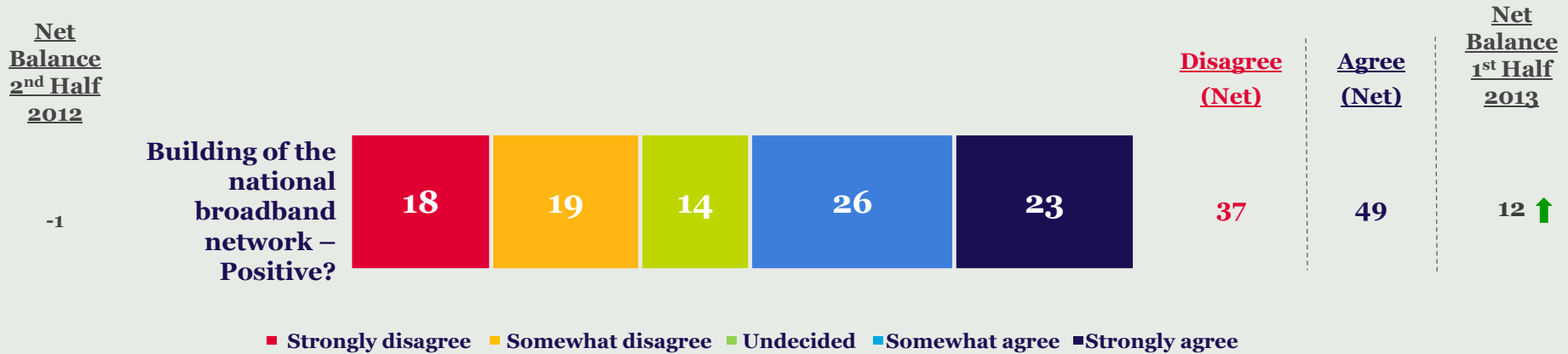
23: In your opinion, is the current level of Government spending on infrastructure...?

Base: All respondents n=504

Building of National Broadband Network (NBN)

For the first time, sentiment regarding the building of the NBN is positive. Nearly half of directors agree that the NBN is a positive thing for Australia, while less than 40 per cent of directors disagree with this statement.

Is the building of the National Broadband Network a positive thing for Australia? (%)



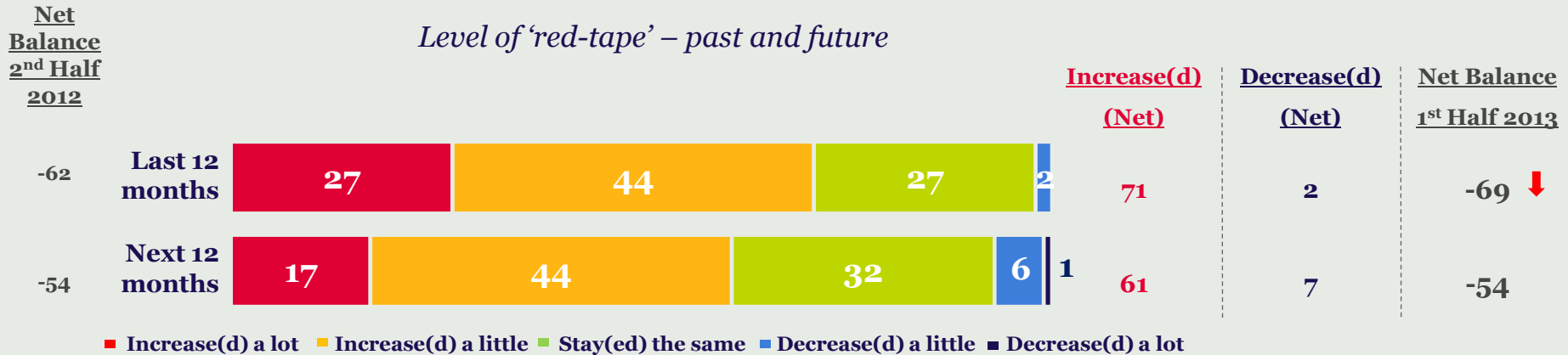
24: To what extent do you agree or disagree that the building of the National Broadband Network is a positive thing for Australia?

Base: All respondents n=504

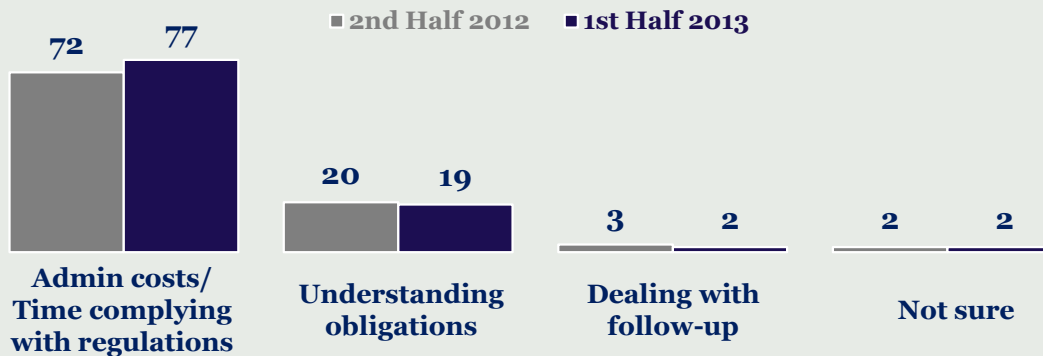
Regulatory environment

Level of 'red-tape'

Directors remain pessimistic regarding the level of 'red-tape' in the past 12 months and in future. More than 70 per cent of directors identify administrative costs and the time associated with compliance as having the greatest impact on their business.



#Aspects of red-tape – most impact on business (%)



25: In your opinion, over the last 12 months, has the level of "red-tape".....?

26: What is your expectation of changes in the level of "red-tape" over the next 12 months?

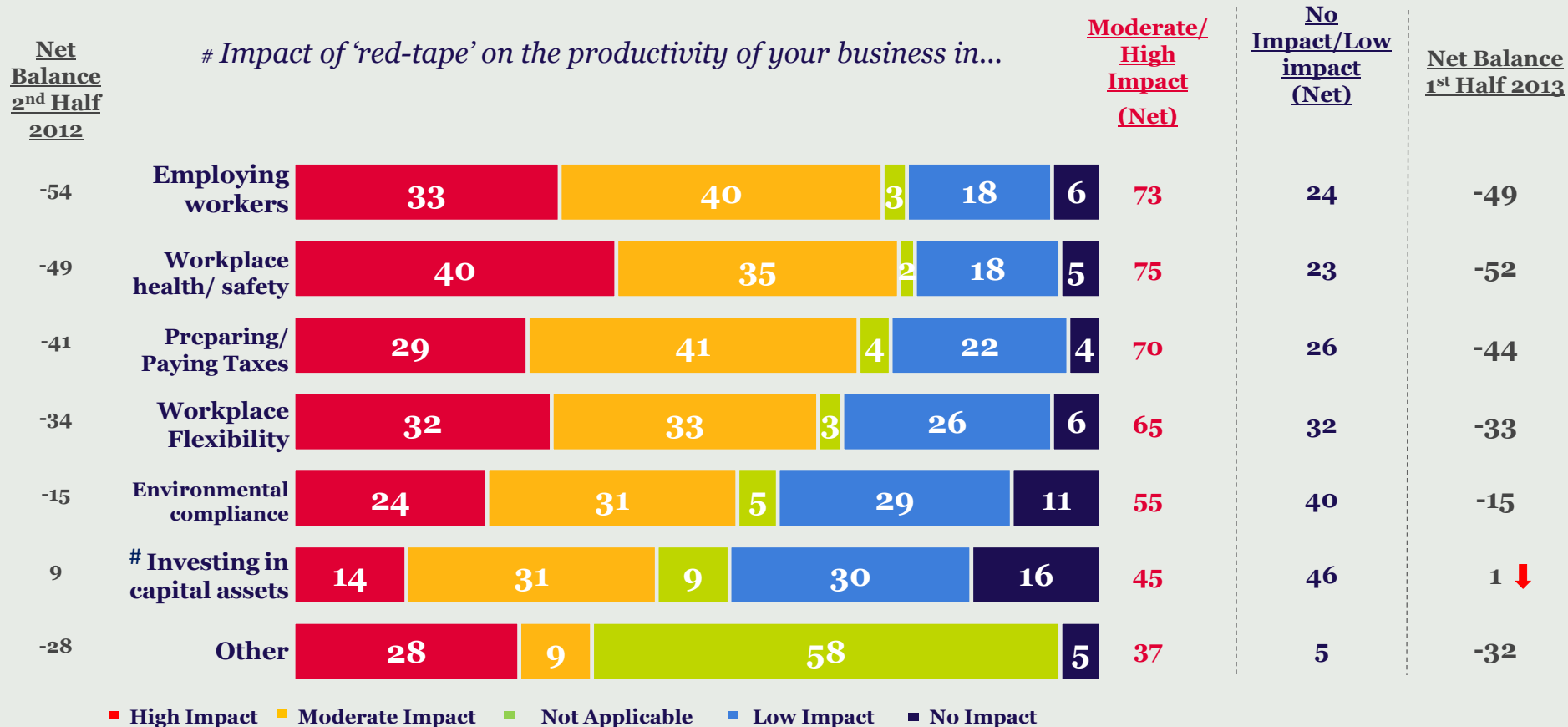
27: For your primary directorship, what aspect of „red-tape' impacts your business the most?

Base: All respondents n=504

Note: One statement removed in 1st Half 2013

Impact of 'red-tape' on business productivity

More than 70 per cent of directors identify employing workers and workplace health and safety as the aspects of their business most affected by 'red-tape', followed by preparing/paying taxes and workplace flexibility.



28: What impact (cost/time) does 'red-tape' have on the productivity of your business in the following areas?
 Base: All respondents n=504

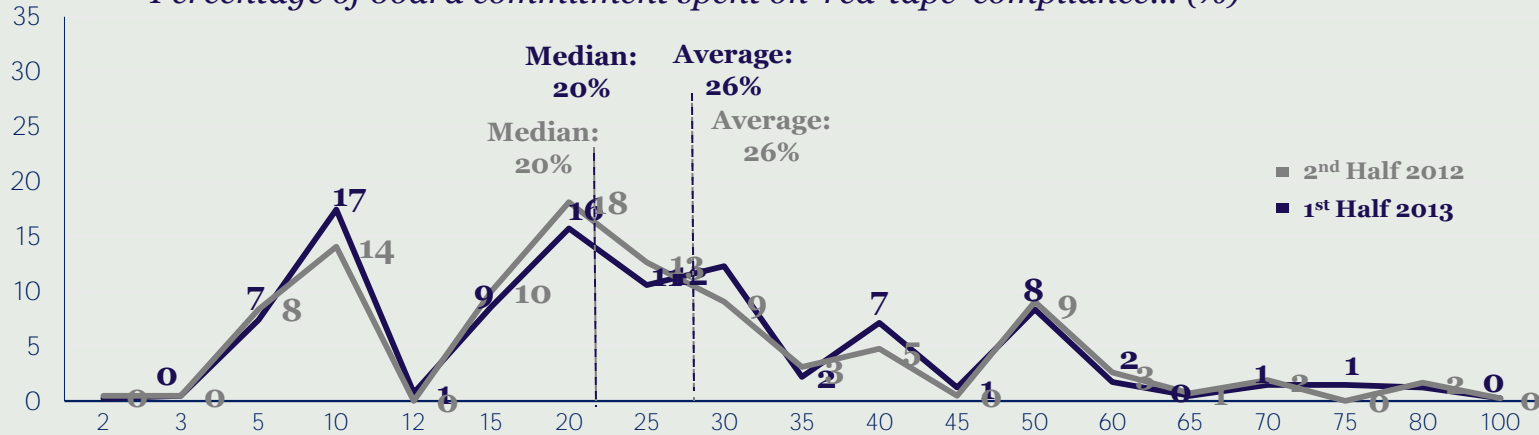
Note: Question reworded and statement reworded in 1st half 2013

* Note: One statement removed in 1st half 2013

Percentage of board commitment on 'red-tape' compliance

On average, directors rate 'red-tape' compliance as consuming about one-quarter of their total board commitment. More than half of directors believe that the level of board commitment spent on regulatory compliance has increased over the last 12 months.

Percentage of board commitment spent on 'red-tape' compliance... (%)



Net Balance
2nd Half
2012

Over the last 12 months, has this commitment percentage...? (%)



■ Increased a lot ■ Increased a little ■ Stayed the same ■ Decreased a little ■ Decreased a lot

37: In your primary Directorship, what percentage of your total board commitment is spent on regulatory or 'red-tape' compliance at present??

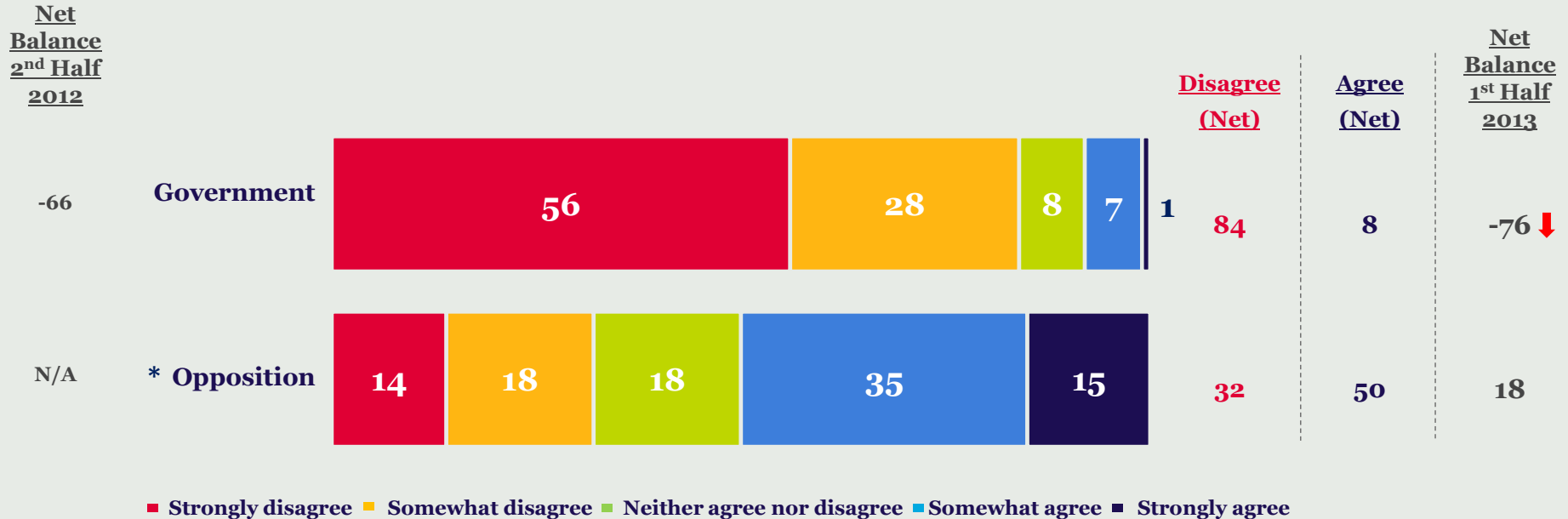
38. Over the last 12 months, has this percentage of commitment...?

Base: All respondents n=504

Federal Government/Opposition understanding of business

More than 80 per cent of directors disagree that the government understands business. Conversely, 50 per cent of directors believe that the opposition understands business.

Does the current Federal Government/Opposition understand business? (%)



*Note: New question asked in 1st half 2013

29: To what extent do you disagree or agree with the statement "The current Federal Government understands business"?

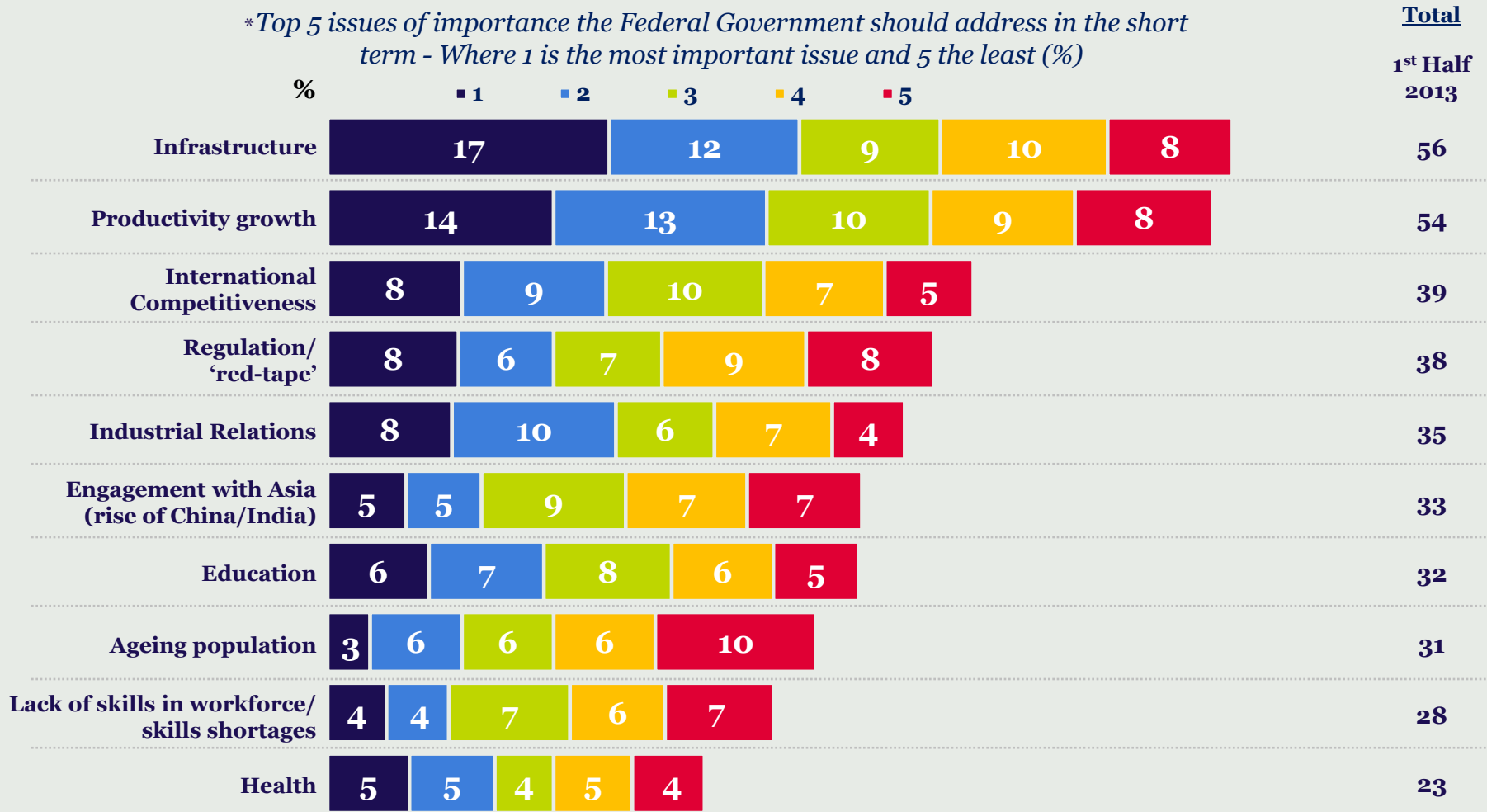
30: To what extent do you disagree or agree with the statement "The current Federal Opposition understands business"?

Base: All respondents n=504

Issues Federal Government should address in short term (part 1)

Infrastructure is still rated by directors as the top priority the Federal Government should address in the short term, followed by productivity growth.

**Top 5 issues of importance the Federal Government should address in the short term - Where 1 is the most important issue and 5 the least (%)*

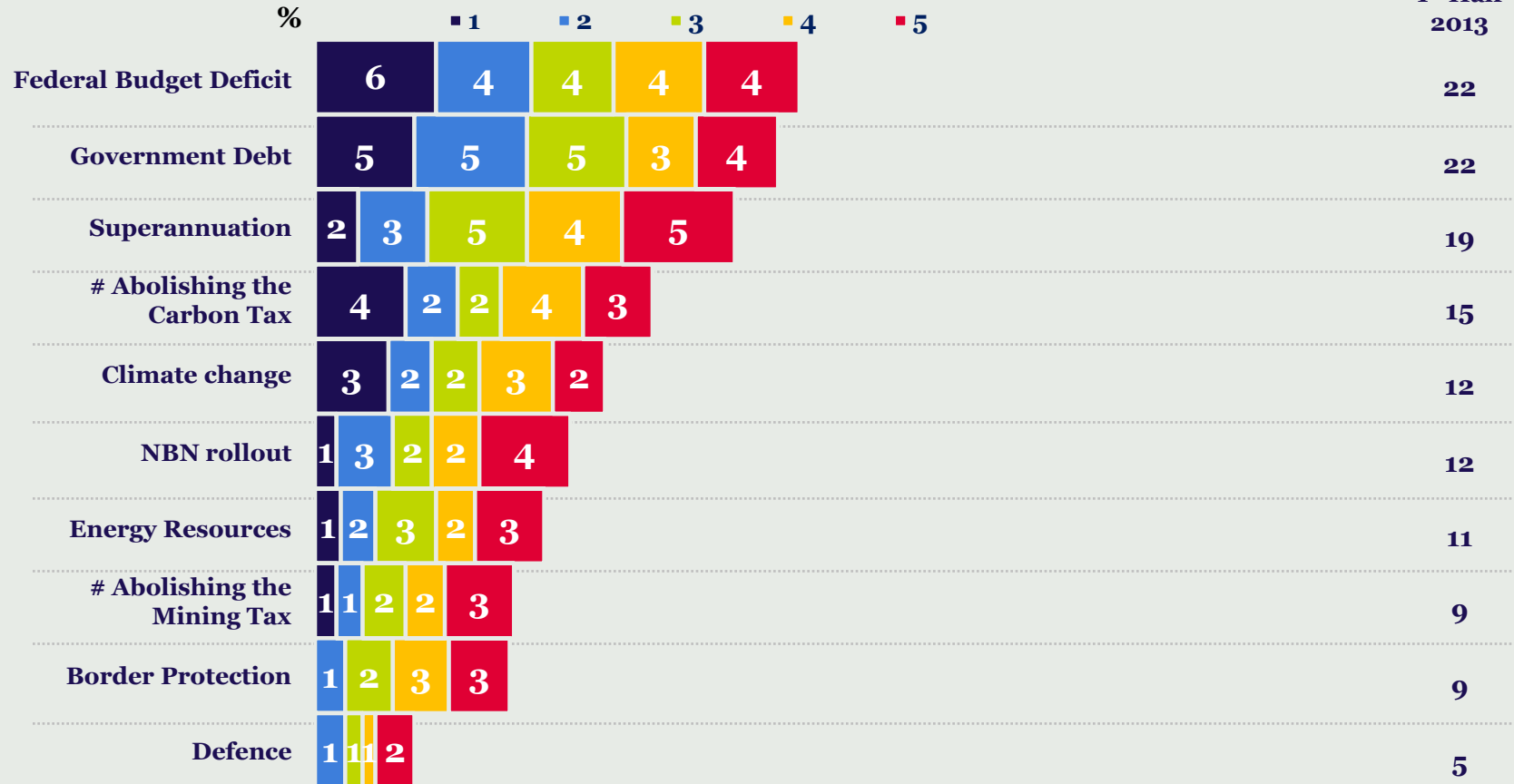


* Note: Eight statements removed in 1st half 2013

Issues Federal Government should address in short term (part 2)

Border protection and defence are rated by directors as the lowest short term priorities for the Federal Government.

**Top 5 issues of importance the Federal Government should address in the short term - Where 1 is the most important issue and 5 the least (%)*

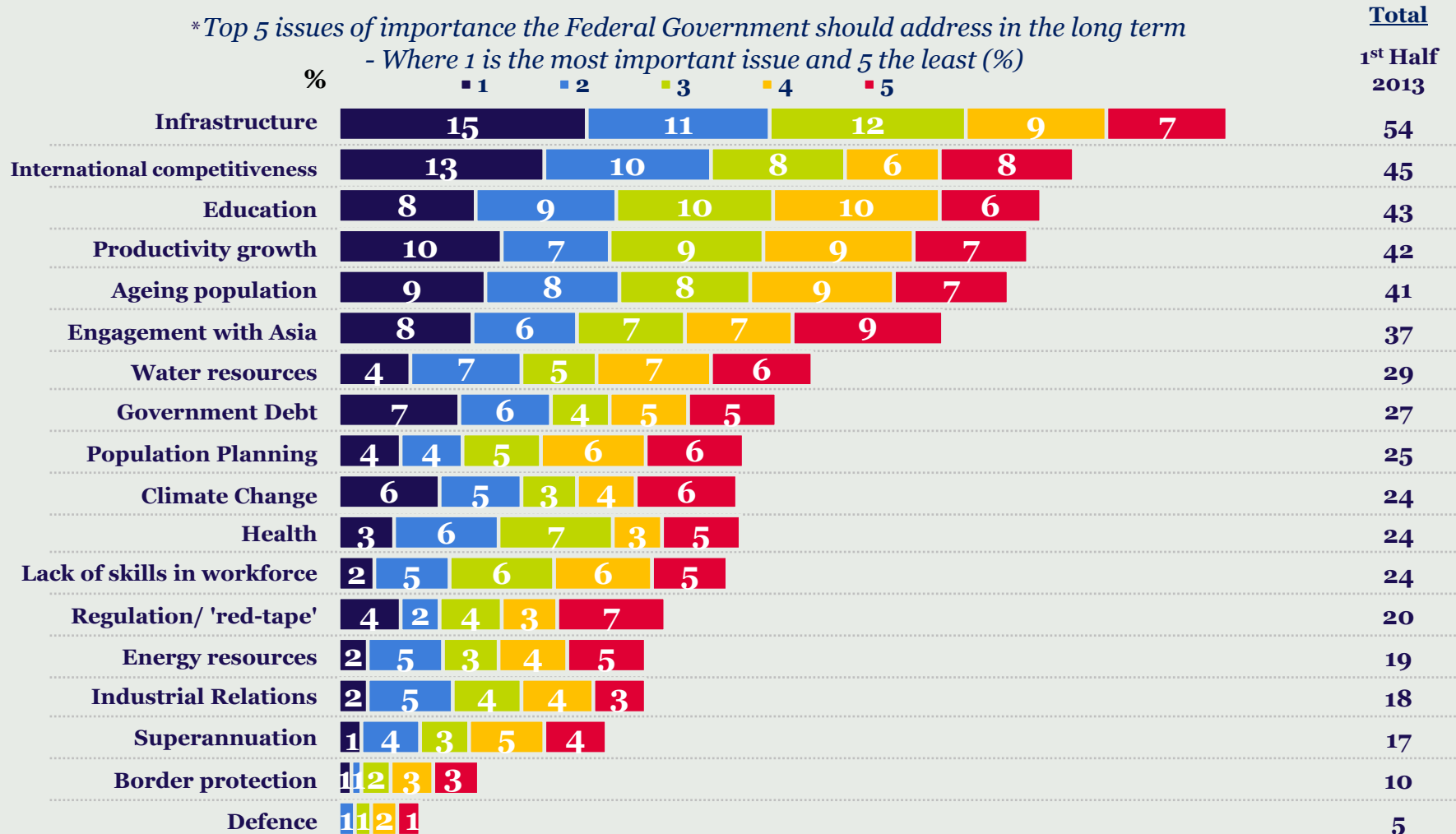


Note: New statements added in 1st half 2013
 * Note: Eight statements removed in 1st half 2013

Issues Federal Government should address in long term

Infrastructure is also rated by directors as the top long term priority. This is followed by international competitiveness and education.

*Top 5 issues of importance the Federal Government should address in the long term
- Where 1 is the most important issue and 5 the least (%)



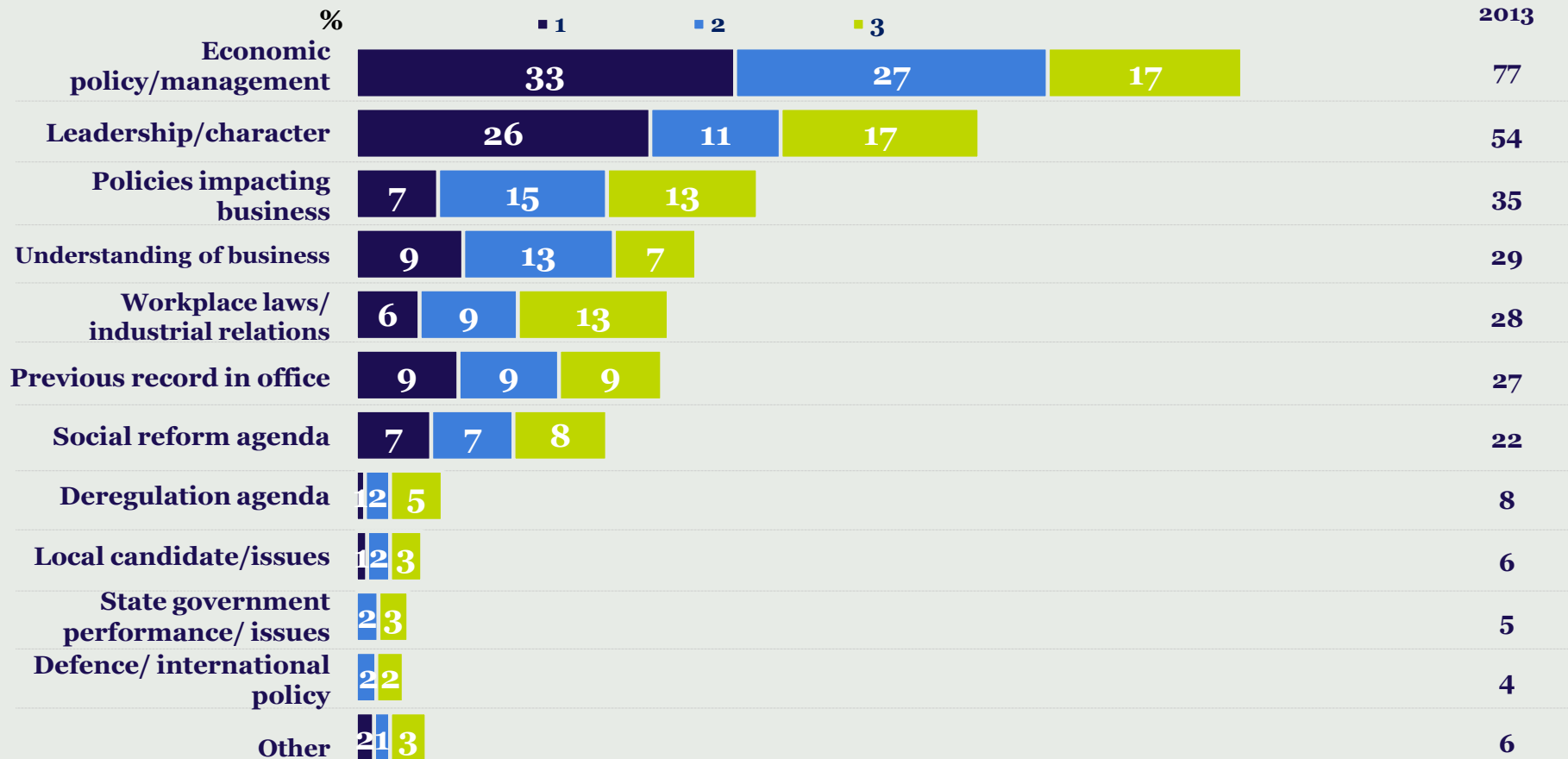
* Note: Eight statements removed in 1st half 2013

Factors influencing votes at the upcoming election

61

Directors identify economic policies and management as the top factor impacting their vote at the upcoming Federal election, followed by leadership/character and policies that impact business.

Top 3 factors impacting your vote at the next Federal election
Where 1 is the most important factor and 3 is the least important (%)

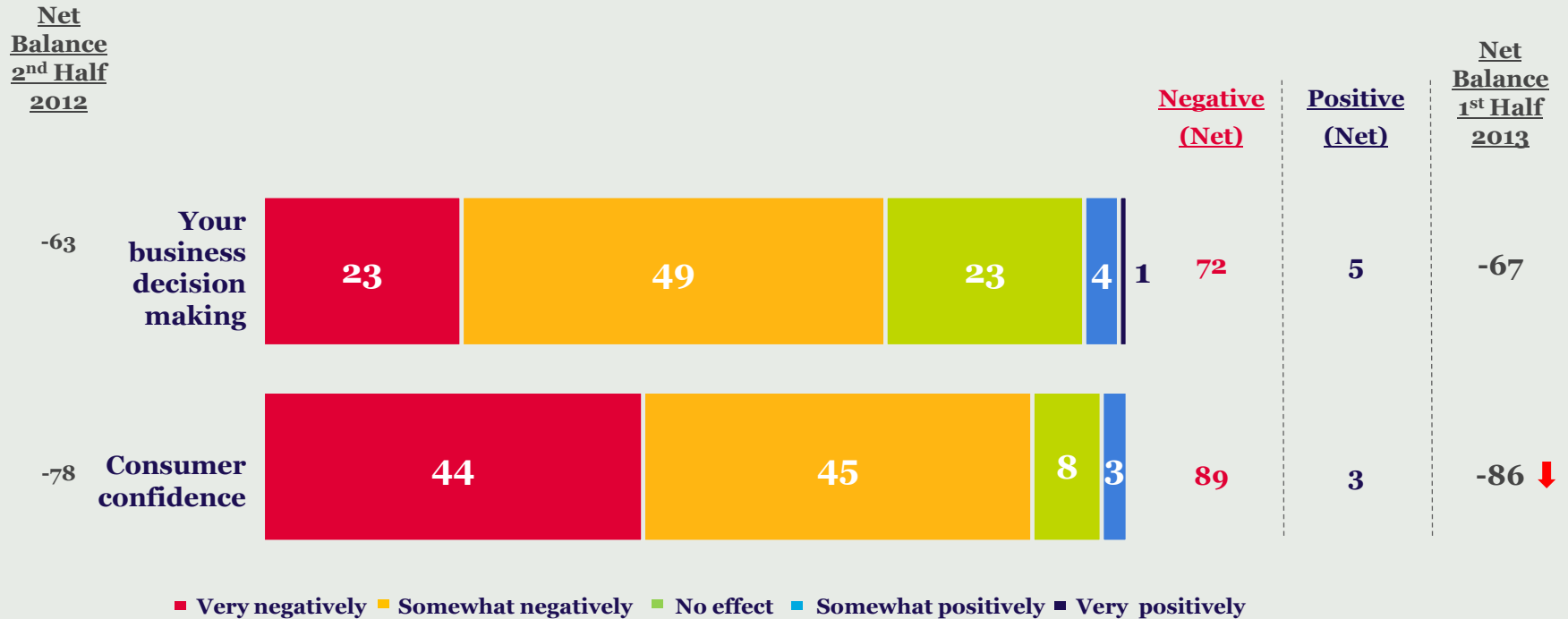


Note: New question added in 1st half 2013

Impact of Federal Government's performance on business

Directors believe that the Federal Government's performance has a negative impact on their business decision making, while nearly 90 per cent of directors believe the Federal Government has a negative impact on consumer confidence.

Effect of current Federal Government's performance on... (%)

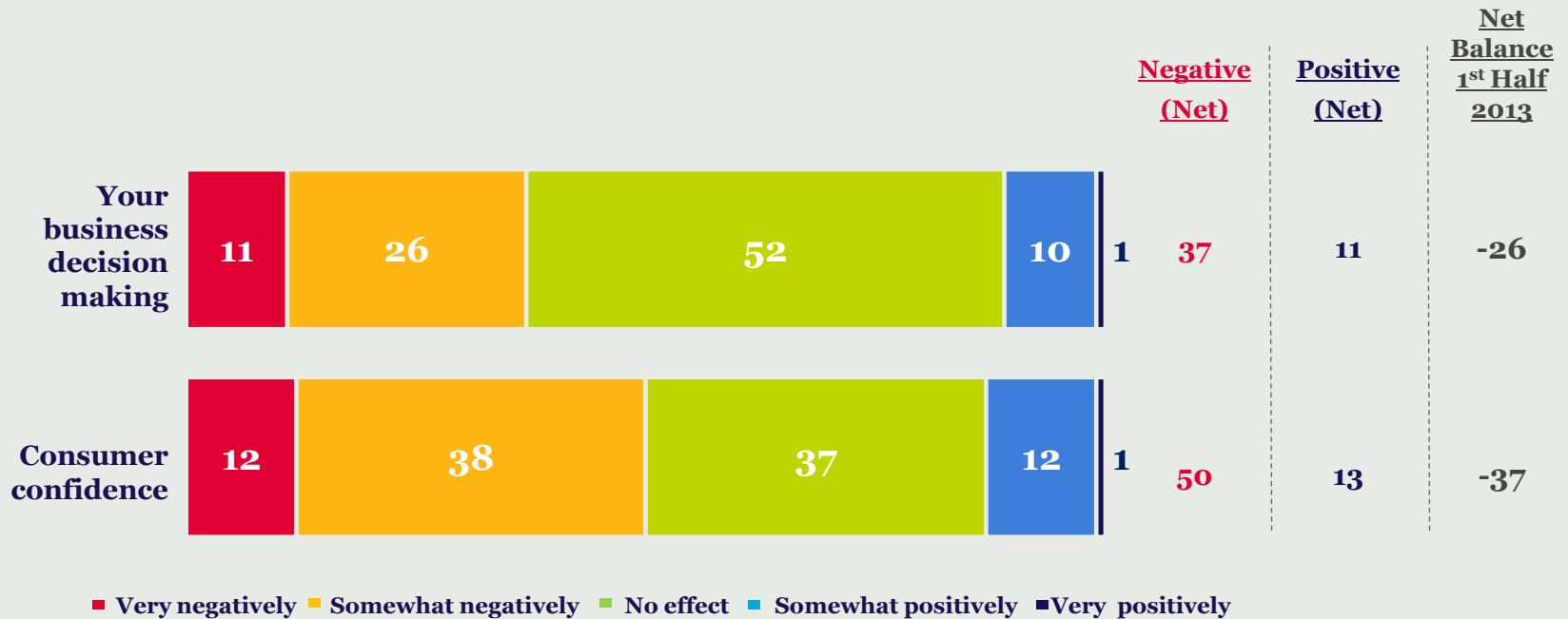


34: How is the current Federal Government's performance affecting...?
 Base: All respondents n=504

Impact of September 14 Election Date announcement on business

Half of directors perceived the announcement of a September 14 Election Date as having a negative impact on consumer confidence, while nearly 40 per cent regarded its impact on their business decision making as negative.

Impact of the announcement of a September 14 election on... (%)



35: What is the impact of the announcement of a September 14 election on...?
 Base: All respondents n=504

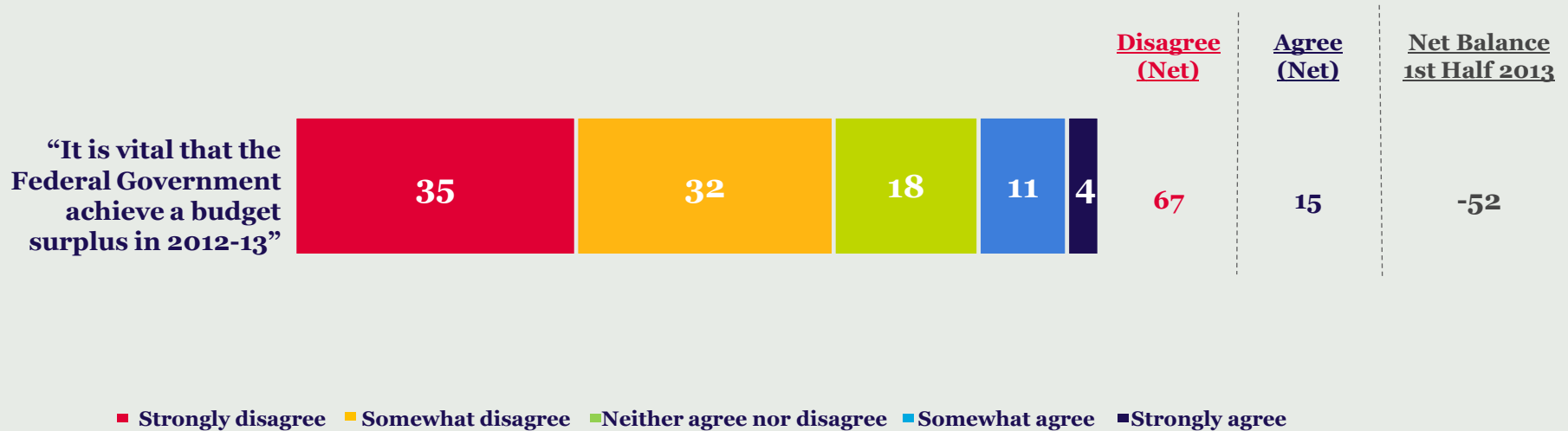
Note: New question added in 1st half 2013

Importance of the Federal Government achieving a budget surplus in 2012-13

64

Nearly 70 per cent of directors disagree that it is vital for the Federal Government to achieve a budget surplus in 2012-2013.

Agreement with the statement “It is vital that the Federal Government achieve a budget surplus in 2012-13” (%)

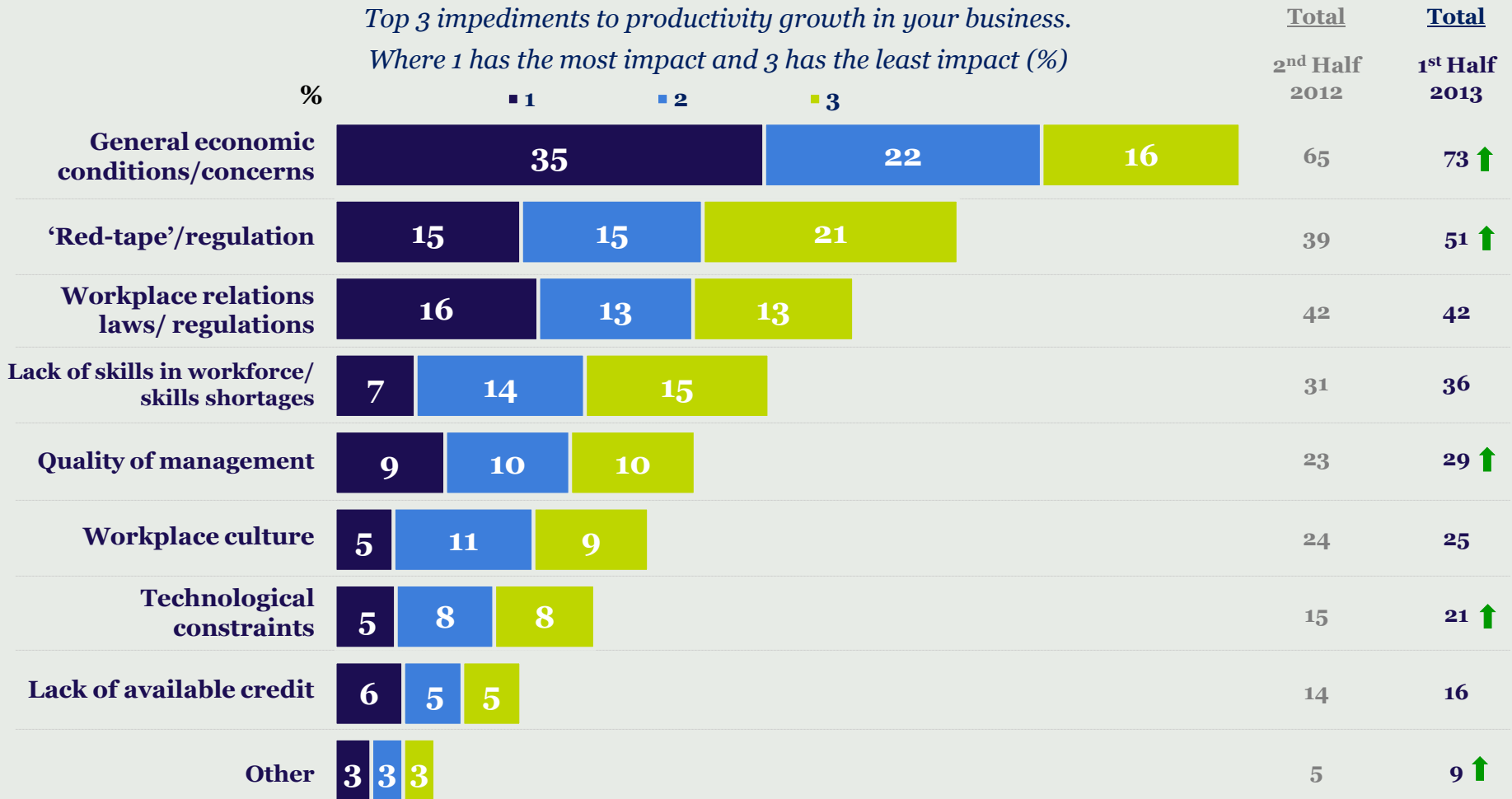


36: To what extent do you disagree or agree with the statement
 “It is vital that the Federal Government achieve a budget surplus in 2012-2013.”
 Base: All respondents n=504

Note: Question re-instated in 1st half 2013
 (previously asked in 1st half 2012)

Impediments to productivity growth

In line with 2nd half 2012 results, directors identify general economic conditions/ concerns as the top impediment to productivity growth in their business, followed by 'red-tape' and regulations and workplace relations laws/regulations.



* Note: One statement removed in 1st half 2013

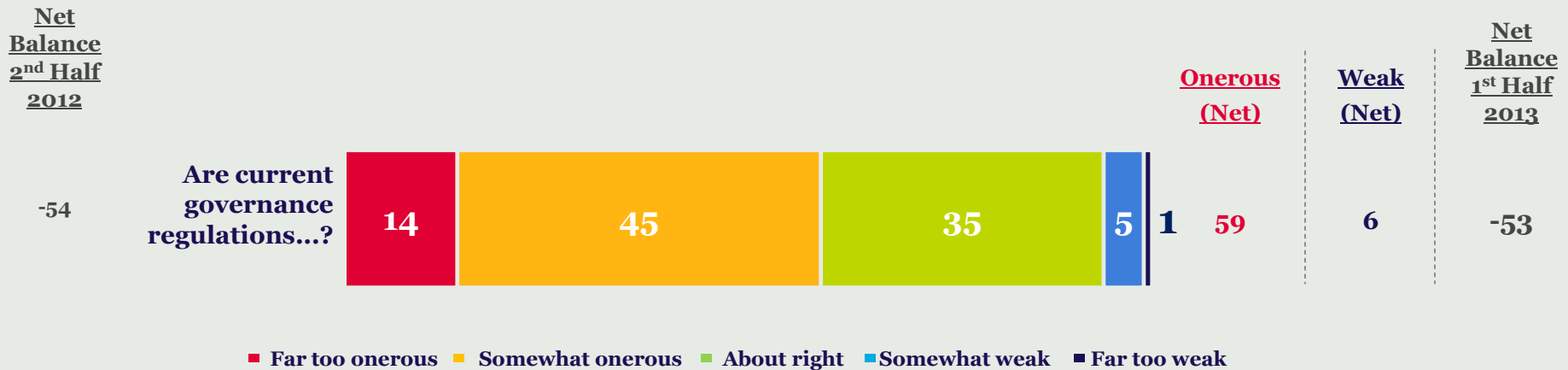
Governance

Key issues for directors and boards

Current governance regulations under the Corporations Act

In line with 2nd half 2012 results, more than half of directors believe that current governance regulations under the Corporations Act are onerous.

Are current governance regulations...? (%)



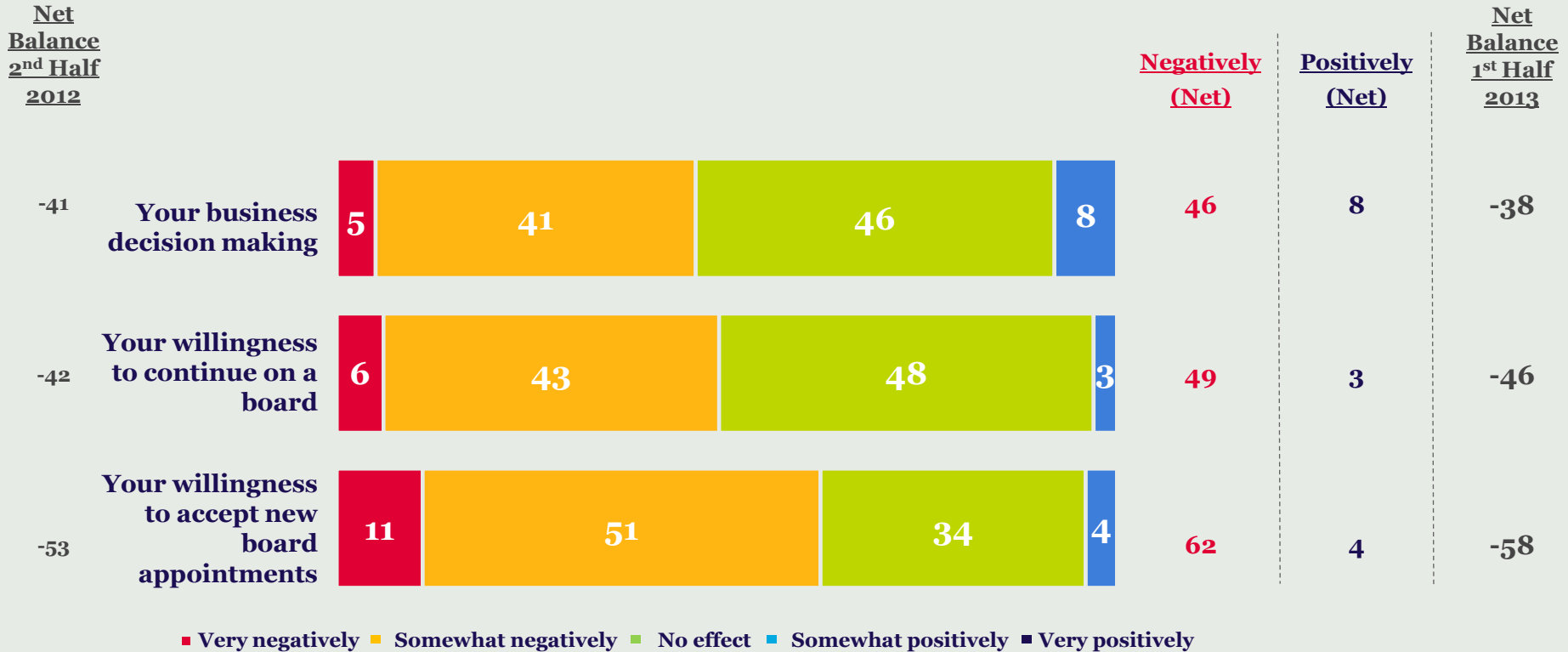
40: In your opinion, are current governance regulations...?
Base: All respondents n=504

Note: Question reworded in 1st half 2013

Impact of legislation on director liability

More than 40 per cent of directors still believe that legislation on director liability has a negative impact on their business decisions and willingness to continue on a board, while more than 60 per cent of directors agree that director liability legislation negatively impacts their willingness to accept new board appointments.

How legislation on directors' liability is affecting...(%)



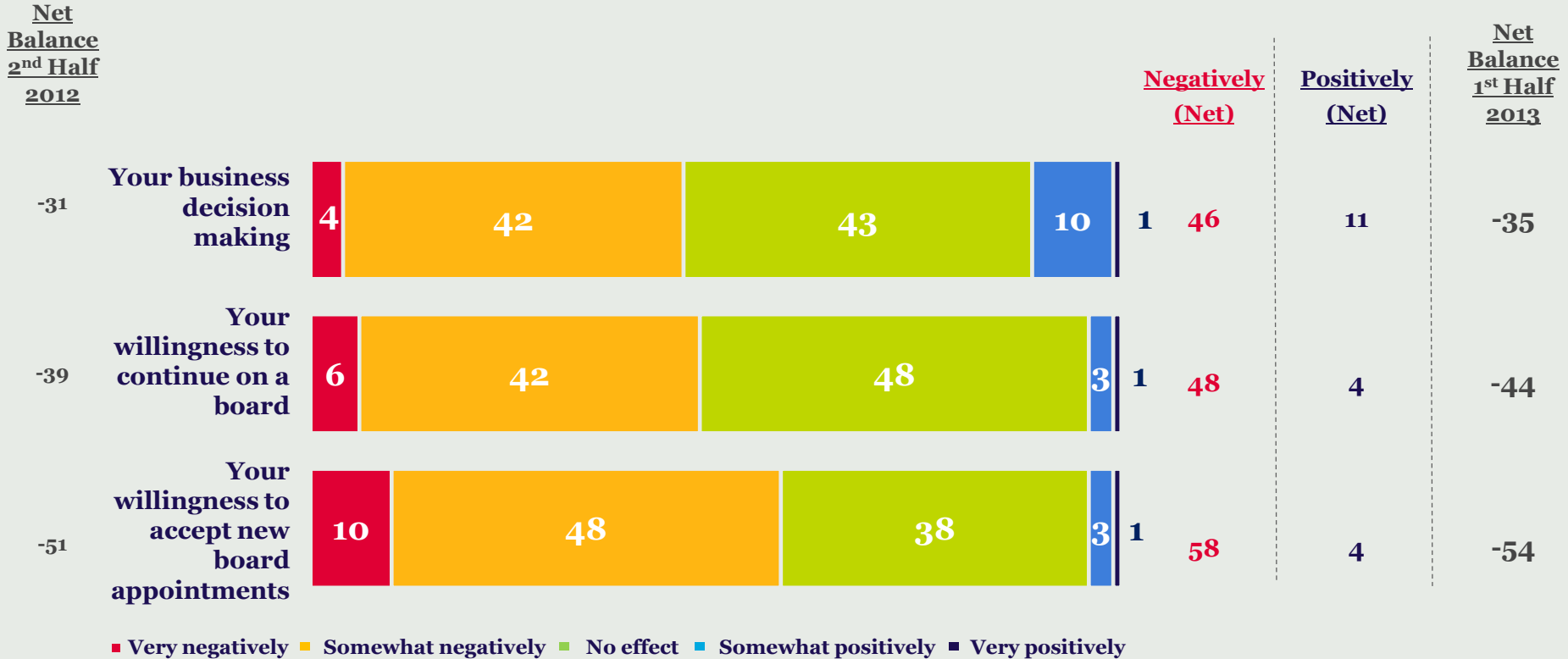
41: How does legislation on directors' liability affect...?
 Base: All respondents n=504

Note: Question reworded in 1st half 2013

Impact of legal judgments on director liability

Directors remain pessimistic regarding the impact of legal judgements on director liability. More than 45 per cent of directors believe that legal judgements negatively affect their business decision making and willingness to continue on a board, and nearly 60 per cent believe that legal judgements negatively affect their willingness to accept new board appointments.

How legal judgments affect... (%)



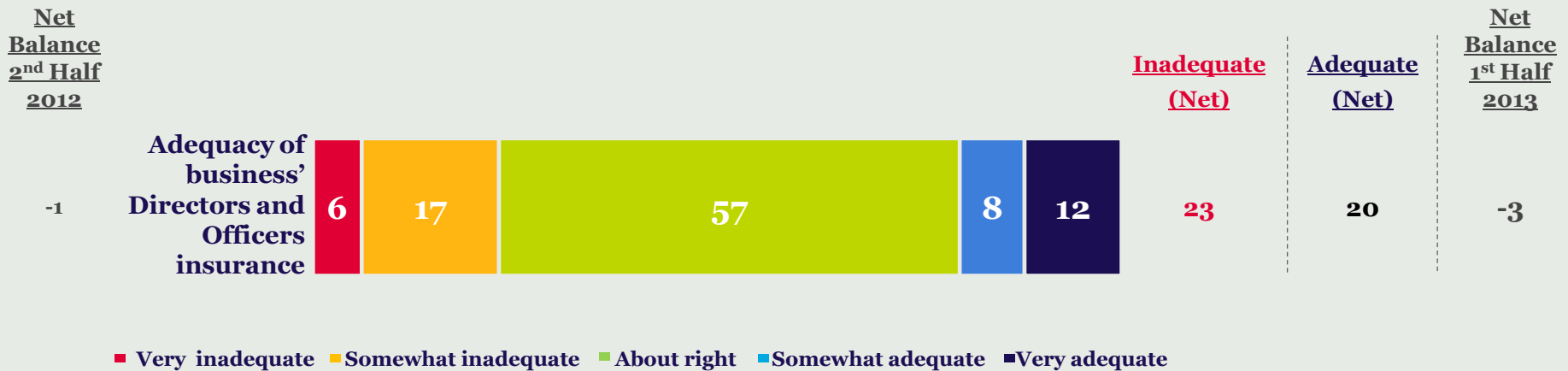
42: To what extent do legal judgments affect...?
Base: All respondents n=504

Note: Question reworded in 1st half 2013

Adequacy of Directors and Officers insurance

In line with 2nd half 2012 survey findings, nearly 80 per cent of directors perceive their business' Directors and Officers insurance as adequate, or about right.

Adequacy of business' Directors and Officers Insurance (%)

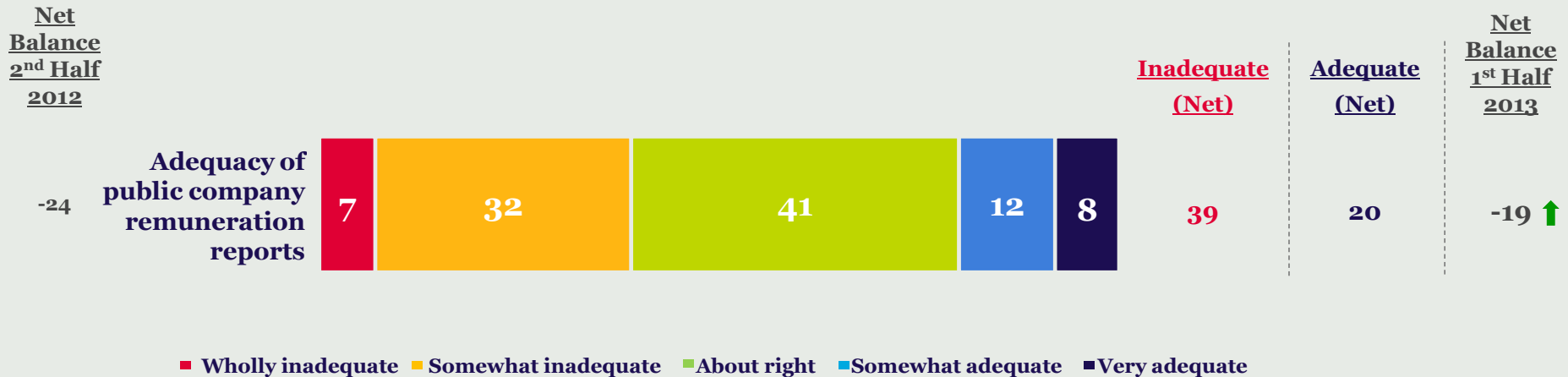


43: How adequate is your business' Directors and Officers insurance?
 Base: All respondents n=504

Adequacy of public company remuneration reports

Nearly 40 per cent of directors continue to perceive public company remuneration reports as inadequate, while 20 per cent of directors hold the view that they are adequate.

Adequacy of public company remuneration reports (%)

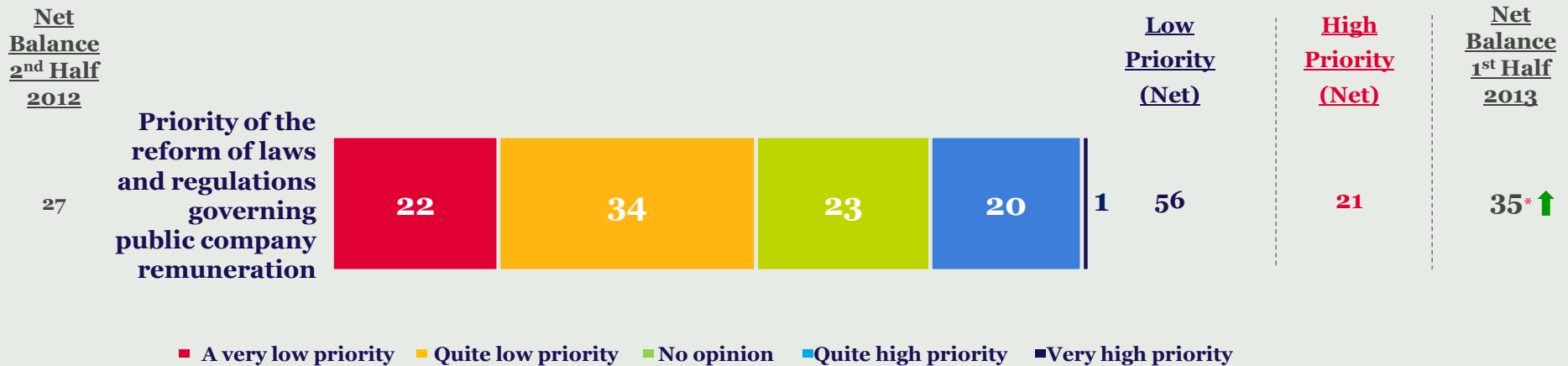


44: What is your view of the adequacy of public company remuneration reports?
 Base: All respondents n=504

Reform of laws and regulations governing public company remuneration

Directors have assigned less importance to the priority of the reform of laws and regulations governing public company remuneration in the 1st half of 2013, with more than half of directors believing it should be a low priority.

Level of priority of the reform of laws and regulations governing public company remuneration (%)



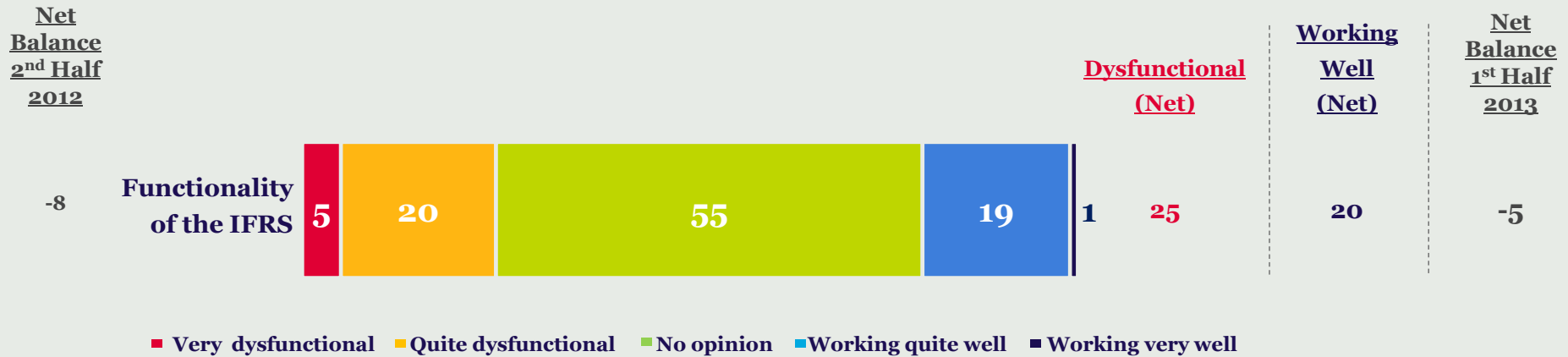
45: In your opinion, should further laws and regulations governing public company remuneration be...?
 Base: All respondents n=504

* Note: Net balance for priority of the reform of laws and regulations governing public company remuneration calculated in reverse

International Financial Reporting Standards (IFRS)

Sentiment regarding the IFRS remains slightly pessimistic, with one quarter of directors perceiving the IFRS as dysfunctional.

Functionality of the International Financial Reporting Standards (IFRS) (%)



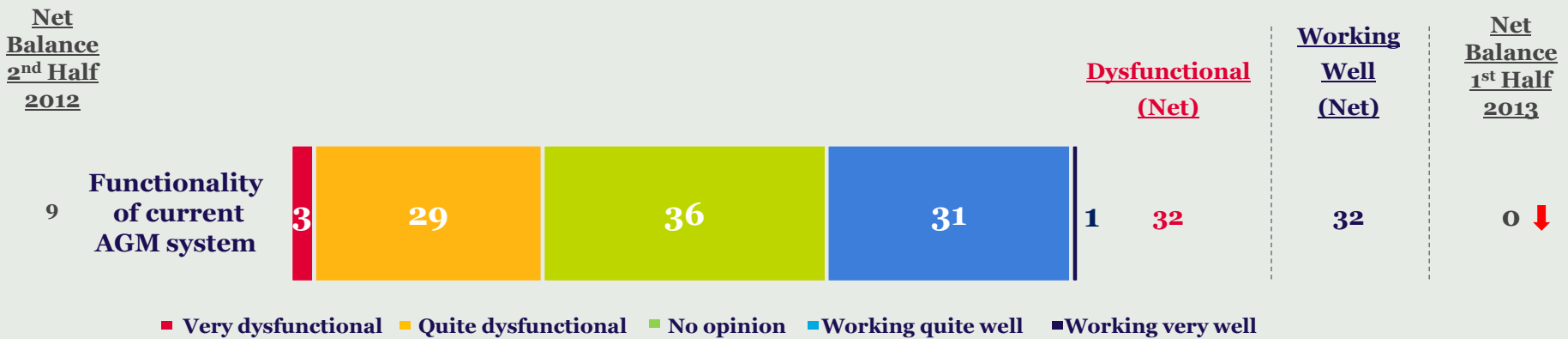
46: In your opinion, is the International Financial Reporting Standards (IFRS) system...?
 Base: All respondents n=504

Shareholder relations

Current AGM system

Sentiment is evenly split about the current AGM system, with 32 per cent of directors of the opinion that the current AGM system is working well and 32 per cent perceiving the current AGM system as dysfunctional.

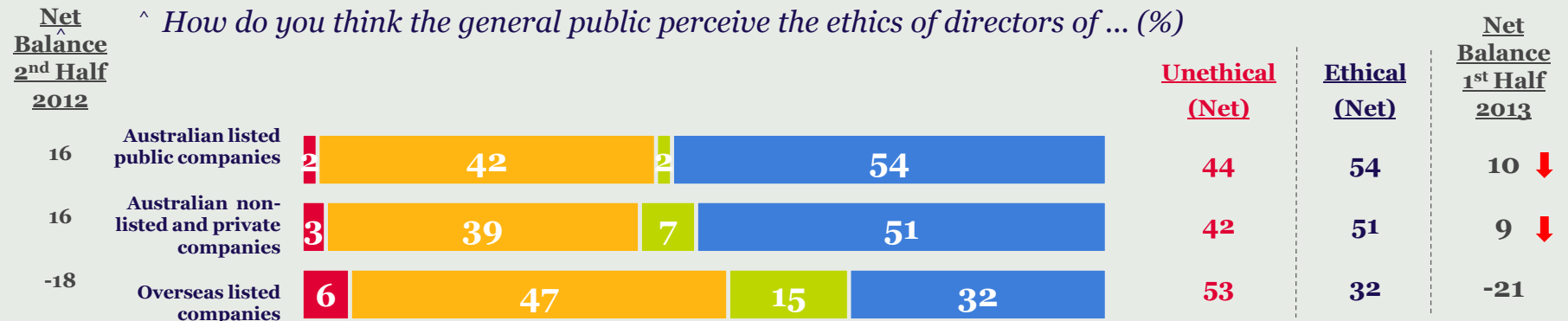
Functionality of the current AGM system (%)



47: In your opinion, is the current AGM system...?
 Base: All respondents n=504

Personal perception of company directors' ethics

Most directors perceive that Australian listed public companies are generally ethical and more so than overseas listed companies, although they believe that the public perception regarding the ethics of Australian company directors has declined.



■ Totally unethical ■ Generally unethical ■ No opinion ■ Generally ethical ■ Totally ethical

50: How do you, personally, perceive the ethics of...?

51: How do you think the general public perceive the ethics of...?

Base: All respondents n=504

^ Note: Answer scale changed in 2nd half 2012 onwards

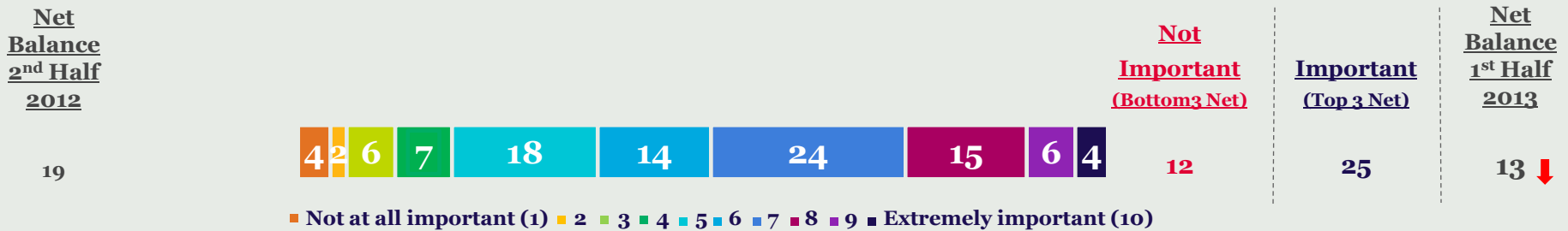
Environmental, Social and Governance issues

Extent of change/importance of ESG issues - next 2 years

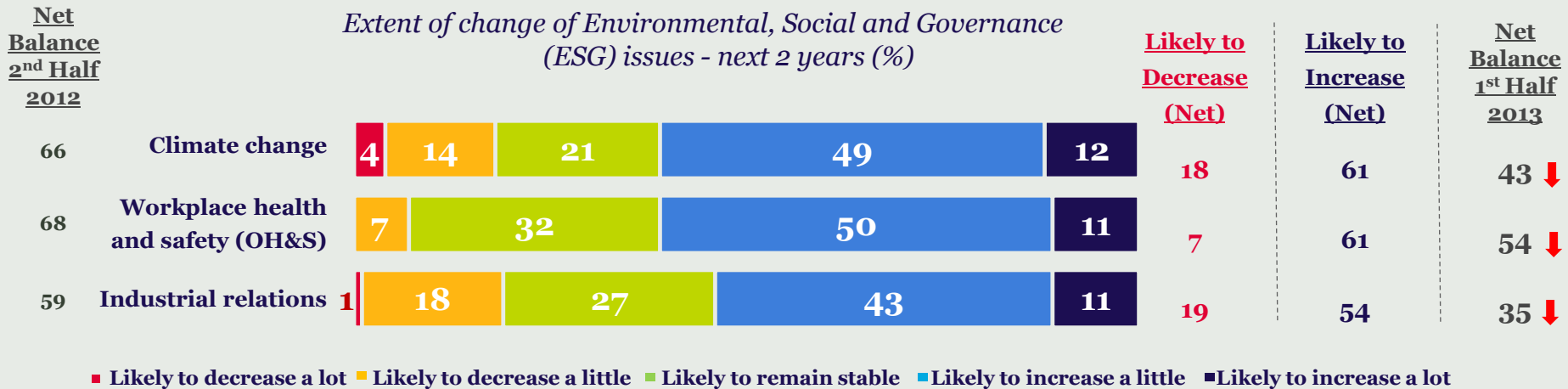
78

A decreased proportion of directors perceive Environmental, Social and Governance (ESG) issues as important within their business, with one quarter perceiving them to be very important. Fewer directors believe that ESG regulations relating to climate change, Occupational Health and Safety and industrial relations will increase over the next 2 years.

Importance of ESG issues within business (10-pt scale, where 1 is 'not at all important' and 10 is 'extremely important') (%)



Extent of change of Environmental, Social and Governance (ESG) issues - next 2 years (%)



49: How important is ESG your business on a scale of 1 to 10 where 1 is not at all important and 10 is extremely important?

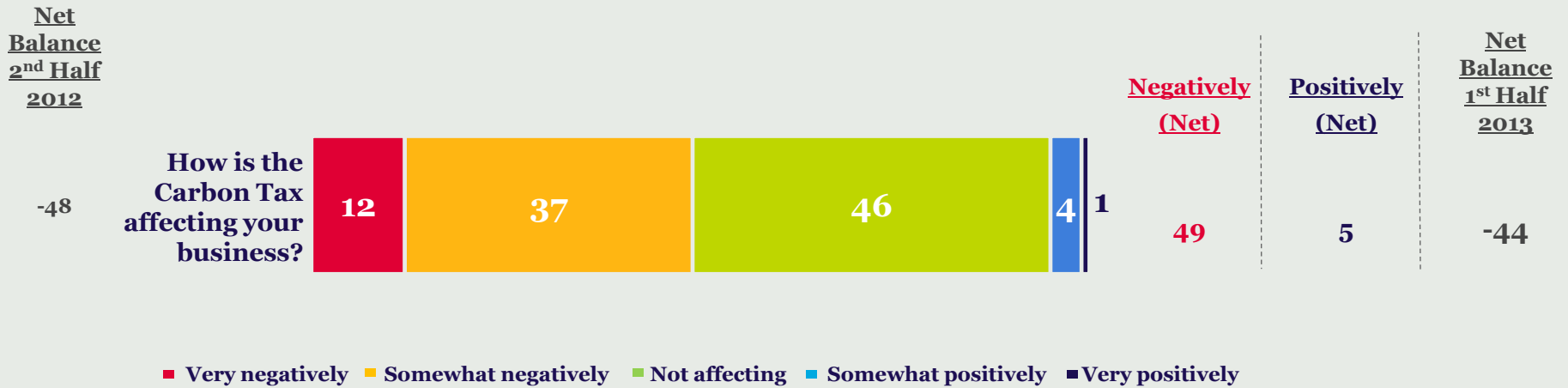
48: To what extent, if any, do you expect regulation over the area of Environmental, Social and Governance (ESG) issues to change over the next 2 years, in relation to....?

Base: All respondents n=504

Effect of carbon price on business

Directors are less pessimistic about the impact of the carbon tax on business, although nearly half of directors maintain the belief that the Carbon Tax affects their business negatively.

^ Is the legislation for the Carbon Tax affecting your business negatively or positively? (%)

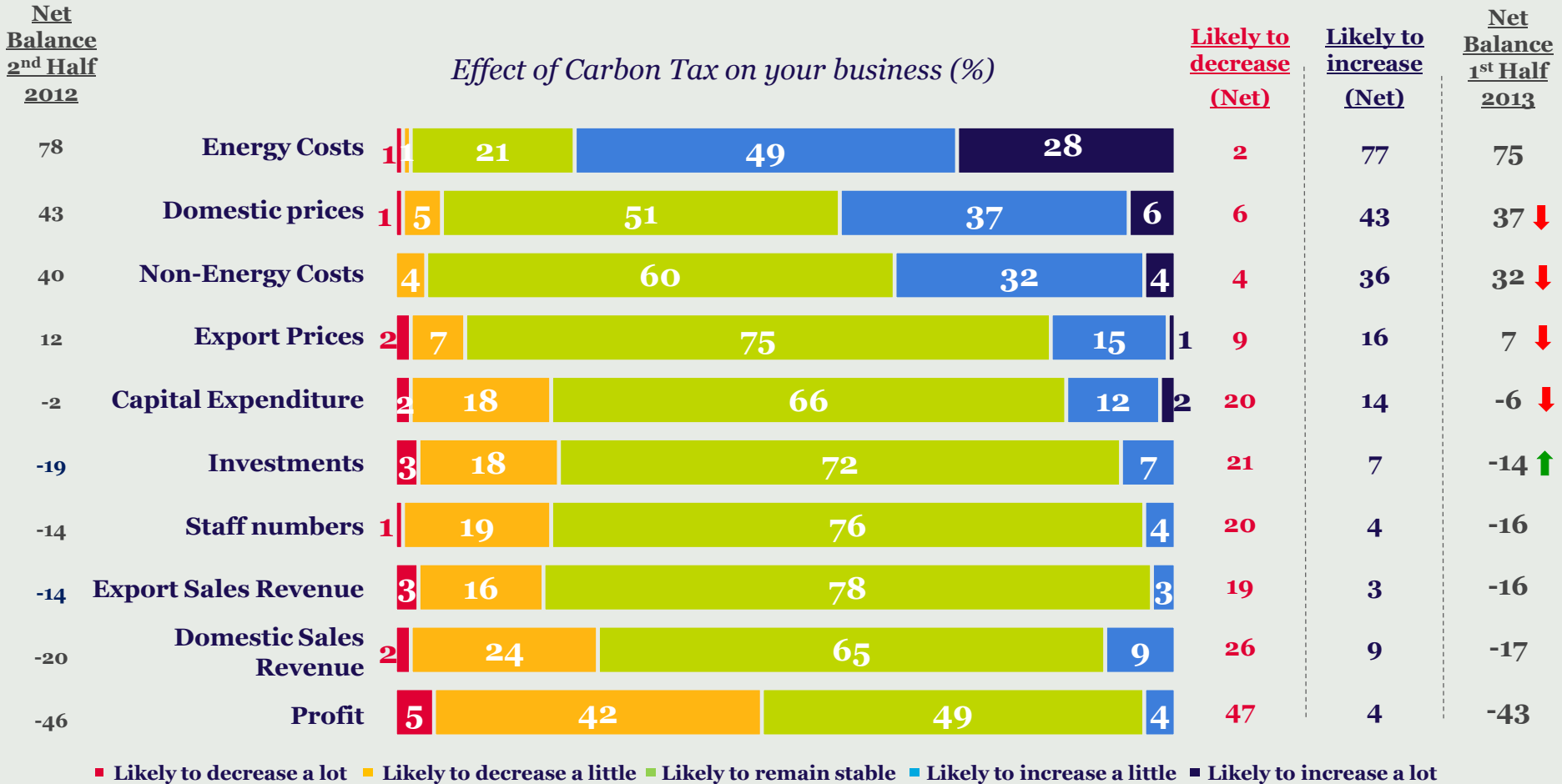


52: Is the Carbon Tax affecting your business negatively or positively?
Base: All respondents n=504

^ Note: Question reworded for 2nd half 2012 onwards due to implementation of Carbon Tax.

Impact of Carbon Tax on business

Most directors still believe that the Carbon Tax has a negative impact on energy and non-energy costs, as well as domestic and export prices. The pessimism regarding the carbon tax's effect on domestic prices, non-energy costs, export prices and capital expenditure has decreased since the previous survey.



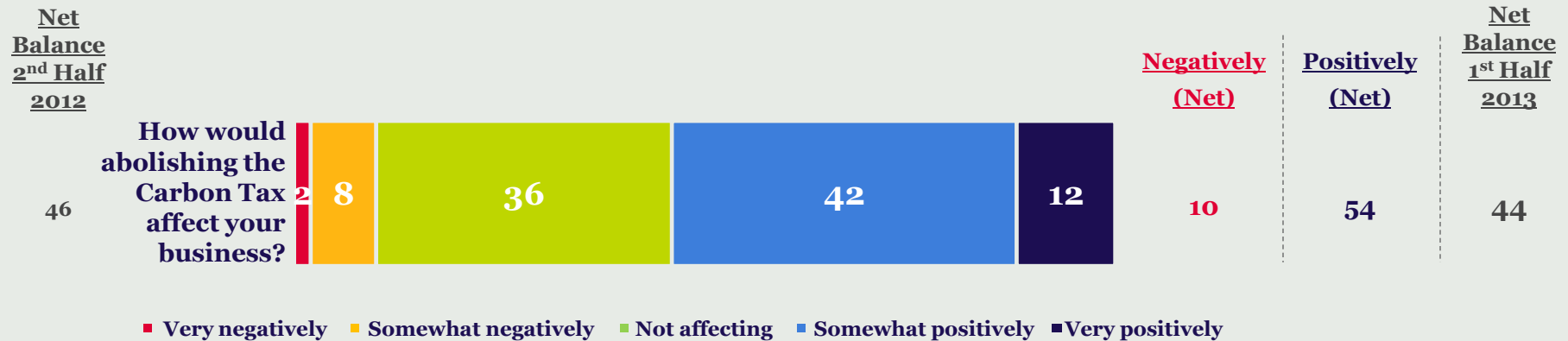
53: How is the Carbon Tax impacting the following aspects of your business?

Base: All respondents n=504

Perceived impact on business of abolishing Carbon Tax

Akin to 2nd Half 2012 results, more than half of directors agree that the abolishment of the Carbon Tax would have a positive impact on their business.

^How would abolishing the Carbon Tax affect your business? (%)



54: How would you expect abolishing the Carbon tax to affect your business?
 Base: All respondents n=504

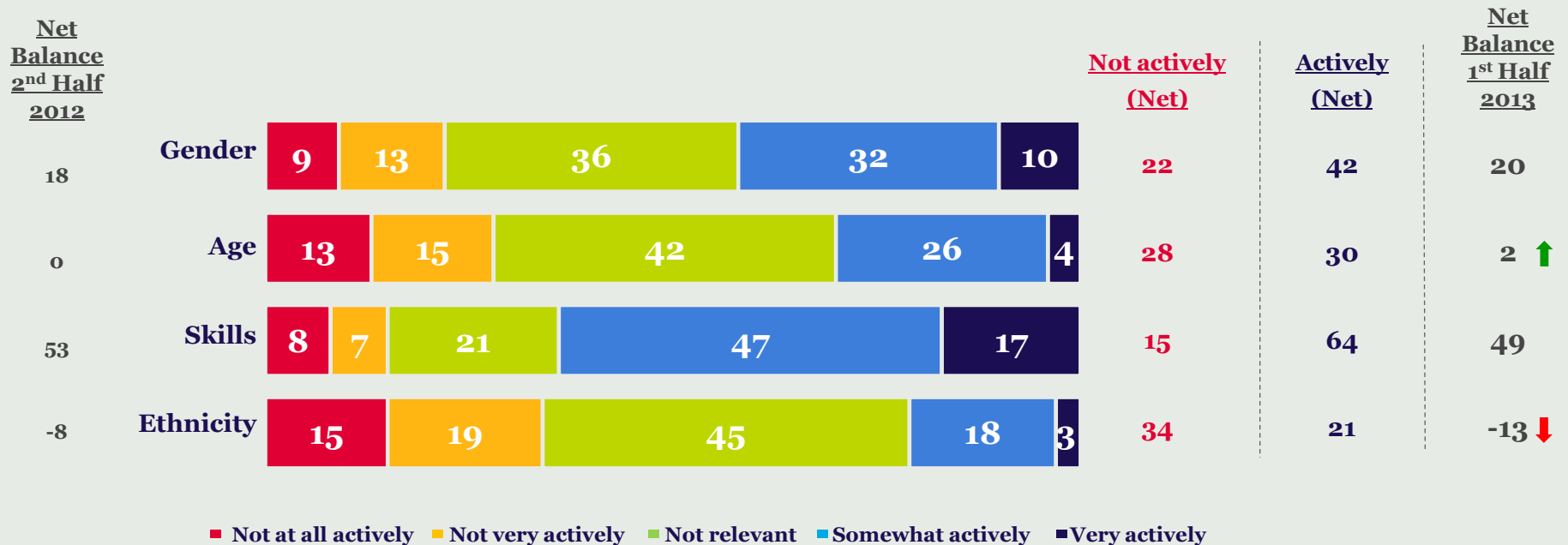
^ Note: Question reworded for 2nd Half 2012 onwards due to implementation of the Carbon Tax

Directorships and diversity

Board diversity: policy and efforts to increase

More than 60 per cent of directors state that their business is actively seeking to increase diversity of their board in terms of skills, and more than 40 per cent in the area of gender, although fewer directors believe their business is actively seeking to increase the diversity of board membership in the area of ethnicity.

^To what extent is your board actively seeking to increase diversity of board membership in the following areas? (%)



55: To what extent is your Board actively seeking to increase diversity in the following areas?
 Base: All respondents n=504

^ Note: Question reworded with segmentation for 2nd Half 2012 onwards

