



DIRECTOR SENTIMENT INDEX: RESEARCH FINDINGS SECOND HALF 2017

Delivered by Ipsos



Director Sentiment Index

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Second half 2017 sample profile

Members of the Australian Institute of Company Directors were invited to take part in the survey between 21 September – 4 October 2017. A total of 973 members participated. Results were weighted by gender to reflect the profile of the AICD member base.

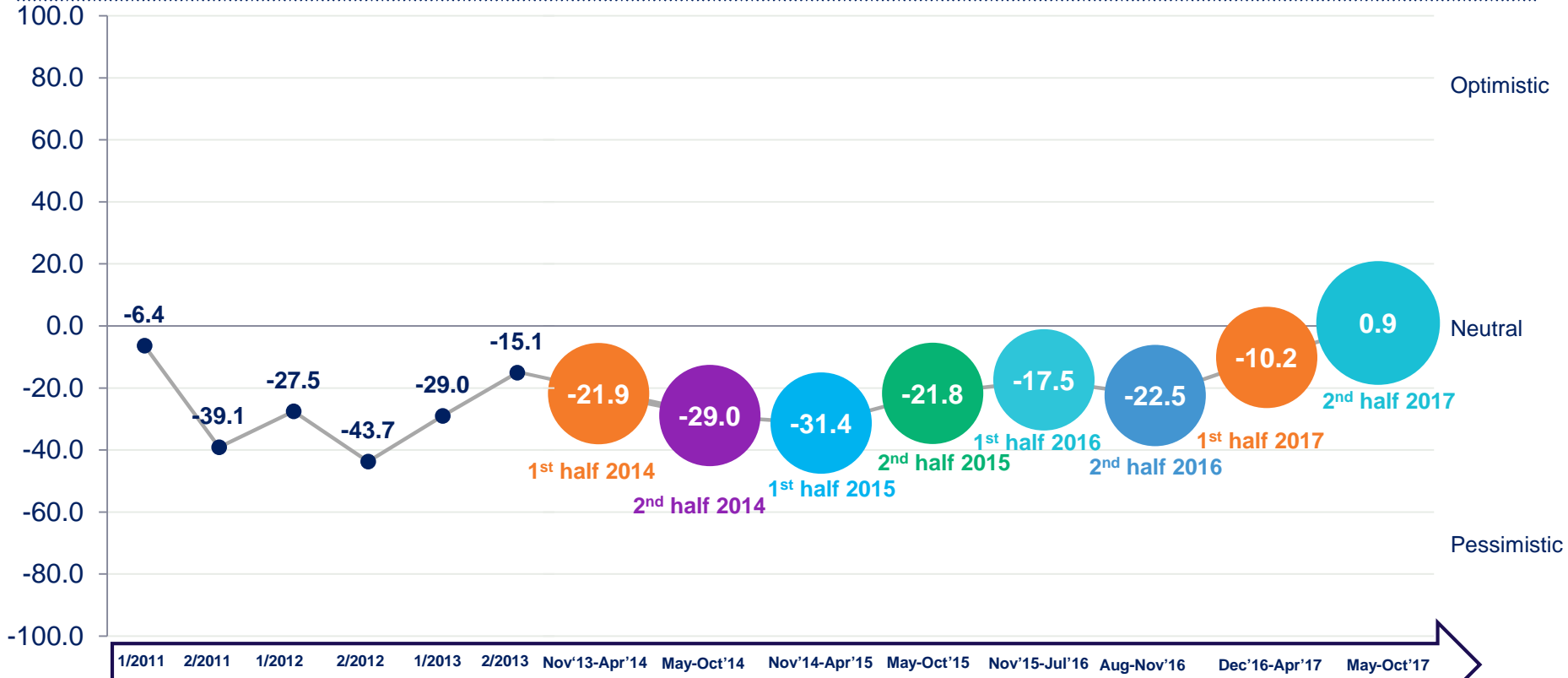
No. of current directorships	%
1	32 (32)
2	29 (31)
3 or more	38 (36)
Prefer not to say	1 (1)
Positions held on board(s)	
Executive Director	37 (37)
Non-Executive Director	65 (63)
Chairman	34 (31)
Other	7 (8)
Prefer not to say	2 (2)
Primary directorship company	
Publicly listed Australian entity	12 (9)
Private/non-listed Australian entity	45 (46)
Not-for profit entity	29 (33)
Public sector/ government body	8 (7)
Overseas entity	5 (4)
Prefer not to say	1 (1)
Gender	
Male	70 (70)
Female	30 (30)

Primary directorship business sector(s)	%
Health and Community Services	21 (21)
Finance and Insurance	17 (17)
Property and Business Services	9 (10)
Education	7 (8)
Mining	6 (6)
Manufacturing	6 (5)
Agriculture, Forestry and Fishing	4 (5)
Construction	3 (4)
Personal and Other Services	3 (4)
Energy	3 (3)
Retail Trade	3 (2)
Government Administration and Defence	3 (2)
Communication Services	3 (3)
Transport and Storage	2 (3)
Cultural and Entertainment industry	2 (3)
Accommodation, Cafes and Restaurants	2 (2)
Wholesale Trade	1 (2)
Primary directorship based	%
NSW	30 (32)
VIC	26 (25)
QLD	14 (16)
WA	12 (10)
TAS	2 (2)
SA/NT	7 (7)
ACT	4 (4)
Overseas	5 (4)

Director Sentiment Index

Overall Director Sentiment Index

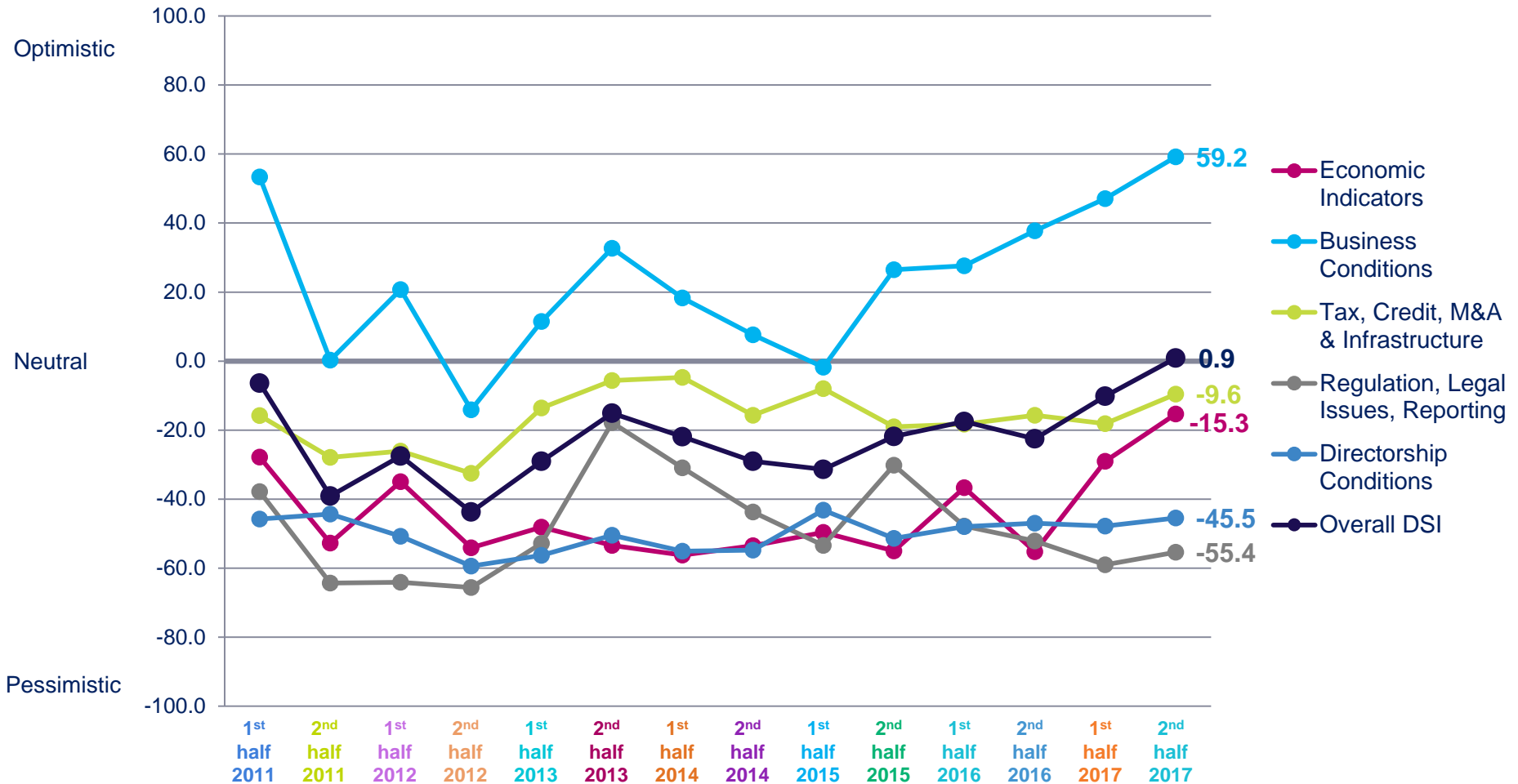
The overall sentiment in the second half of 2017 became optimistic, up 11.1 points on the last survey, with the Director Sentiment Index reaching 0.9, its highest point since the index began in 2011.



1/2011	2/2011	1/2012	2/2012	1/2013	2/2013	Nov'13-Apr'14	May-Oct'14	Nov'14-Apr'15	May-Oct'15	Nov'15-Jul'16	Aug-Nov'16	Dec'16-Apr'17	May-Oct'17
						Federal gov't school funding backflip (Dec)	Coalition gov't announces first budget (Jun)	Leadership spill (Feb)	RBA official cash interest rate reduced to record low (May)	Brexit- UK withdraws from the EU (Jun)	RBA official cash interest rate reduced to historic low (Aug)	Inauguration of Donald Trump (Jan)	Cash rate remains on hold.
						Crisis in Ukraine (Feb)	Carbon tax legislation scrapped (Jul)	RBA official cash interest rate reduced to record low (Feb)	Chinese Stock Market Crash (Jun-Aug)	Malcolm Turnbull re-elected as PM (Jul)	Donald Trump wins US presidential election (Nov)	Donald Trump issued executive order on refugees and immigration (Jan)	Economic conditions globally improved.
						Free Trade Agreements with Japan/South Korea (Apr)	Australia joins US-led coalition to fight in Iraq (Sep)	Oil and iron ore prices falling rapidly	Malcolm Turnbull takes over as PM (Oct)		Iron ore price rises significantly from November 2016 to March 2017		Local economy expanded 0.8% in June Qtr.

Overall Director Sentiment Index by segment

Sentiment has mainly increased across Business Conditions, Economic Indicators, and Tax, Credit, M&A & Infrastructure. While Directorship Conditions as well as Regulation, Legal Issues, Reporting are relatively in line with the first half of 2017.



Executive Summary

Executive Summary

Economic and Market Outlook

Health of economies

- The outlook of directors for world economies in the next 12 months is less pessimistic, continuing to recover in the second half of 2017. The Australian economy is expected to be stronger over the next 12 months, with 26 per cent of directors expecting a strong economy, although sentiment around the economy continues to be pessimistic. The Asian economy is still predicted to be mostly strong and the US economy is regarded relatively positive, whilst the European economy continues to be perceived as weak overall.

Economic indicators

- Directors expect an increase in inflation, wages and the cash rate in the next 12 months. Whilst lower unemployment is expected in the next 12 months, with 26 per cent of directors expecting it to be lower.

Economic challenges

- High energy prices is viewed by directors as the biggest economic challenge currently facing Australian business in the second half of 2017, followed by energy policy and an ineffective taxation system.

Executive Summary

Business Forecast

Business growth

- Continues its upward trend since the second half of 2015. Directors continue to report business growth over the last six months, and continue to feel optimistic about the growth of their business with 57 per cent of directors expecting growth in the coming year.

Changes in business

- Directors continue to be optimistic about the changes in their business over the coming year. There is increased optimism around investment levels and staffing levels/labour demand, while the level of outsourcing has dropped slightly to the same level as the first half of 2016.

Profits

- There has been no change in sentiment around actual profits for the current budget forecast, with 39 per cent of directors expecting an increase in profits for the current six months. Expectations of profits for the second half of this financial year (Jan-Jun'18) are similar to the current six months, with 44 per cent of directors expecting an increase in profits.

Business outlook

- Directors are increasingly optimistic about the business outlook in the next 12 months, with 42 per cent indicating they are optimistic about the general business outlook, and 47 per cent indicating they are optimistic regarding the outlook for their sector.

Executive Summary

Government Policy

Budgetary

- Directors rate energy policy, taxation reform and infrastructure as the top priorities the Federal Government should address in the short-term. Energy policy has increased in importance compared to the first half of 2017.
- Infrastructure continues to be the top long-term priority the federal government should address in the second half of 2017, followed by energy policy.

Taxation

- Directors are more pessimistic regarding the level of personal taxation in Australia in the second half of 2017, with 71 per cent holding the belief that it is too high. Fifty-four per cent of directors also view corporate tax as being too high, which is less pessimistic compared with the first half of 2017.

Regulation

- Directors continue to feel pessimistic regarding the level of 'red-tape' in the next 12 months, with 42 per cent expecting an increase. Seventy-eight per cent of directors identify corporate reporting requirements as the aspect of their business most affected by 'red-tape'. This is followed by workplace health/safety and preparing/paying taxes.

National productivity

- Directors continue to rate less focus on short termism as the top measure for lifting national productivity, followed by more infrastructure spending and broad-based tax reform.

Credit availability

- Expectations of credit availability in the future have become more optimistic, with 47 per cent of directors predicting that credit for asset purchases will be somewhat or freely available over the coming year, and 42 per cent expecting the same regarding credit for working capital purposes.

Industrial Relations

- Forty-two per cent of directors would continue to advise the government to pursue a significant industrial relations reform following an electoral mandate. The key priority for industrial relations reform is individual workplace arrangements and enterprise bargaining system in the second half of 2017.

Performance & business understanding

- Compared with the first half of 2017, directors are less pessimistic about the effect of the Federal Government's current performance, with 74 per cent perceiving a negative effect on consumer confidence. Forty-eight per cent of directors view the current Federal Government's performance as having a negative effect on their business decision making.
- Directors are still pessimistic about the Federal Government's understanding of business, with 48 per cent disagreeing that the current Federal Government understands business in the second half of 2017, as opposed to about 35 per cent agreeing.

Executive Summary

Government Policy (cont.)

Director liability

- Directors continue to feel pessimistic about the impact of legislation on director liability in the second half of 2017. Thirty-four per cent feel that it has negatively affected their business decision making and the willingness to continue on a board, and 47 per cent feel it impacts negatively on their willingness to accept new board appointments.
- Seventy-six per cent of directors perceive there to be a risk-averse decision-making culture on Australian boards, which is higher than the first half of 2017.

Board diversity

- More efforts were made to increase the diversity of skills in board membership in the second half of 2017, with 77 per cent of directors stating that their business is actively seeking to improve in this area, while 53 per cent indicate their business is actively trying to increase diversity in terms of gender.

Corporate culture

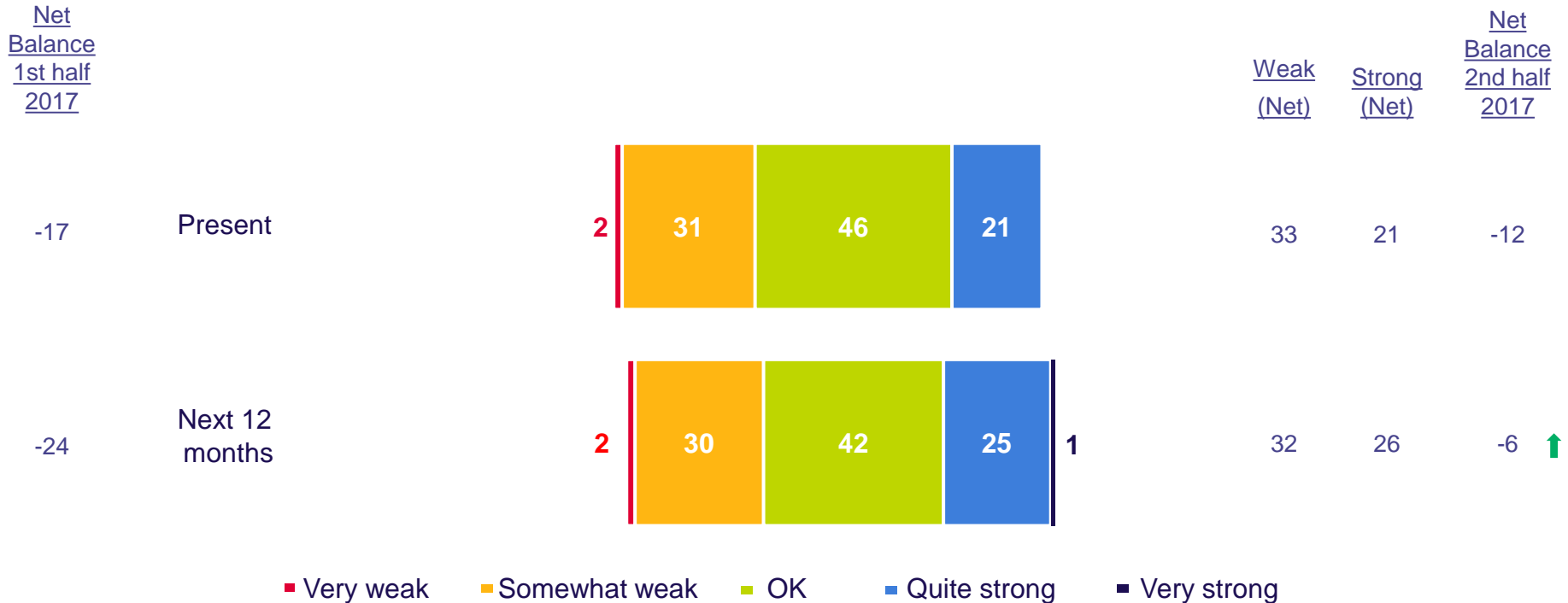
- Ninety-two per cent of directors are making efforts to improve culture in their organisation. The top three elements they are using to improve are capturing data on key cultural indicators, followed by communicating the ethical position of board and business generally, and then ensuring culture is a regular feature on the board and audit committee meeting agenda.

Economic outlook and challenges

Health of the Australian economy

Directors are less pessimistic about the Australian economy compared to the first half of 2017, with 33 per cent perceiving the economy as weak at present. Directors are also significantly less pessimistic about the Australian economy in the next 12 months compared to the first half of 2017, with only 32 per cent expecting it to be weak.

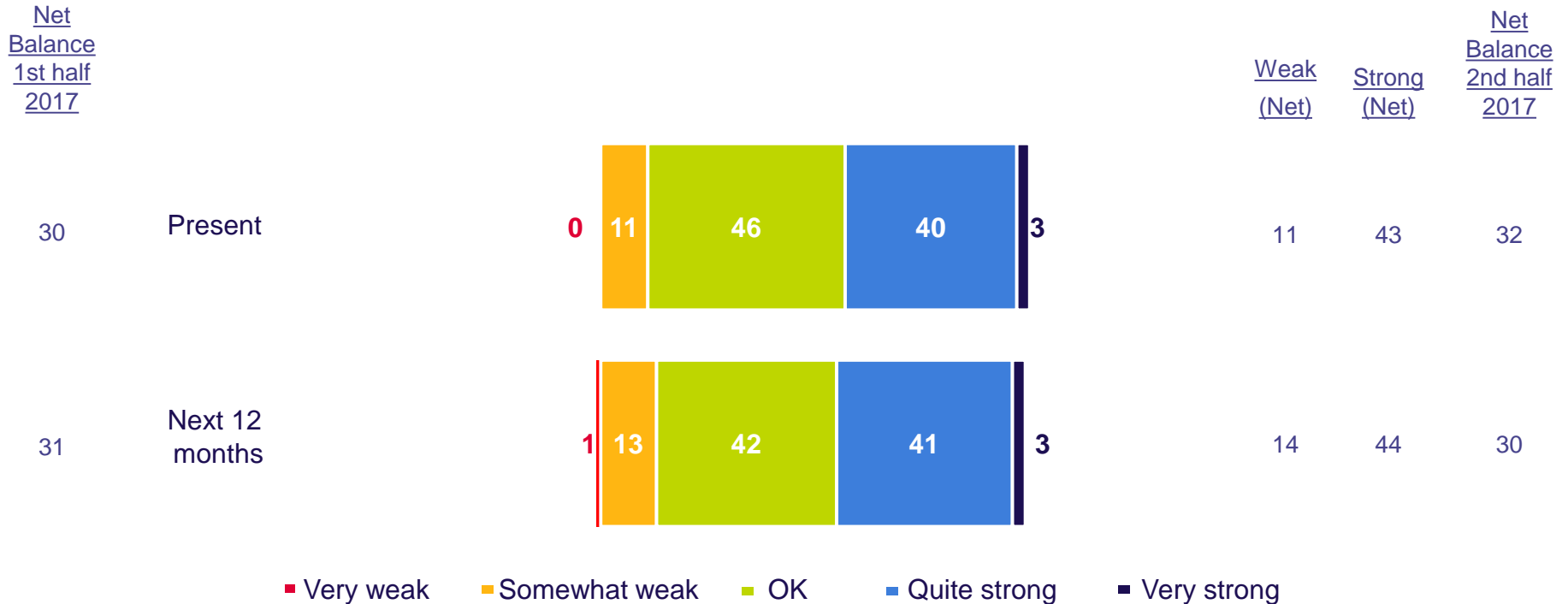
What is your assessment of the health of the Australian economy? (%)



Health of the Asian economy

Sentiment around the health of the Asian economy is still optimistic in the second half of 2017. Forty-three per cent of directors perceive the Asian economy as currently strong and 44 per cent expect it to remain strong over the next 12 months.

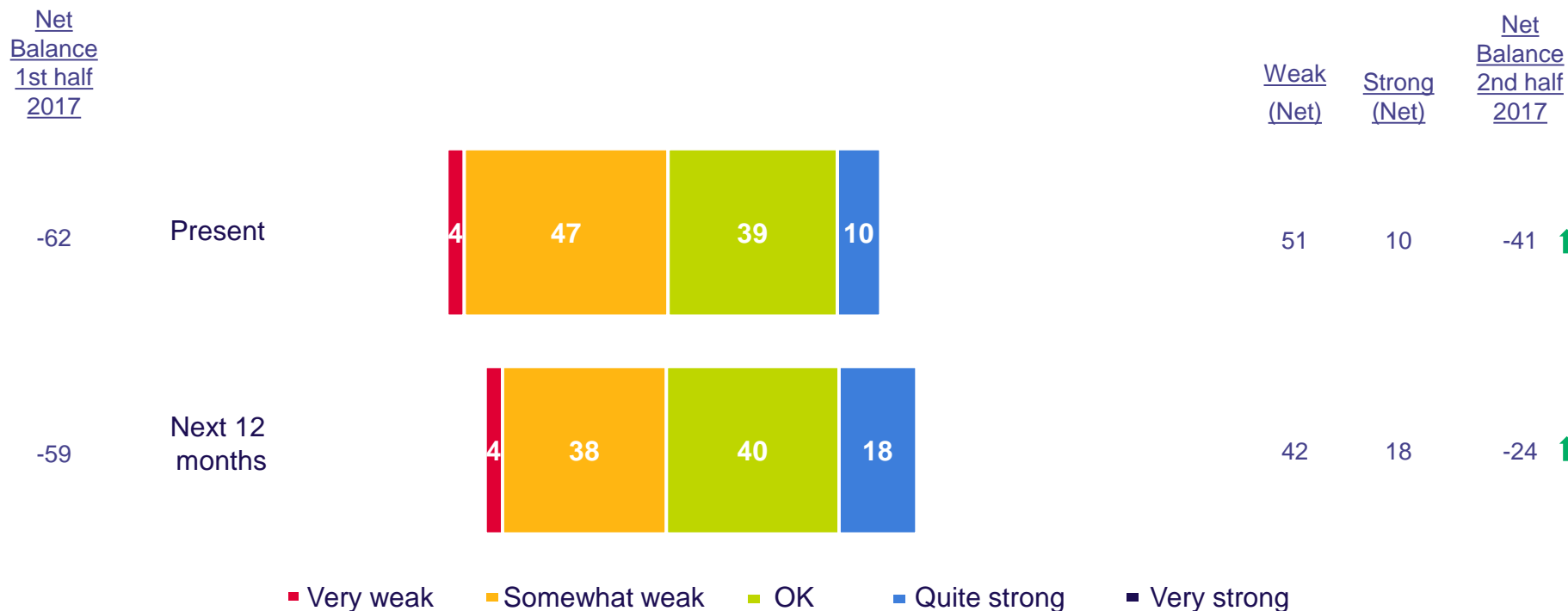
What is your assessment of the health of the Asian economy? (%)



Health of the European economy

Directors are significantly less pessimistic about the health of the European economy compared to the first half of 2017. However, 51 per cent of directors perceive the economy as weak at present, and 42 per cent expect it to remain weak in the next 12 months.

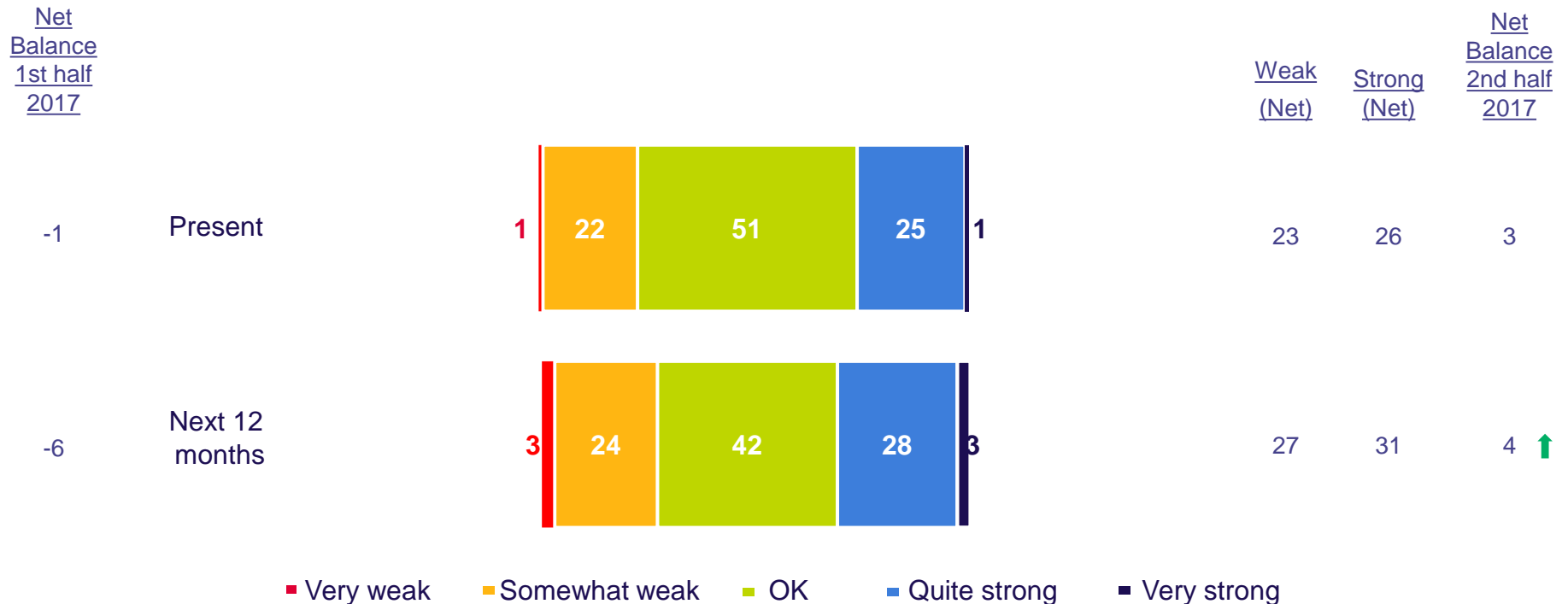
What is your assessment of the health of the European economy? (%)



Health of the US economy

The sentiment for the US economy is increasingly optimistic, with 26 per cent of directors perceiving it as presently strong, and 31 per cent expect it to be strong over the coming year.

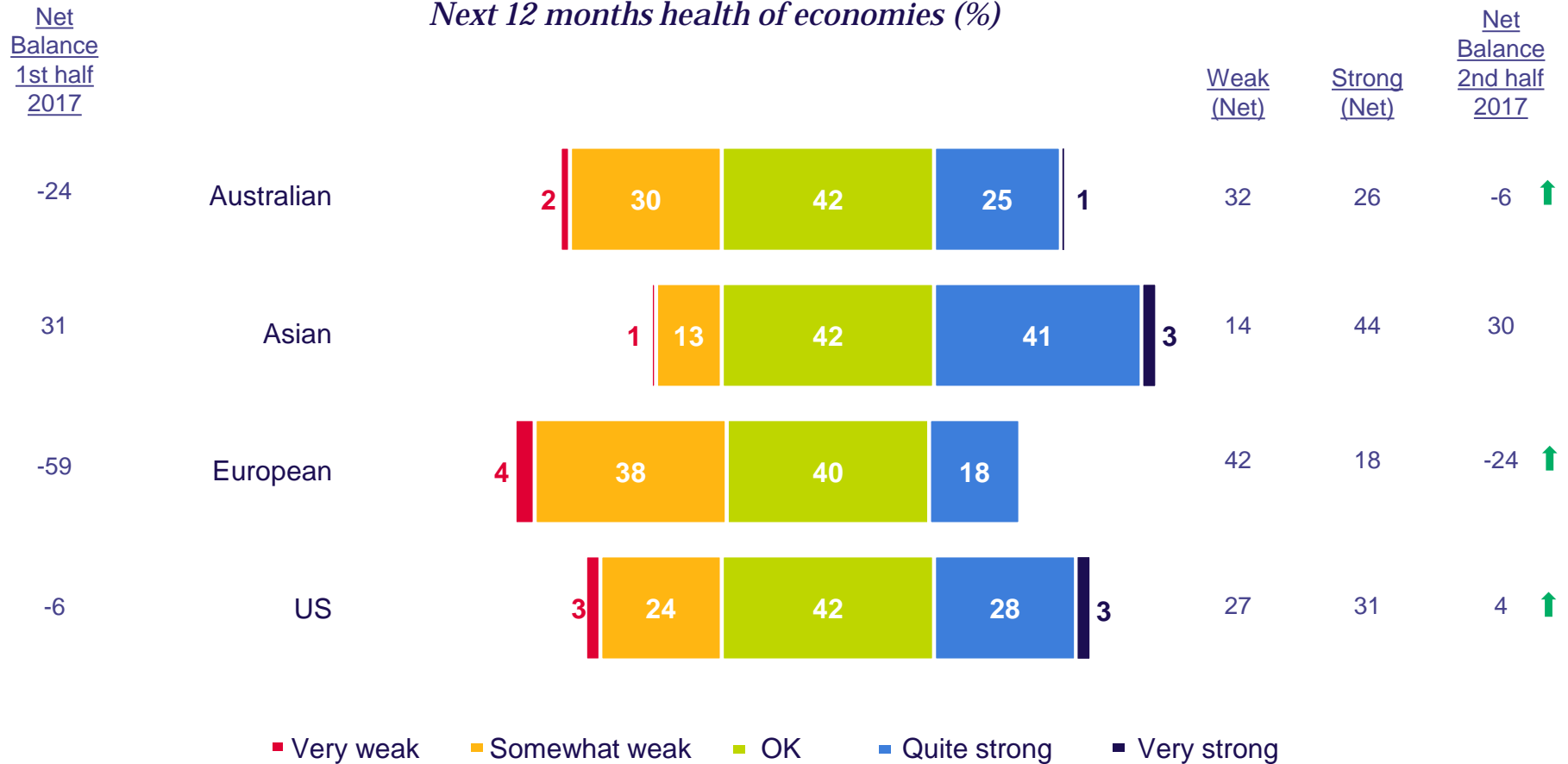
What is your assessment of the health of the US economy? (%)



Next 12 months health of economies: summary

Compared to the first half of 2017, directors have become less pessimistic about the future health of major global economies.

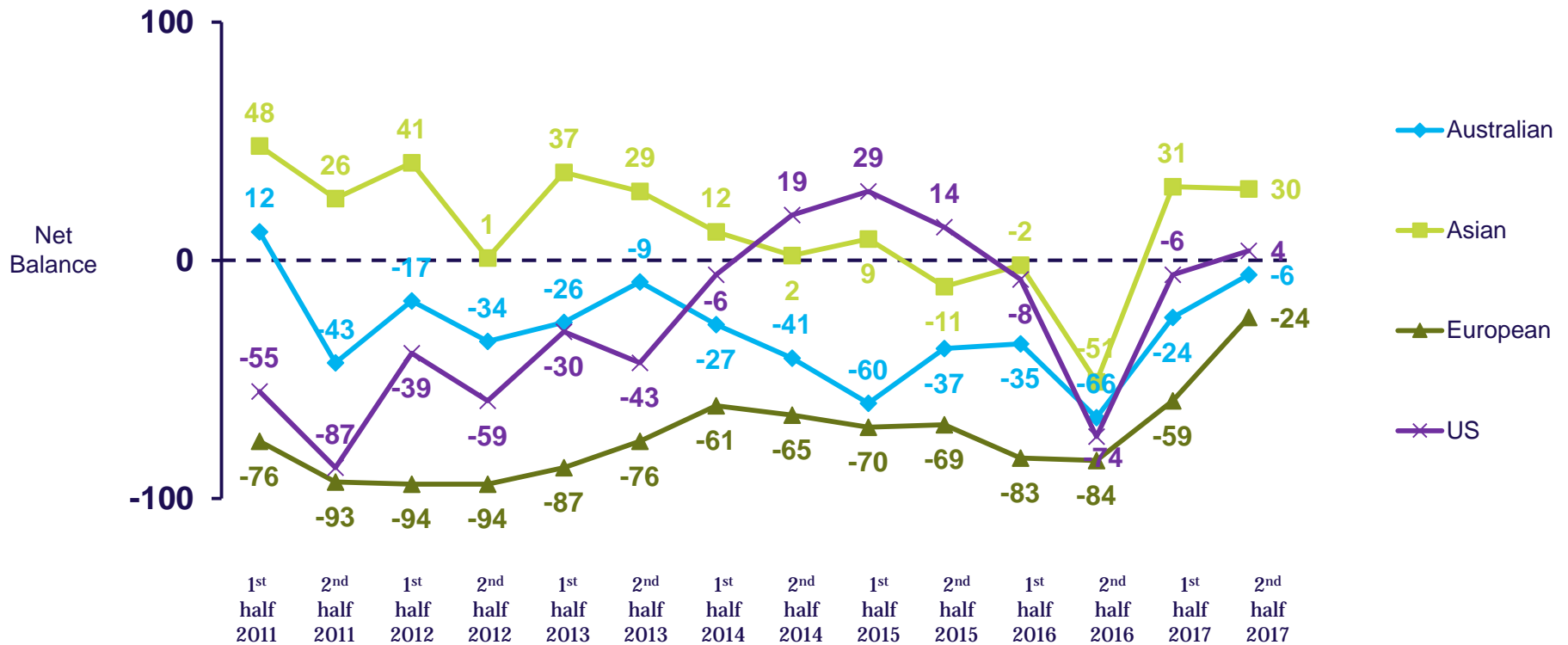
Next 12 months health of economies (%)



Next 12 months health of economies – semi-annual trend

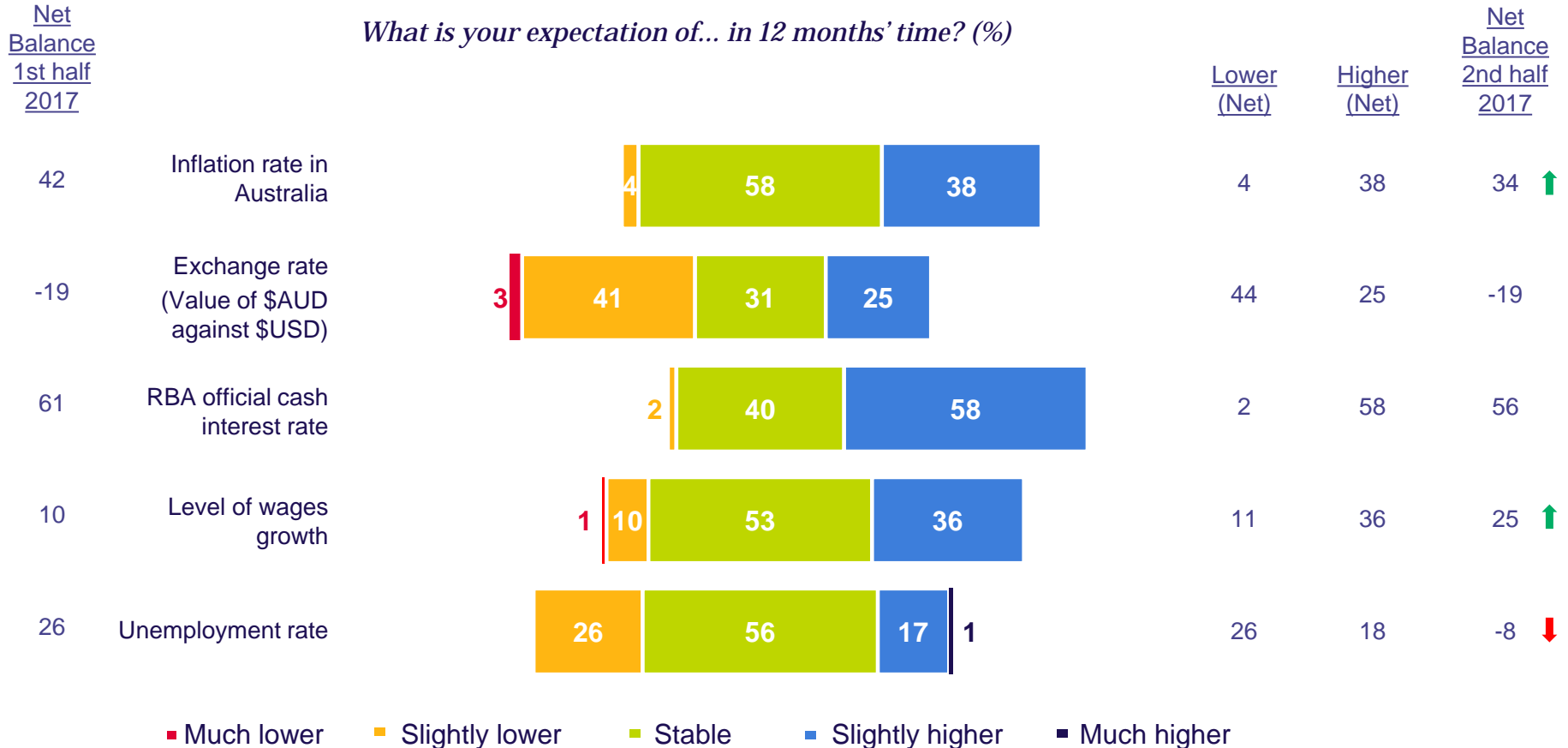
The outlook for world economies in the next 12 months is less pessimistic, continuing to recover in the second half of 2017. Asia is still predicted to be mostly strong and the US economy is regarded relatively positive, while Australia and Europe continue to be perceived as weak overall.

Next 12 months health of economies – semi-annual trend (net balance)



Economic indicators (Australia) – expectation in next 12 months

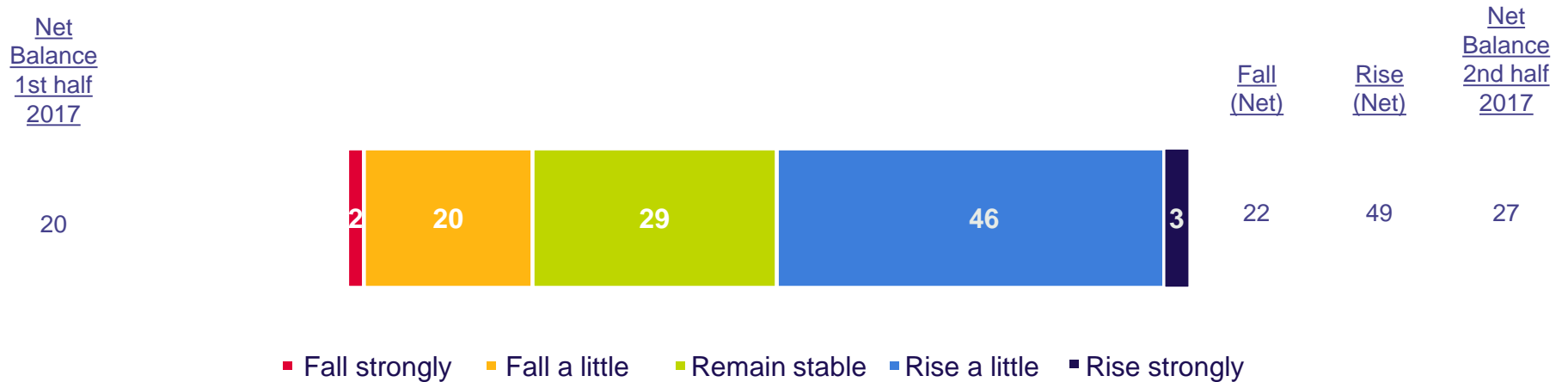
Directors expect an increase in inflation, wages and the cash rate in the next 12 months. A lower unemployment rate is expected in the next 12 months, with 26 per cent of directors expecting it to be lower.



Expected change to ASX All Ordinaries index - next 12 months

Expectations regarding the ASX All Ordinaries index have remained optimistic, with 49 per cent of directors expecting the index to rise in the next 12 months.

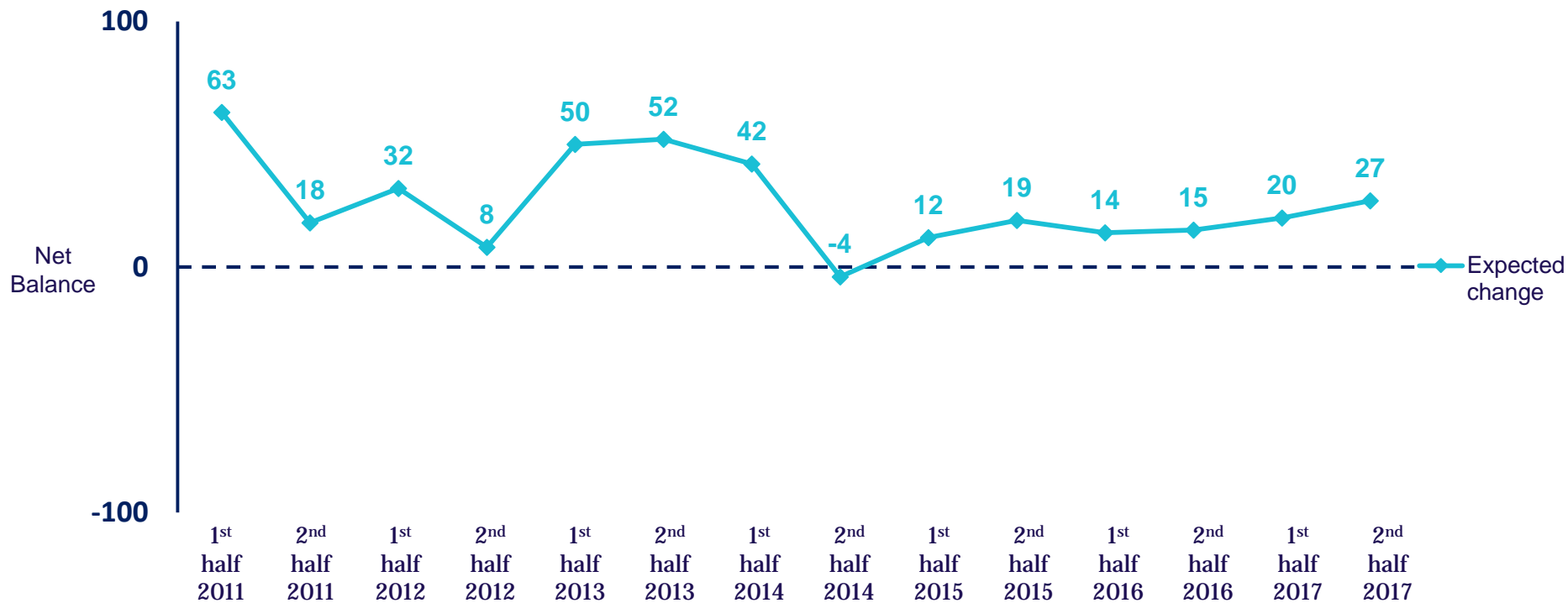
Expected change to ASX All Ordinaries index – next 12 months (%)



Expected change to All Ordinaries index: next 12 months – trend

Sentiment regarding the ASX All Ordinaries index for the coming year continues to edge upwards in the second half of 2017.

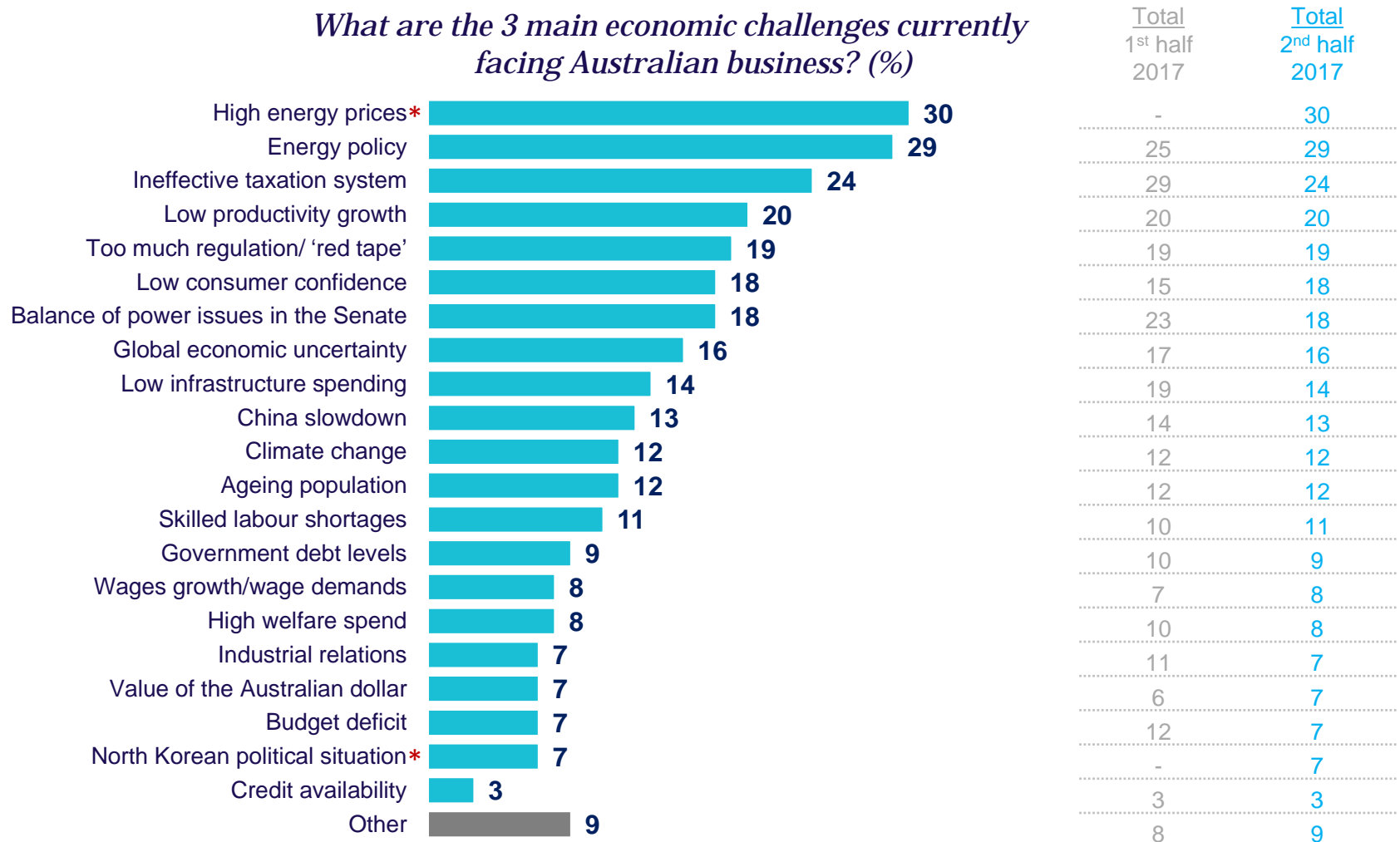
Expected change to ASX All Ordinaries index: next 12 months – semi-annual trend (net balance)



Main current economic challenges (Top 3)

High energy prices is viewed by directors as the biggest economic challenge currently facing Australian business in the second half of 2017, followed by energy policy and an ineffective taxation system.

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

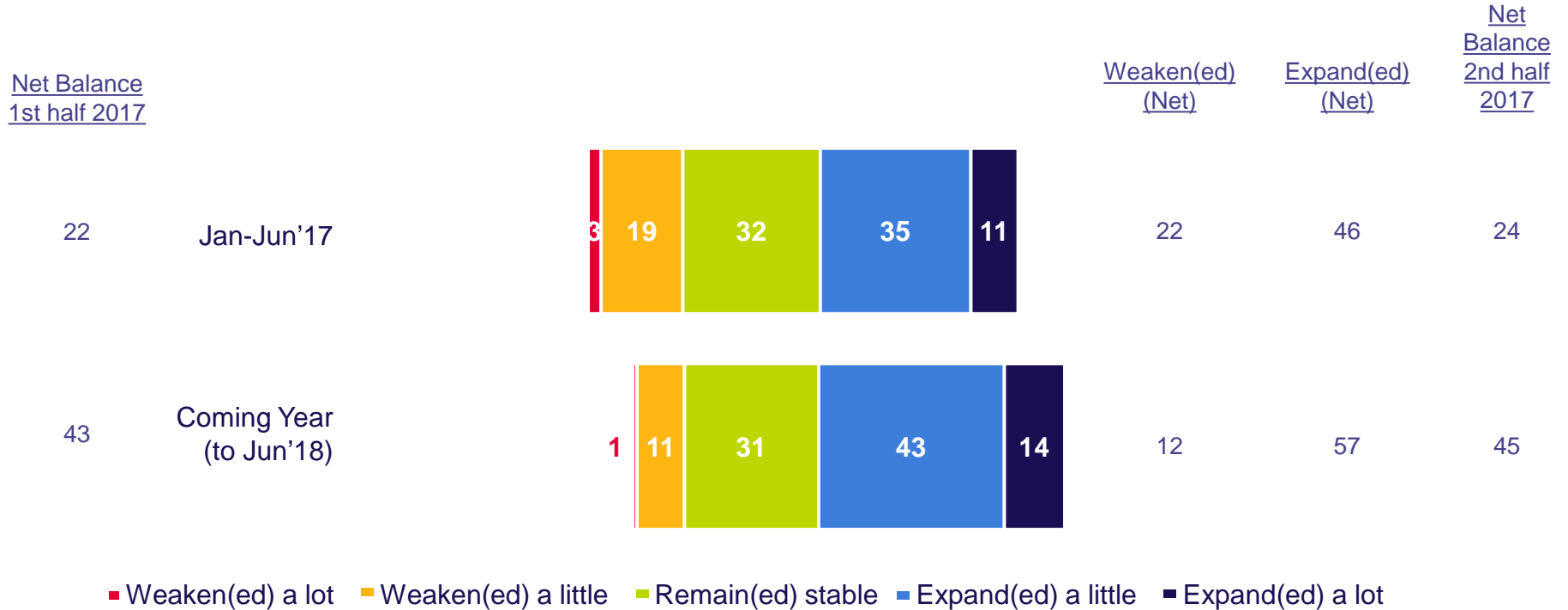


Business Forecast

Growth of the business (primary directorship company)

Directors continue to feel optimistic about the growth of their business, with 57 per cent of directors expecting growth in the coming year.

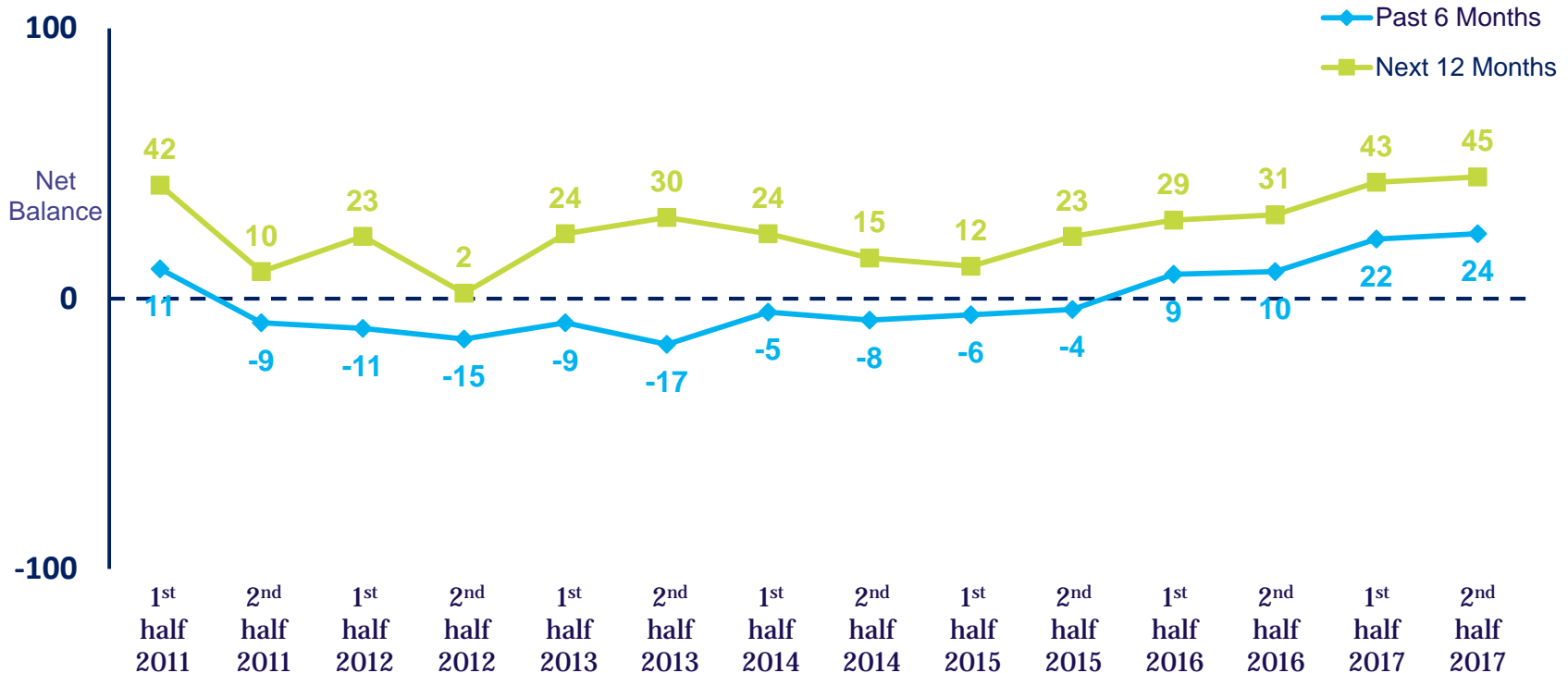
Growth of the business – past and future (%)



Past and future growth of business – semi-annual trend

Directors' optimism regarding past and future business growth continues its upward trend since the second half of 2015.

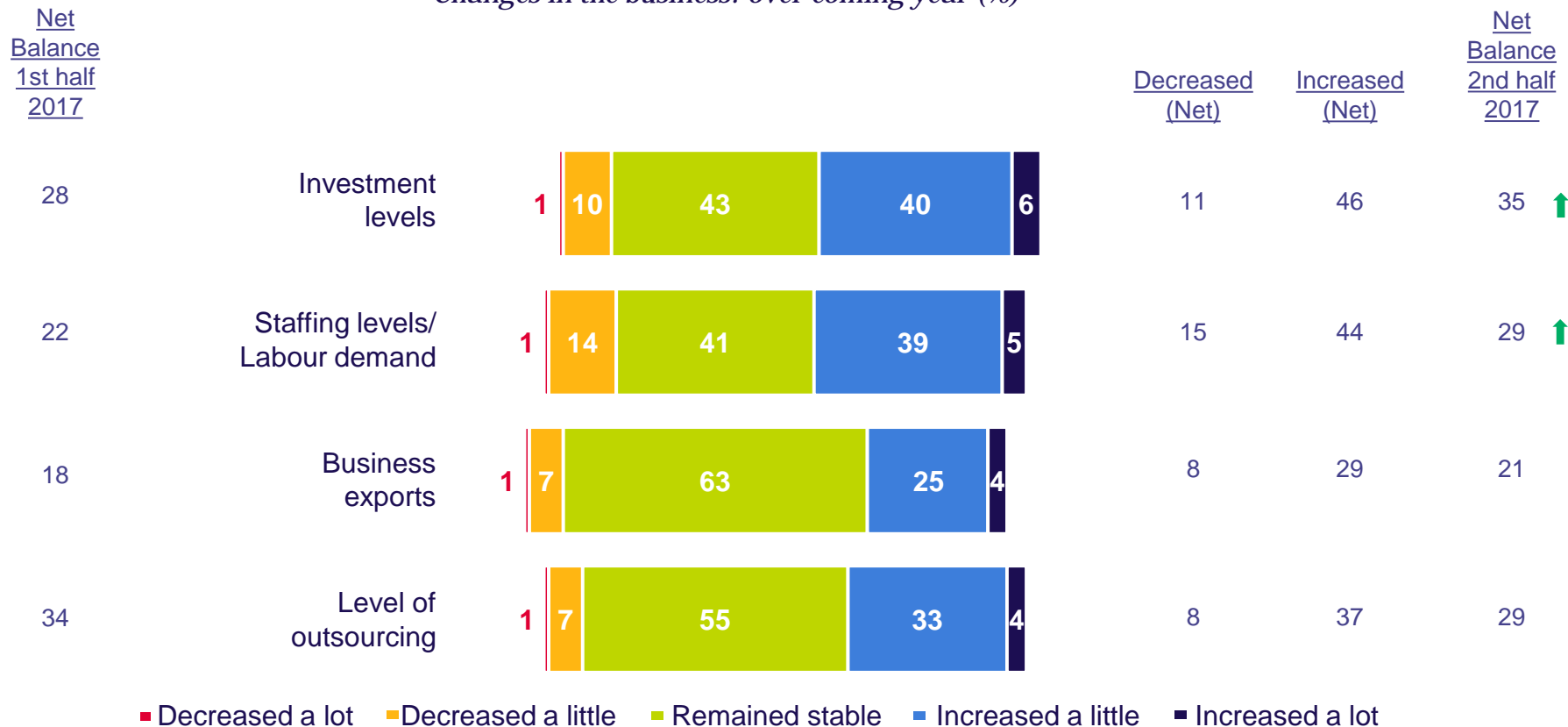
Growth of business (past 6 months and next 12 months) – semi-annual trend
(net balance)



Changes in the business – coming year

Directors continue to be optimistic about the changes in their business over the coming year. There is increased optimism around investment levels and staffing levels/labour demand over the coming year (to June 2018).

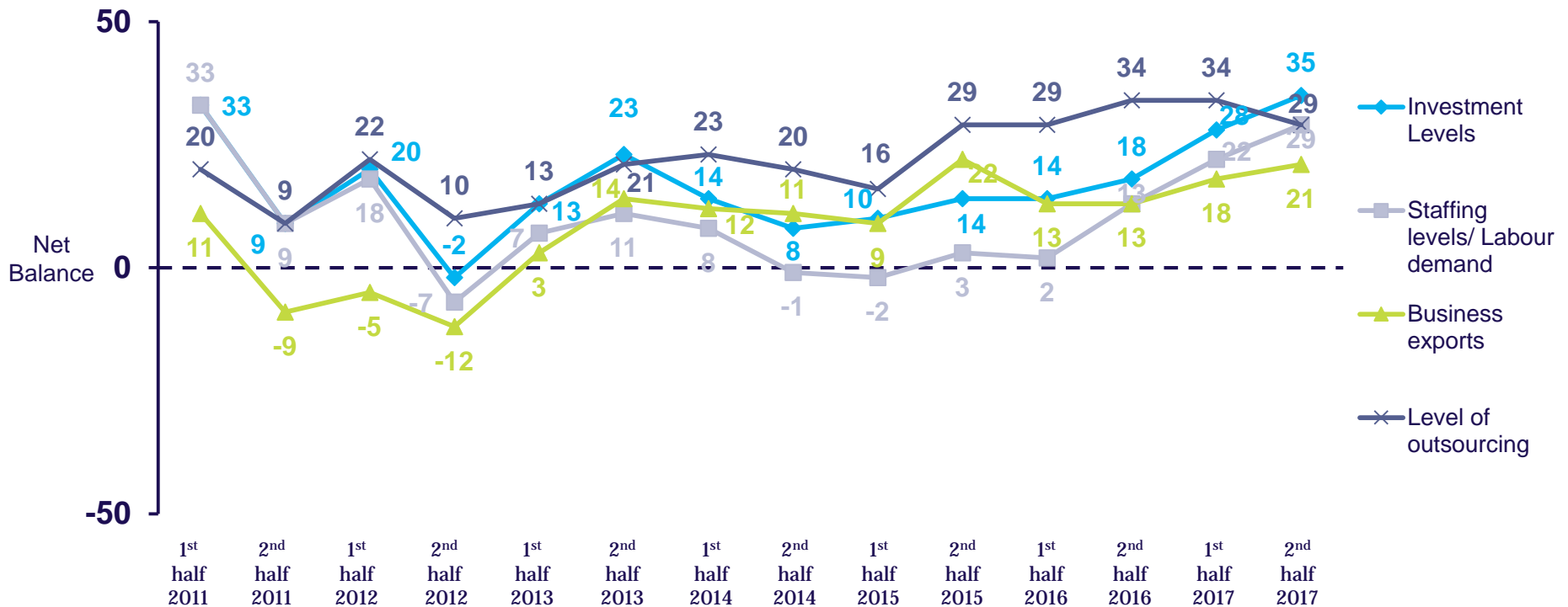
Changes in the business: over coming year (%)



Changes in the business: over coming year – semi-annual trend

Sentiment around changes in the business have increased in optimism in the second half of 2017, except for the level of outsourcing which has dropped slightly to the same level as the first half of 2016.

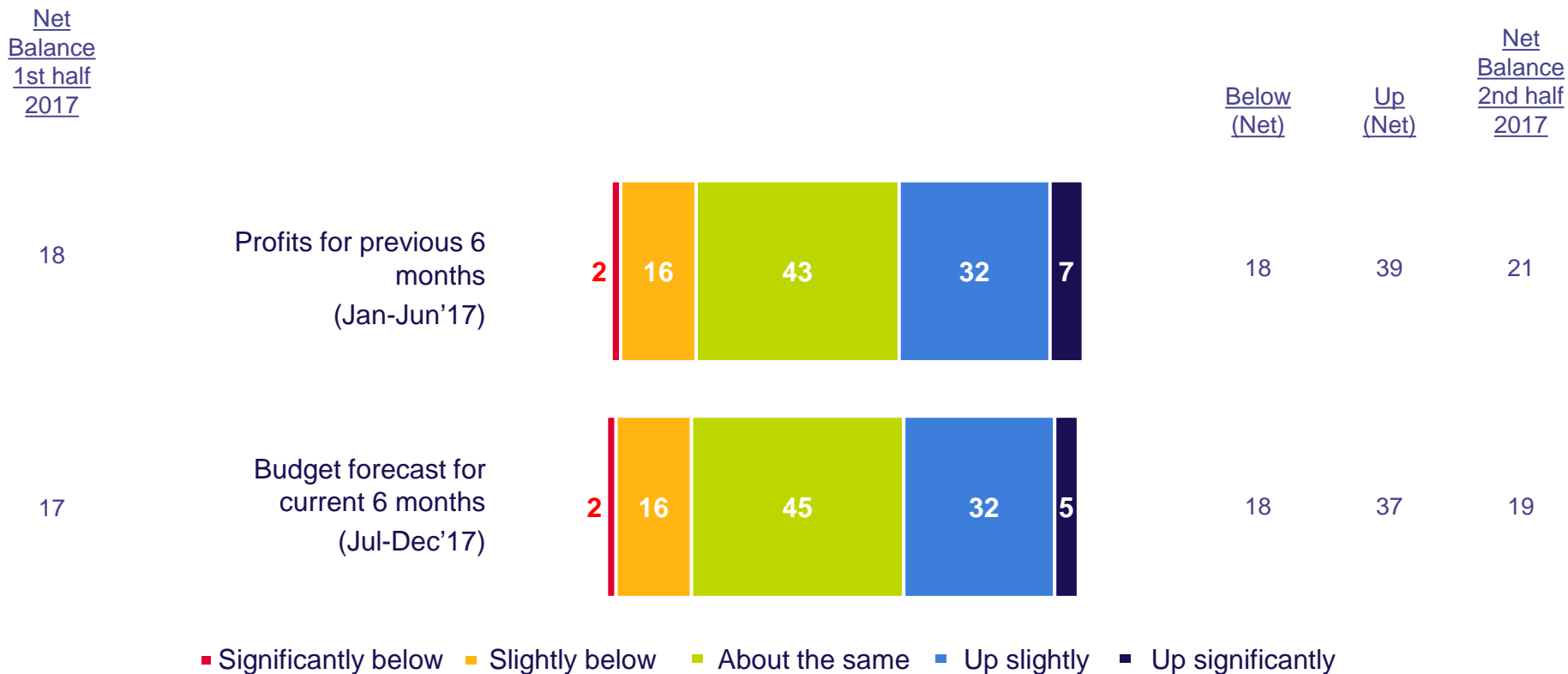
Changes in the business: over coming year – semi-annual trend (net balance)



Profits for current six months compared to...

No change in sentiment around actual profits for the current budget forecast, with 39 per cent of directors expecting an increase in profits for the current six months.

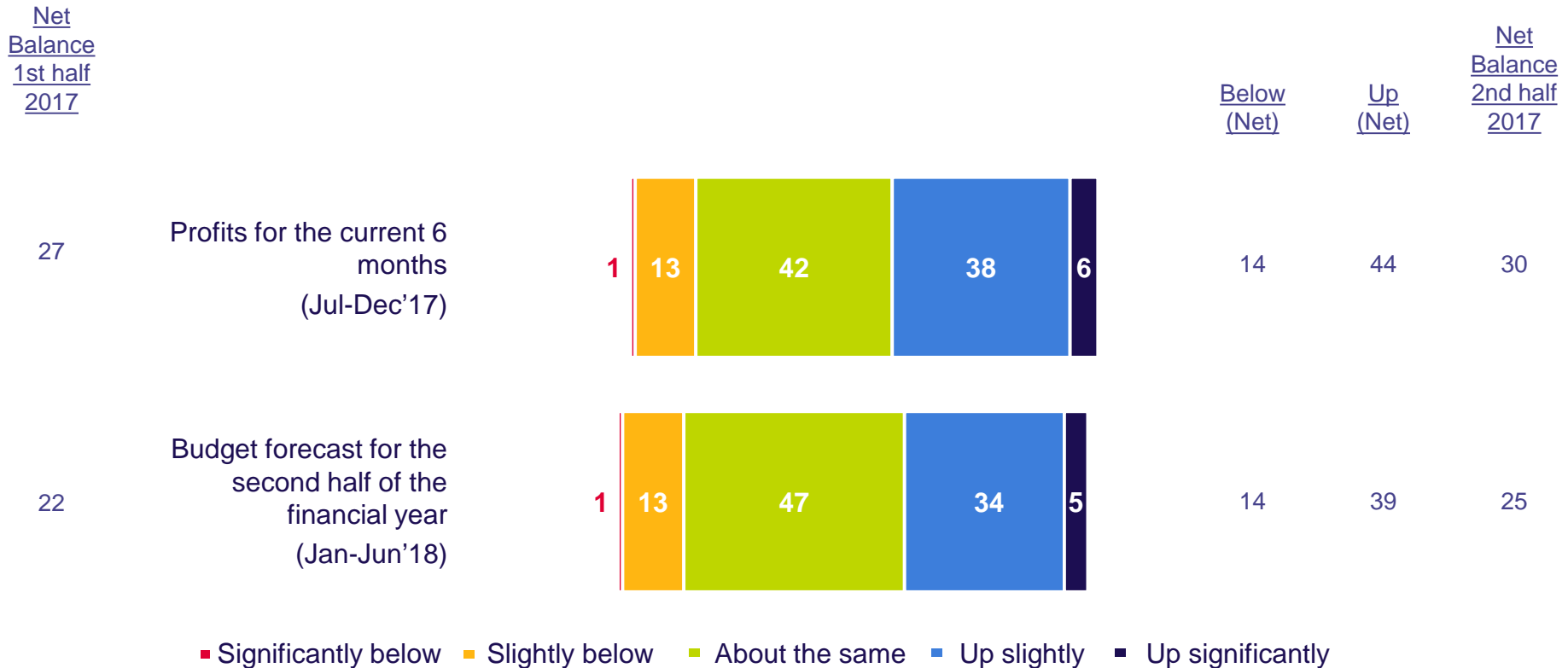
Actual profits for the current six months (Jul-Dec'17) compared to... (%)



Profits for second half of financial year compared to...

Expectations of profits for the second half of the financial year (Jan-Jun'18) are similar to the current six months, with 44 per cent of directors expecting an increase in profits.

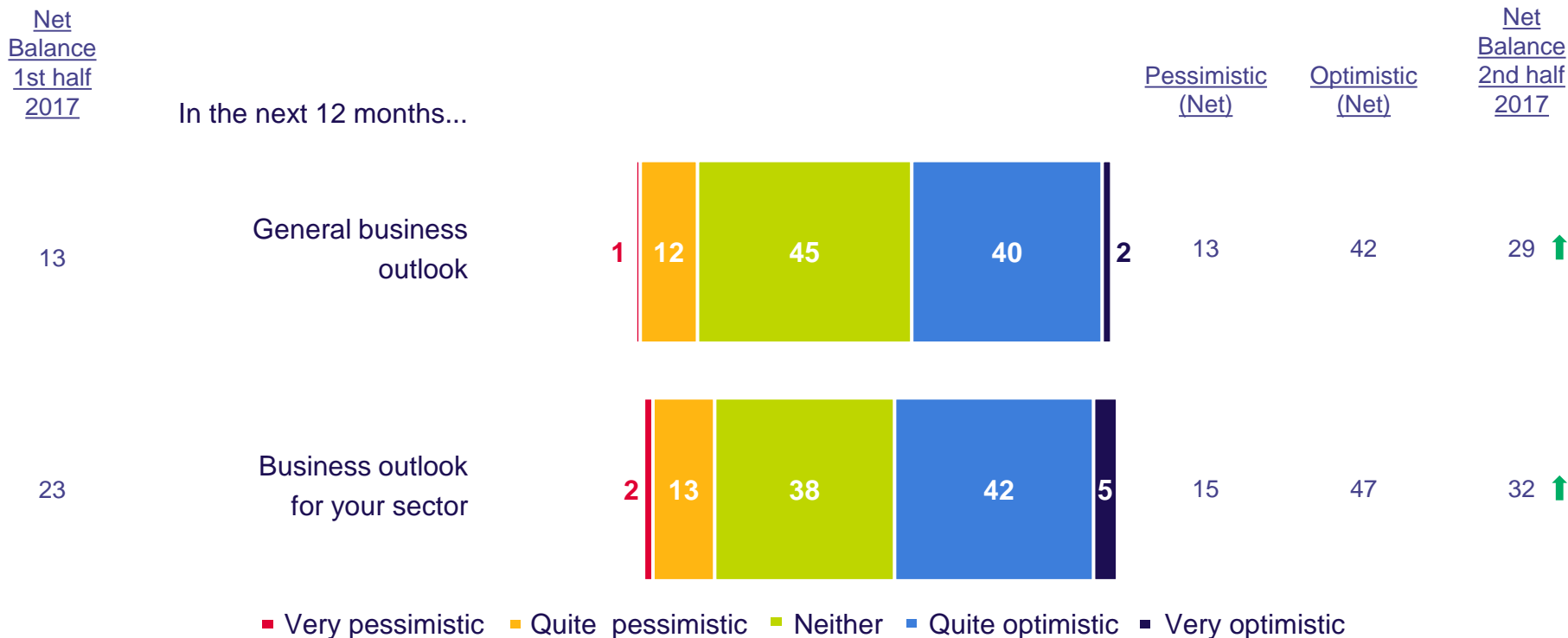
Expected profits for the second half of this financial year (Jan-Jun'18) compared to... (%)



Confidence in business outlook – next 12 months

Directors are increasingly optimistic about the business outlook in the next 12 months, with 42 per cent indicating they are optimistic about the general business outlook, and 47 per cent indicating they are optimistic regarding the outlook for their sector.

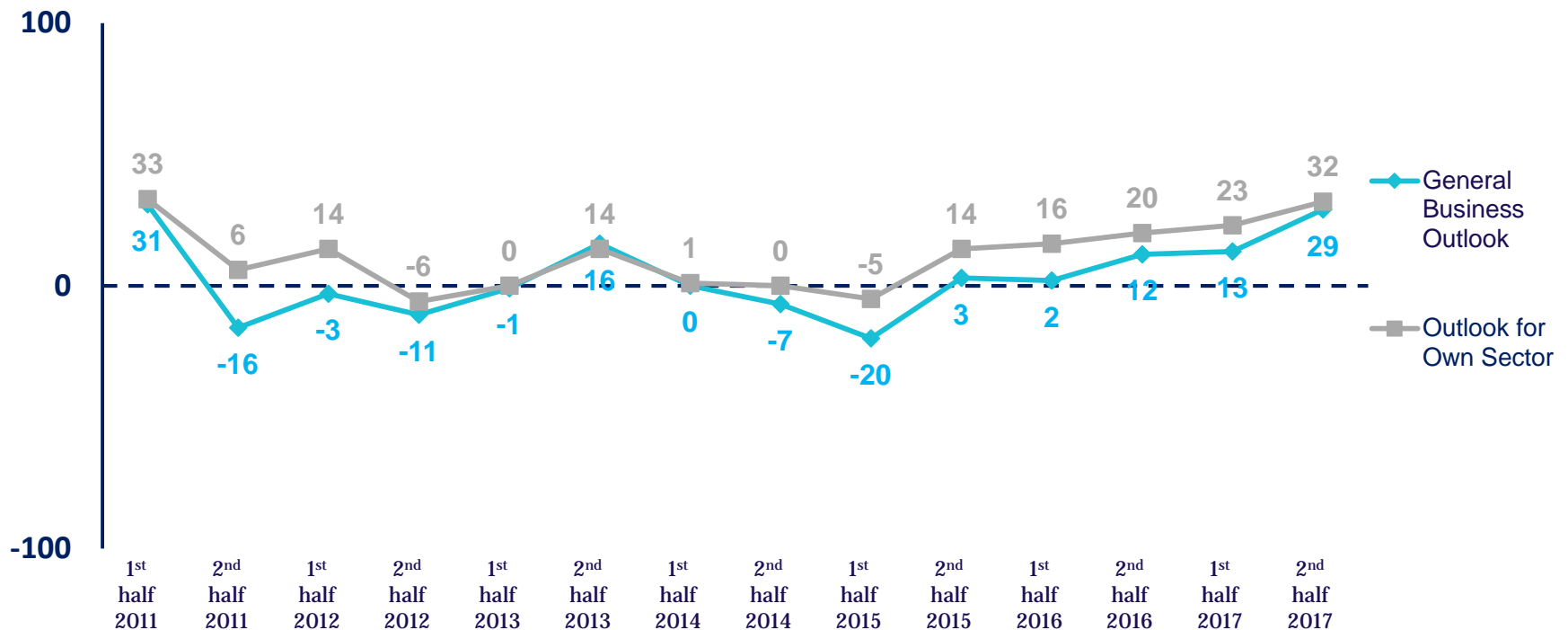
Confidence in business outlook – general and sector – next 12 months (%)



Confidence in business outlook: next 12 months – semi-annual trend

There has been an upward trend in directors' optimism regarding the overall business outlook since the first half of 2015, with this continuing to build up in the second half of 2017.

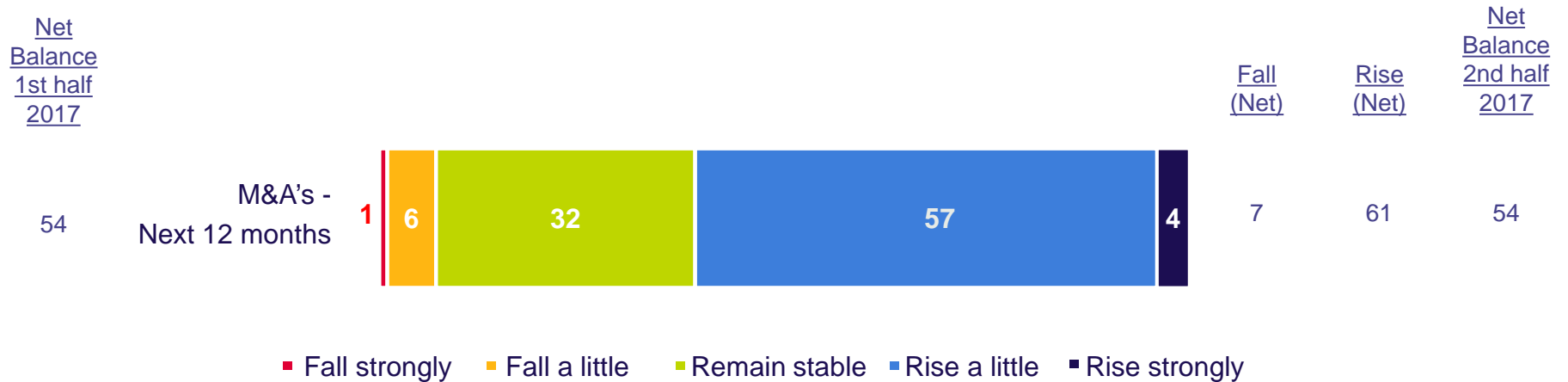
Confidence in business outlook: next 12 months – semi-annual trend (net balance)



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

Remaining stable from the first half of 2017, 61 per cent of directors expect a rise in the level of mergers and acquisitions over the coming year.

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



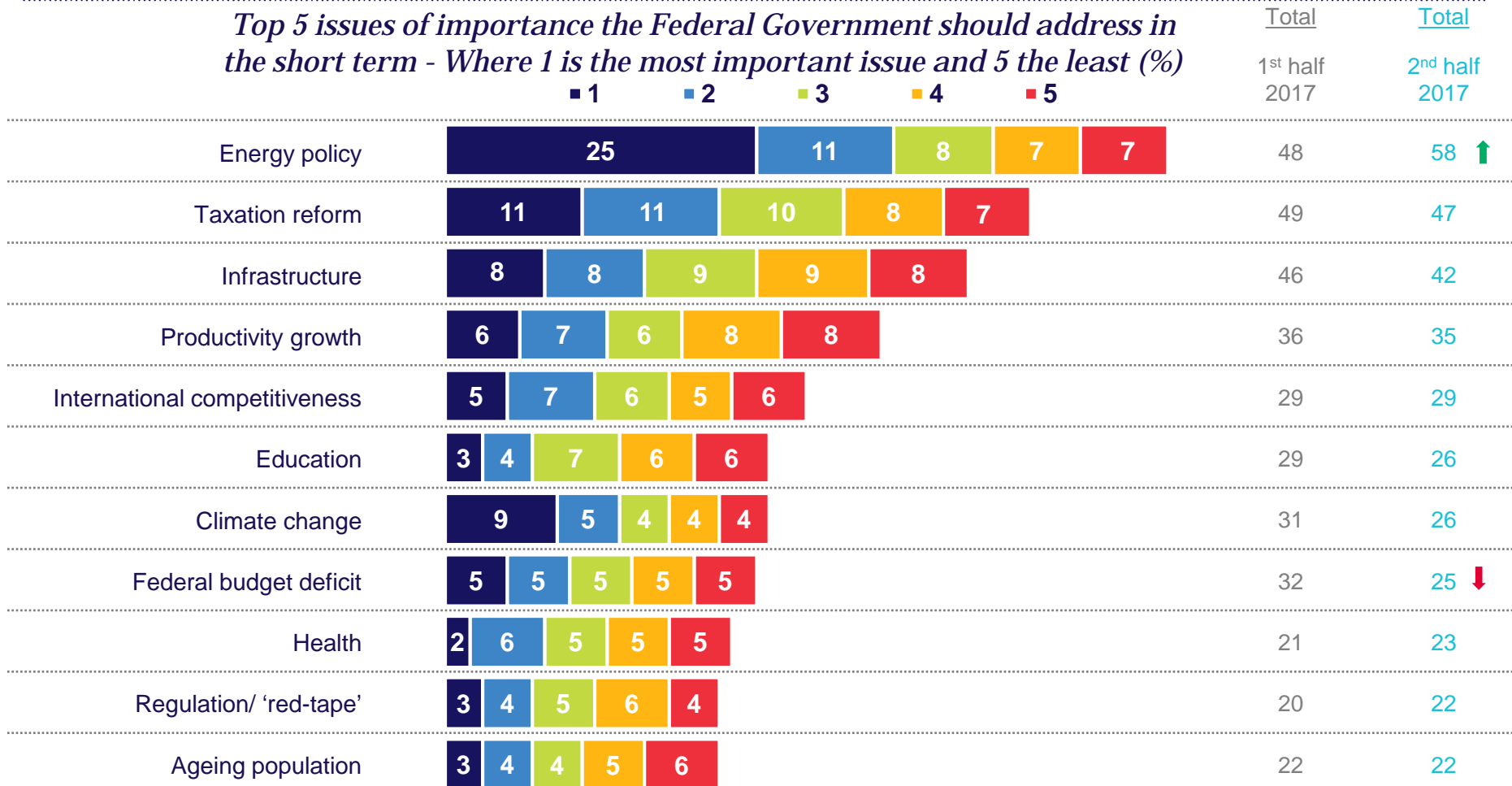
Government Policy

Budgetary

Issues federal government should address in short term (part 1)

Directors rate energy policy, taxation reform and infrastructure as the top priorities for the Federal Government to address in the short term. Energy policy has increased in importance compared to the first half of 2017.

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 (%)



Issues federal government should address in short term (part 2)

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 (%)

■ 1 ■ 2 ■ 3 ■ 4 ■ 5

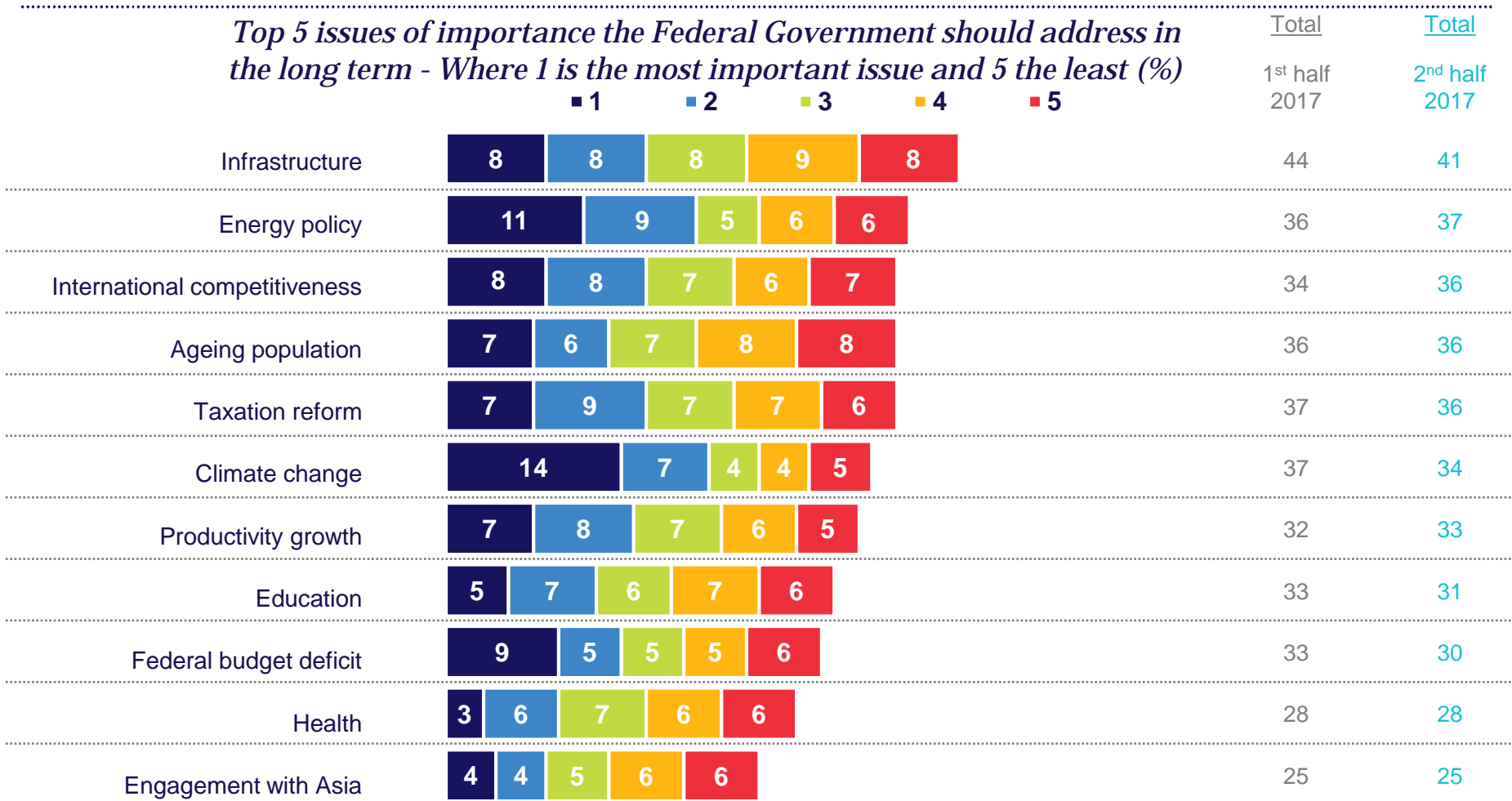
Total
1st half 2017
Total
2nd half 2017

Issue	1	2	3	4	5	Total 1st half 2017	Total 2nd half 2017
NBN rollout	4	5	5	3	4	17	21
Industrial Relations	2	4	4	4	4	19	18
Indigenous disadvantage	1	3	3	4	5	12	16
Engagement with Asia	1	3	4	4	4	18	16
Lack of skills in workforce/ skills shortages	3	3	4	3	3	14	16
Size of the Federal Government	2	3	2	3	4	14	14
Foreign ownership	2	2	2	2	3	13	11
Superannuation	1	1	2	2	2	11	8
Skilled immigration	1	1	1	2	2	4	7
Border protection	1	1	1	2	2	7	7
Defence	1	1	1	1	2	3	6
Childcare policies	1	1	2			4	4

Issues federal government should address in long term (part 1)

Directors continue to rate infrastructure as the top long term priority the federal government should address, followed by energy policy, international competitiveness, ageing population and taxation reform.

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 (%)



Issues federal government should address in long term (part 2)

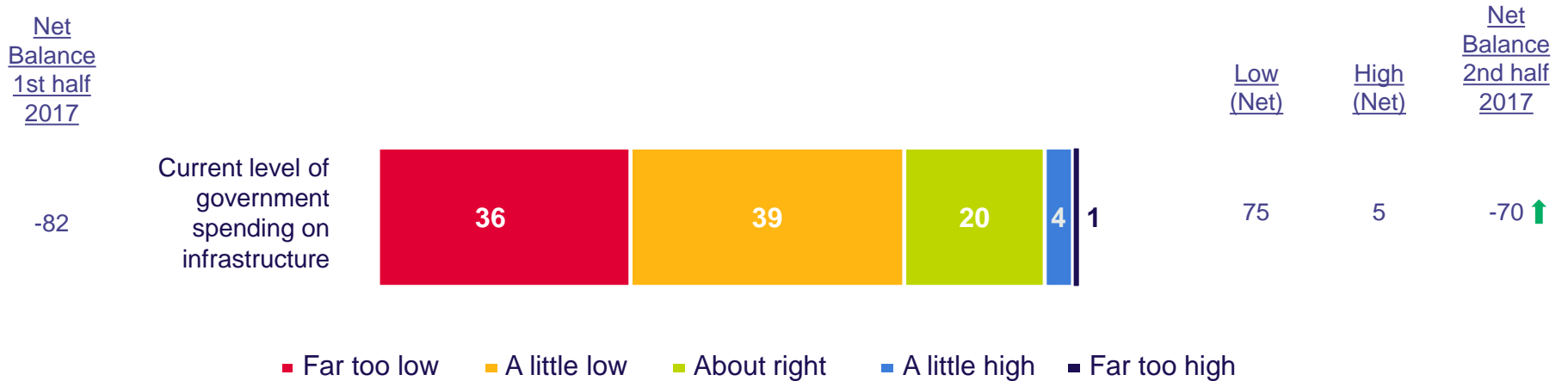
Top 5 issues of importance the Federal Government should address in the long term - Where 1 is the most important issue and 5 the least (%)

	■ 1	■ 2	■ 3	■ 4	■ 5	Total 1st half 2017	Total 2nd half 2017
Indigenous disadvantage	2	3	4	4	4	15	17
Regulation/ 'red-tape'	2	4	5	3	3	18	17
Lack of skills in workforce/ skills shortages	2	3	4	3	3	14	15
Size of the Federal Government	3	3	3	2	4	14	15
Industrial Relations	1	2	3	5	3	15	14
Foreign ownership	2	2	2	3	3	13	12
Superannuation	1	2	2	2	2	11	9
Defence	1	2	2	2	2	7	9
Skilled immigration	2	1	2	3		4	8
Border protection	1	1	1	2	3	7	8
NBN rollout	1	1	1	1	1	6	5
Childcare policies	1	1	1			3	3

Current level of government spending on infrastructure

Sentiment regarding the level of government spending on infrastructure is less pessimistic, with 75 per cent of directors maintaining the belief that government spending on infrastructure is too low.

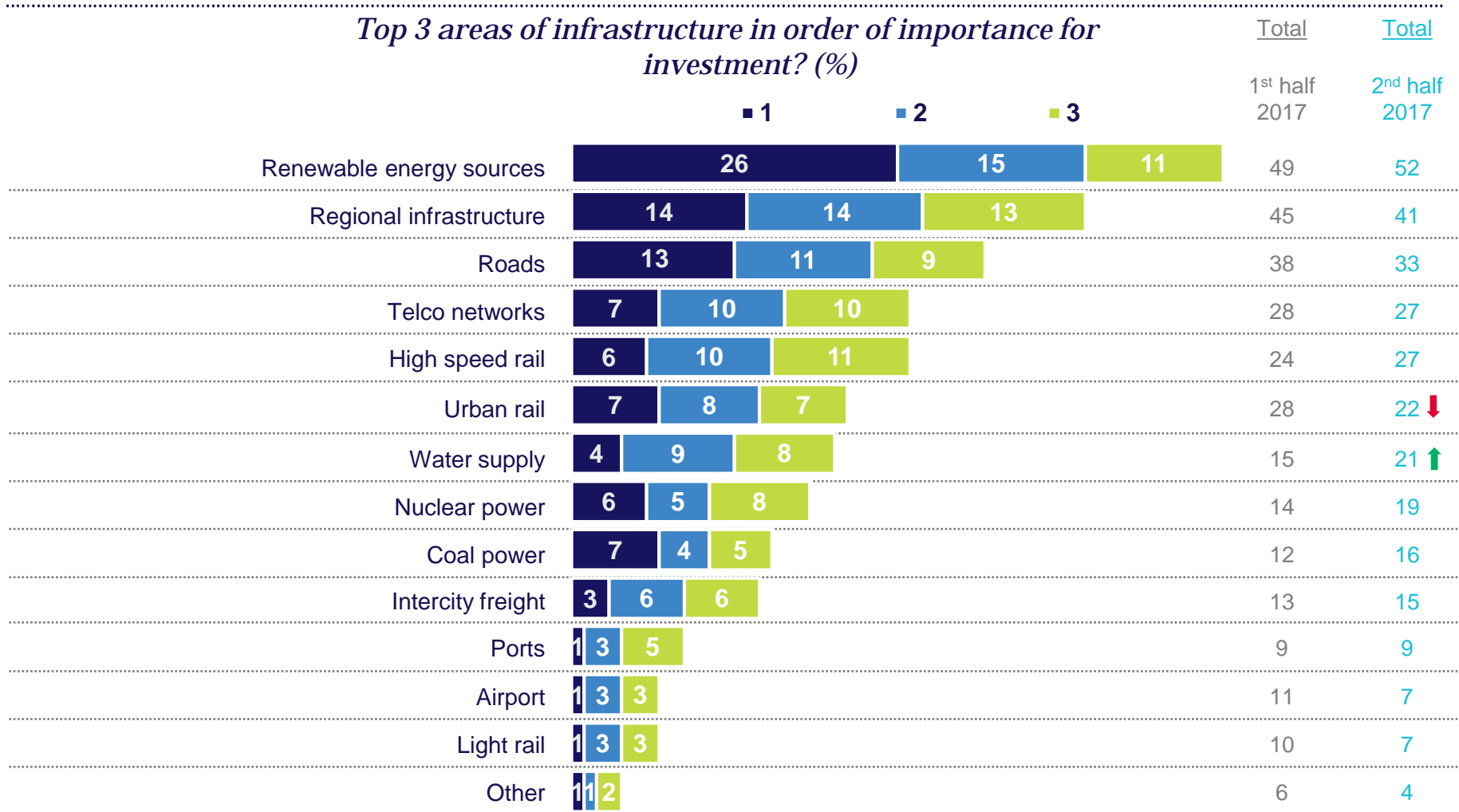
Opinion on current level of government spending on infrastructure (%)



Investment in Infrastructure (Top 3)

Fifty-two per cent of directors rate renewable energy sources as the top area of importance for infrastructure investment, followed by regional infrastructure and roads.

Top 3 areas of infrastructure in order of importance for investment? (%)



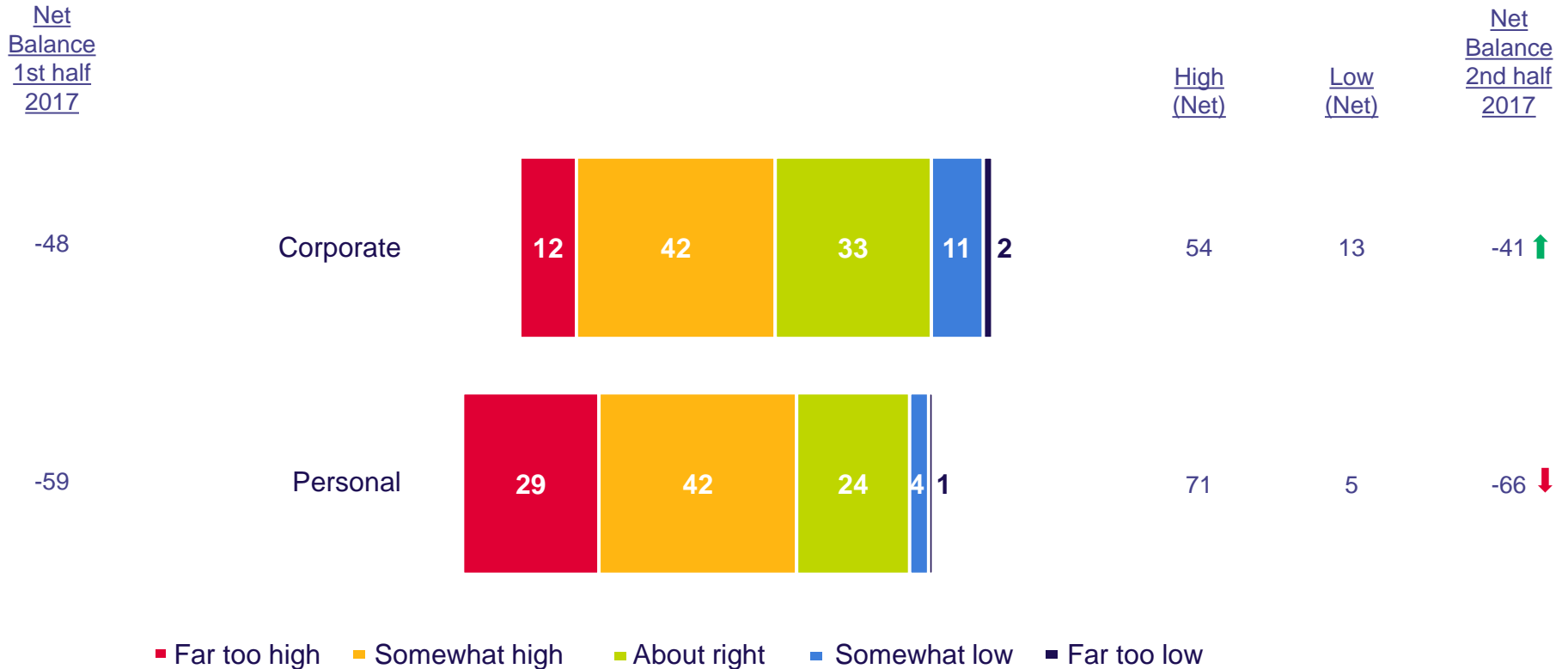
Government Policy

Taxation

Level of taxation in Australia

Directors are more pessimistic regarding the level of personal taxation in Australia in the second half of 2017, with 71 per cent holding the belief that it is too high. Fifty-four per cent of directors also view corporate tax as being too high, which is less pessimistic compared with the first half of 2017.

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



Reform of taxation system

Directors rated personal income tax, followed by company tax and multinational tax arrangements as the top three priorities for reform in any future comprehensive review of the current taxation system.

Top 3 priorities for reform in any future comprehensive review of the current taxation system (%)

		Total 1st half 2017	Total 2nd half 2017
Personal income tax	50	41	50 ↑
Company tax	47	51	47
Multinational tax arrangements, e.g. transfer pricing	43	43	43
State based taxes e.g. payroll tax	43	42	43
GST	36	39	36
Negative gearing	26	32	26 ↓
Superannuation taxation	22	21	22
Capital gains tax	18	20	18
Tax arrangement for NFPs	10	8	10
Dividend imputation	1	1	1

Government Policy

Regulation

Main measures to lift national productivity

Directors continue to rate less focus on short termism as the top measure for lifting national productivity, followed by more infrastructure spending and broad-based tax reform.

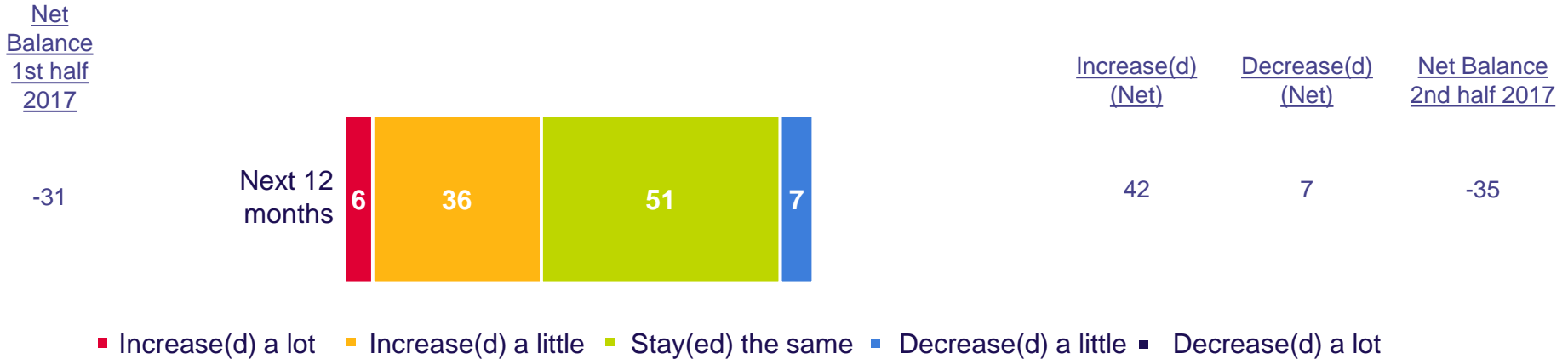
Main measures to lift national productivity (%)

		Total 1st half 2017	Total 2nd half 2017
Less focus on short termism	46	49	46
More infrastructure spending	33	33	33
Broad-based tax reform	32	33	32
A greater focus on fostering innovation	31	31	31
Better standards of education	28	27	28
Faster adoption of technology	25	26	25
Improved relations between the Commonwealth and the States/Territories	25	21	25
Industrial relations reform	23	25	23
More efficient transport networks	22	21	22
Lower company tax rates	14	17	14
Lower government spending	6	6	6
A lower exchange rate	6	4	6
More competition from offshore	2	2	2
Interest rate cuts	2	2	2
Other (please specify)	3	3	3

Level of 'red-tape' in next 12 months

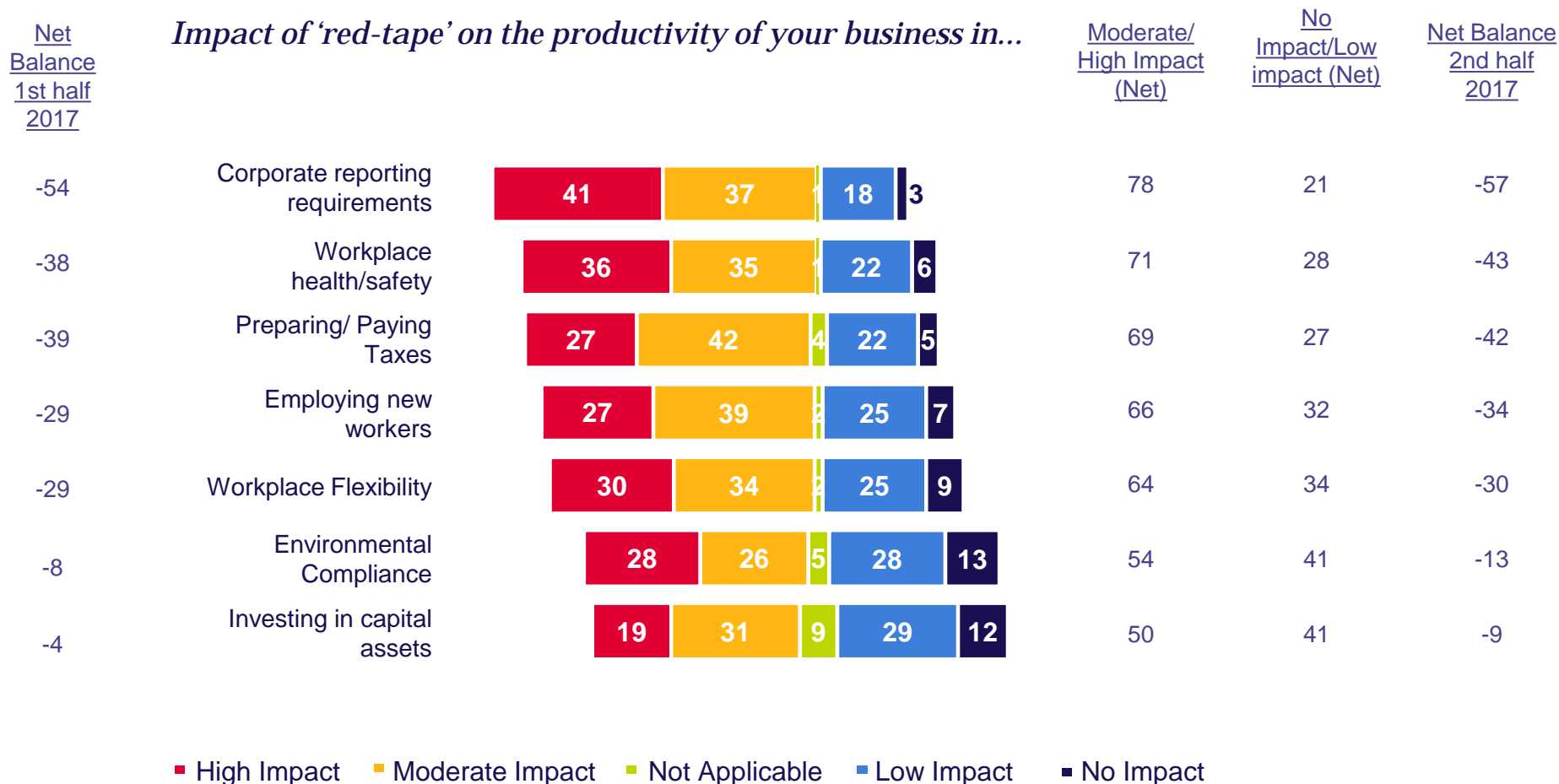
Directors continue to feel pessimistic regarding the level of 'red-tape' in the next 12 months, with 42 per cent expecting an increase.

Level of 'red-tape' – next 12 months



Impact of 'red-tape' on business productivity

Seventy-eight per cent of directors identify corporate reporting requirements as the aspect of their business most affected by 'red-tape'. This is followed by workplace health/safety and preparing/paying taxes.



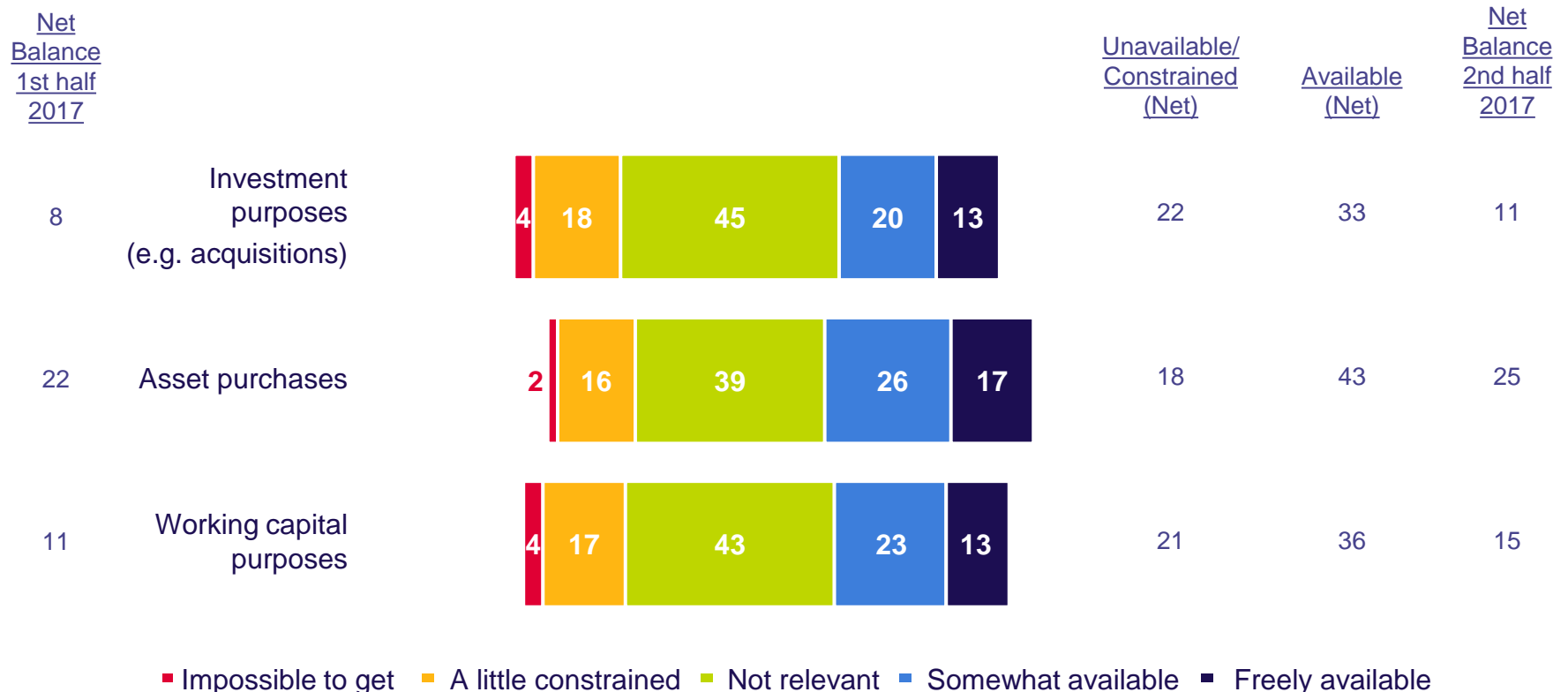
Government Policy

Credit Availability

Credit availability for business – Jan-Jun'17

Sentiment around credit availability for businesses over the past six months has remained similarly optimistic compared to the first half of 2017.

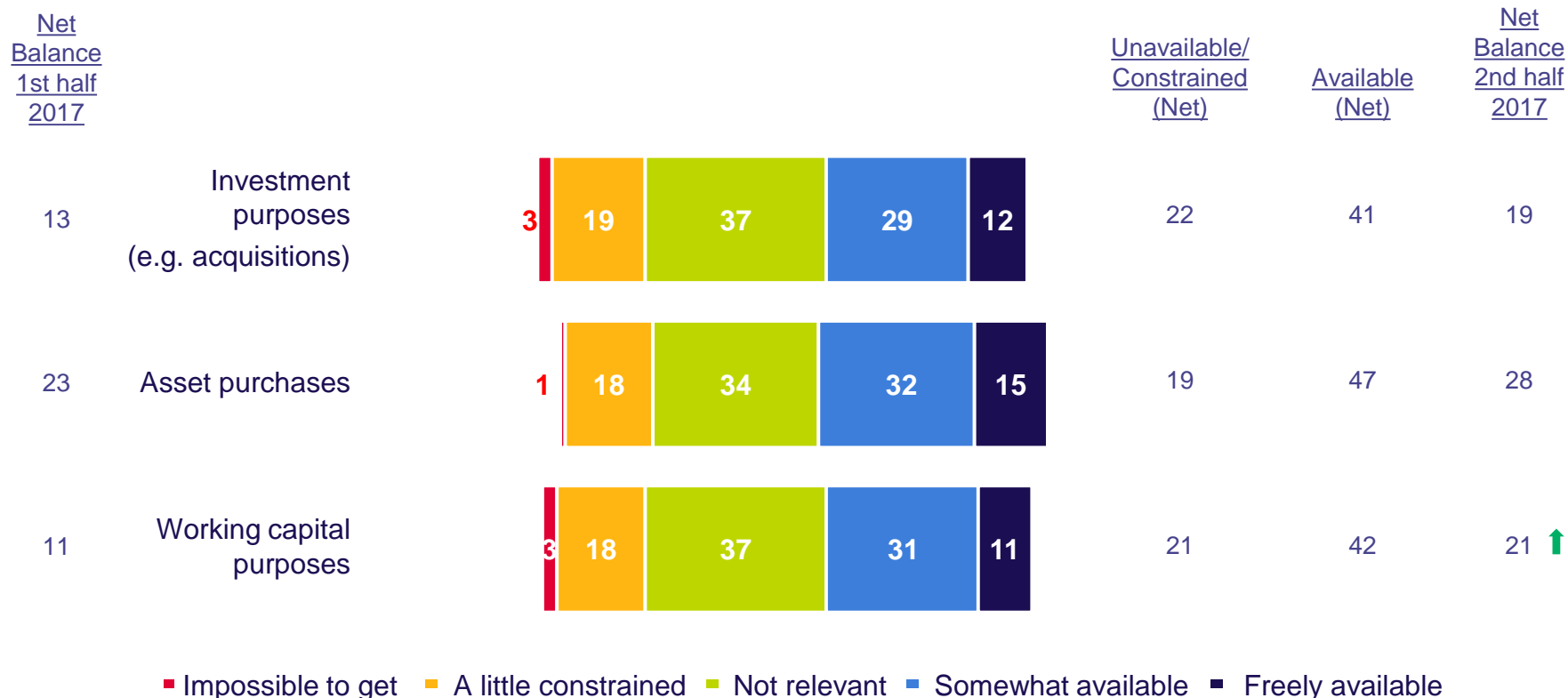
Credit availability for business – Jan-Jun'17(%)



Credit availability for business – next 12 months

Expectations of credit availability in the future have become more optimistic, with 47 per cent of directors predicting that credit for asset purchases will be somewhat or freely available over the coming year, and 41 per cent expecting the same regarding credit for investment purposes and working capital purposes.

Credit availability for business - next 12 months (%)



Government Policy

Industrial Relations









Priority of industrial relations reform

Forty-two per cent of directors continue to advise the government to pursue significant industrial relations reform following an electoral mandate. The key priority for industrial relations reform is individual workplace arrangements and the enterprise bargaining system.

Extent to which Federal Government should pursue industrial relations reform (%)

	1 st half 2017	2 nd half 2017
Significant reform in the next term of government, following an electoral mandate	39	42
Significant reform in the current term of government	30	23
No significant reform is required	31	35

Priority for industrial relations reform (%)

		Total 1 st half 2017	Total 2 nd half 2017
Individual workplace arrangements	 40	37	40
Enterprise bargaining system	 40	37	40
Modern award system	 38	41	38
Penalty rates	 32	38	32 ↓
Unfair dismissal laws	 32	29	32
National employment standards	 28	27	28
Union right of entry	 23	26	23
Public sector employment issues	 17	18	17
The minimum wage	 15	15	15
Migrant worker provisions	 14	10	14
Anti-bullying laws	 9	11	9
Other	 4	3	4

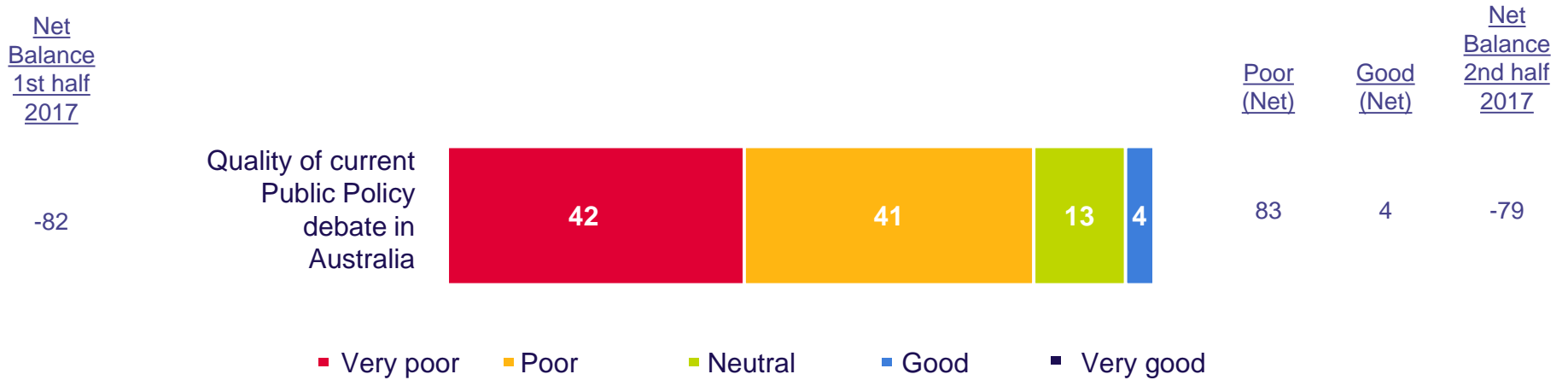
Government Policy

Public Policy

Quality of Public Policy debate

Similar to the first half of 2017, 83 per cent of company directors believe the current quality of public policy debate in Australia is poor.

Opinion on Public Policy debate (%)



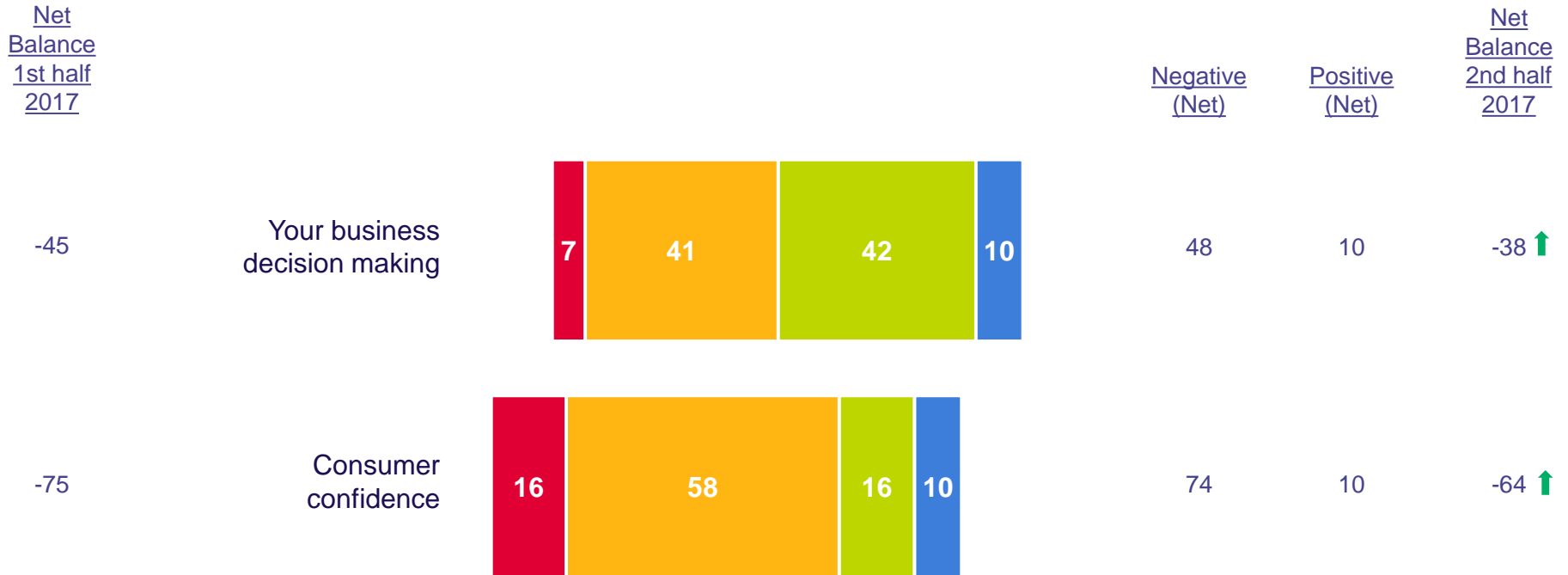
Government Policy

Performance & Business Understanding

Impact of Federal Government's performance on business

Compared to the first half of 2017, directors are less pessimistic about the effect of the Federal Government's current performance, with 74 per cent perceiving a negative effect on consumer confidence. Forty-eight per cent of directors view the current Federal Government's performance as having a negative effect on their business decision making.

Effect of current federal government's performance on... (%)

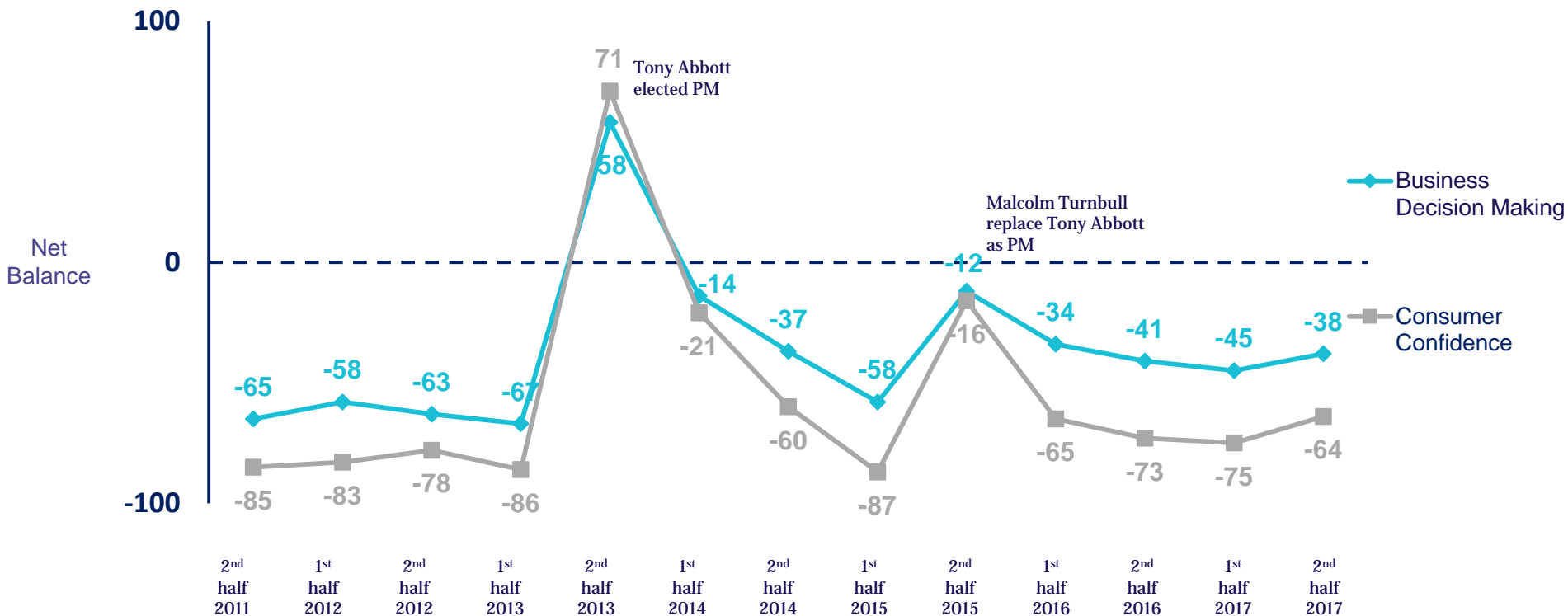


■ Very negatively ■ Somewhat negatively ■ No effect ■ Somewhat positively ■ Very positively

Impact of federal government on business – semi-annual trend

The effect of the Federal Government's performance on business decision making and consumer confidence is still pessimistic, but has recovered slightly in the second half of 2017.

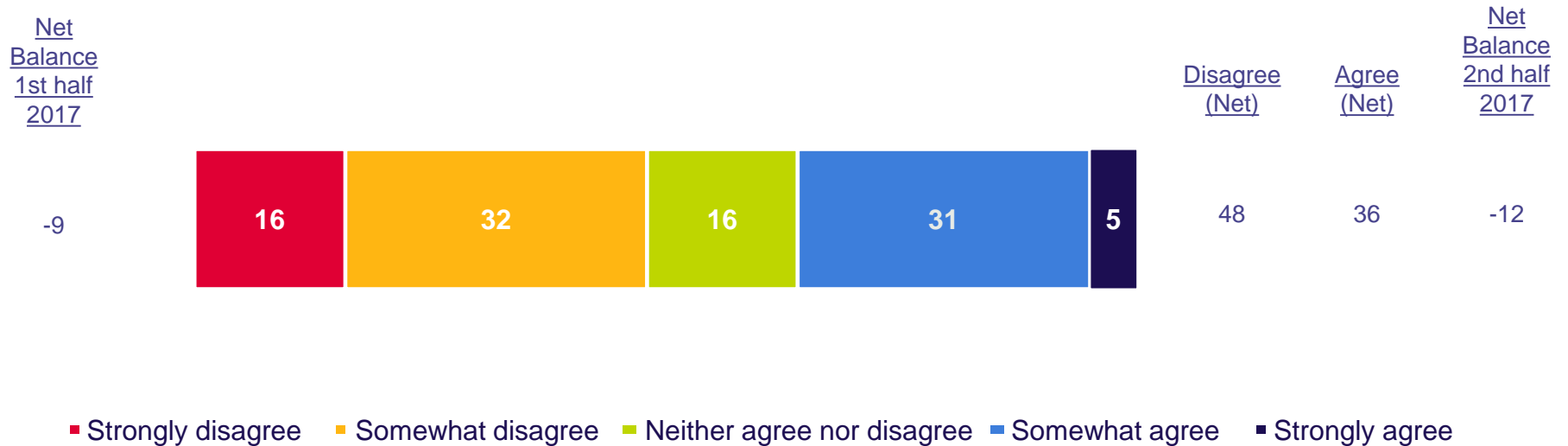
Federal government's performance affecting... – semi-annual trend (net balance)



Federal government understanding of business

Directors are still pessimistic about the Federal Government's understanding of business, with 48 per cent disagreeing that the current Federal Government understands business in the second half of 2017.

Does the current federal government understand business? (%)



Federal government understanding of business – semi-annual trend

The downward trend in sentiment continues from the second half of 2015 regarding the Federal Government's understanding of business.

Does the current federal government understand business? – semi-annual trend (net balance)



Senate's effect on business confidence

Eighty-one per cent of directors feel that the make up of the Senate is negatively affecting business confidence.

Senate's effect on business confidence (%)



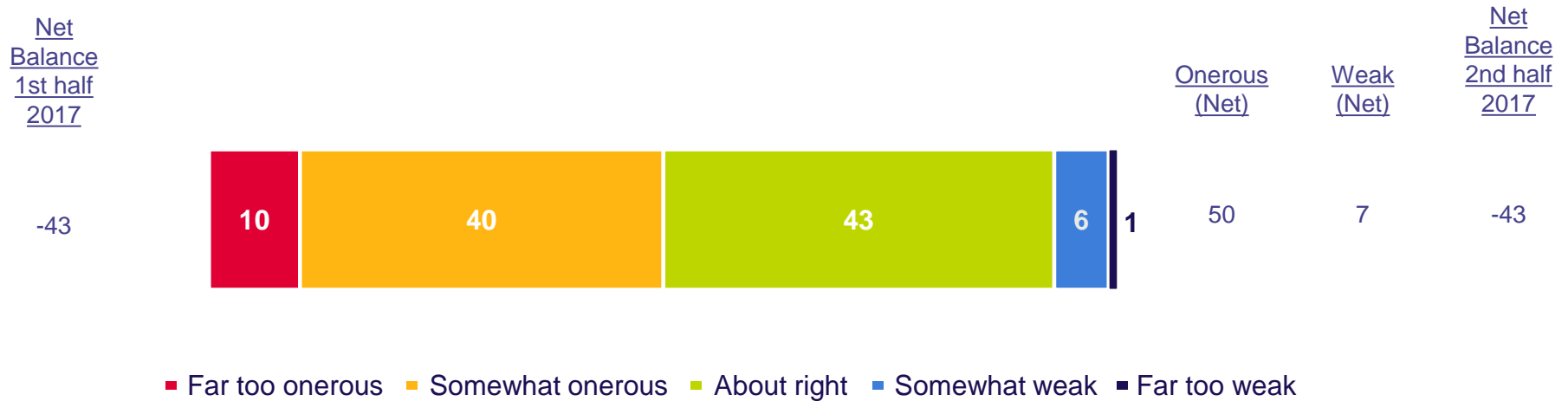
■ Very negatively
 ■ Somewhat negatively
 ■ No effect
 ■ Somewhat positively
 ■ Very positively

Key issues for Directors and Boards

Current governance regulations under the Corporations Act

Directors continue to feel pessimistic about current governance regulations, with 50 per cent perceiving them to be onerous.

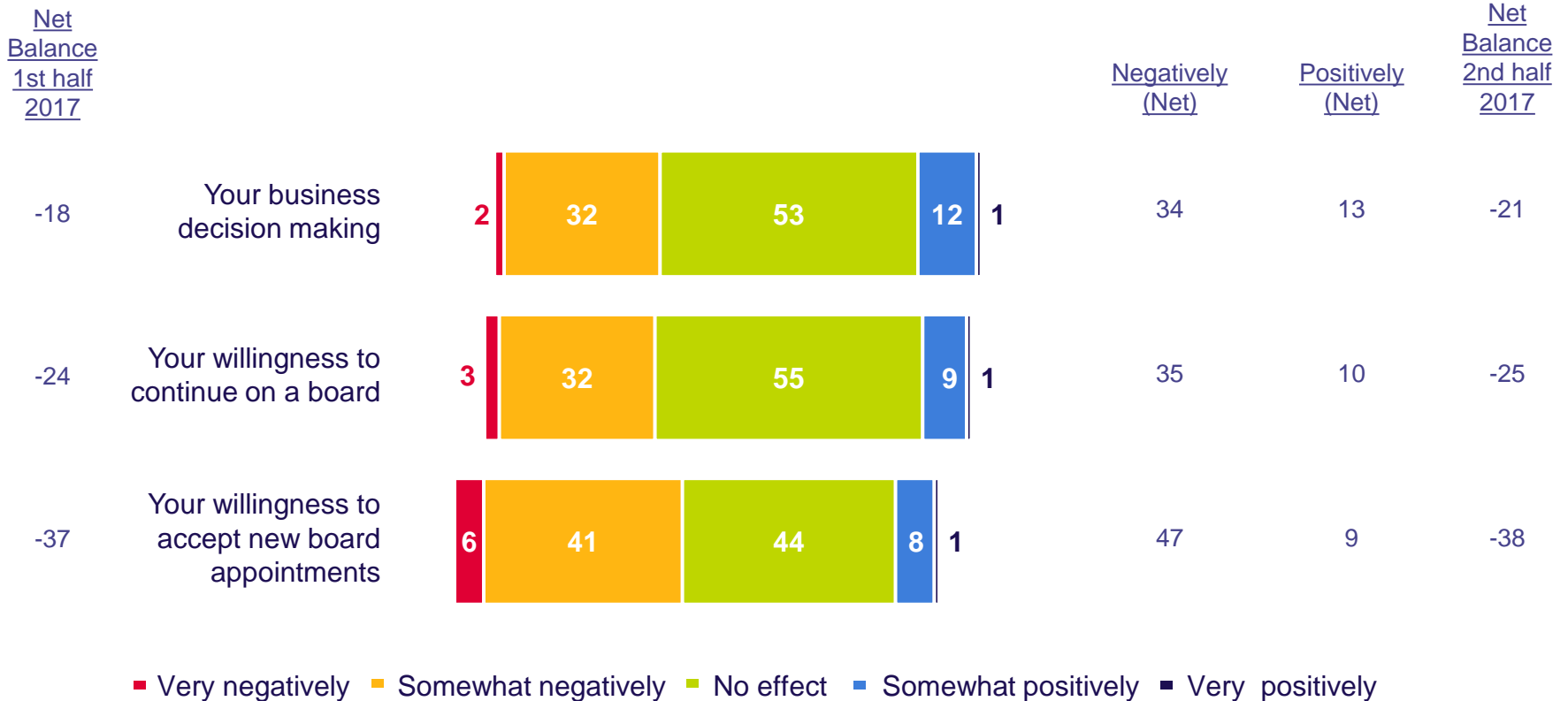
Are current governance regulations...? (%)



Impact of legislation on director liability

Directors continue to feel pessimistic about the impact of legislation on director liability in the second half of 2017. Thirty-four per cent of directors feel that it has negatively affected their business decision making, and 47 per cent feel it impacts negatively on their willingness to accept new board appointments.

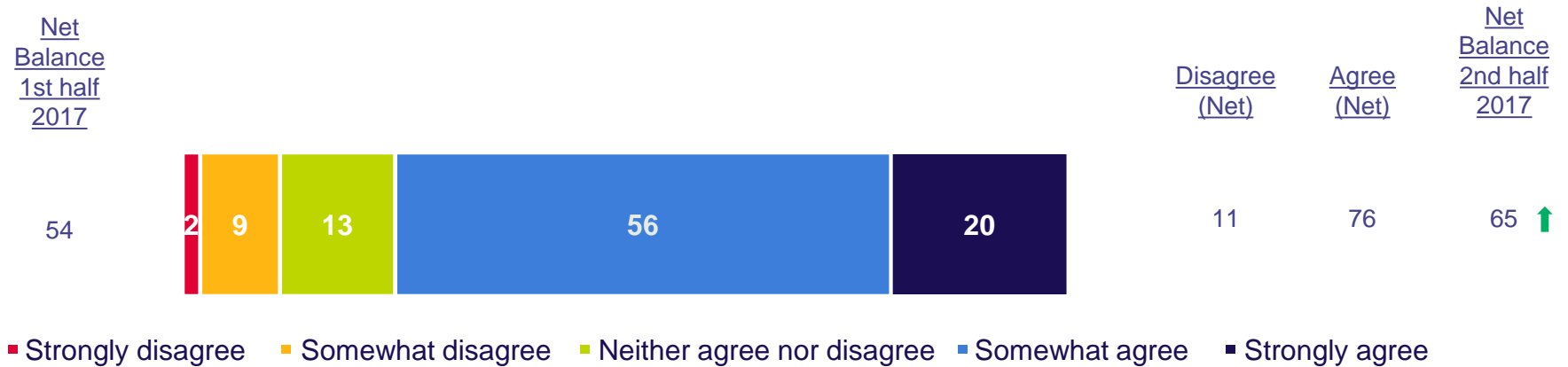
How legislation on directors' liability is affecting... (%)



Business decision making and risk aversion

Seventy-six per cent of directors perceive there to be a risk-averse decision-making culture on Australian boards, which is higher than the first half of 2017.

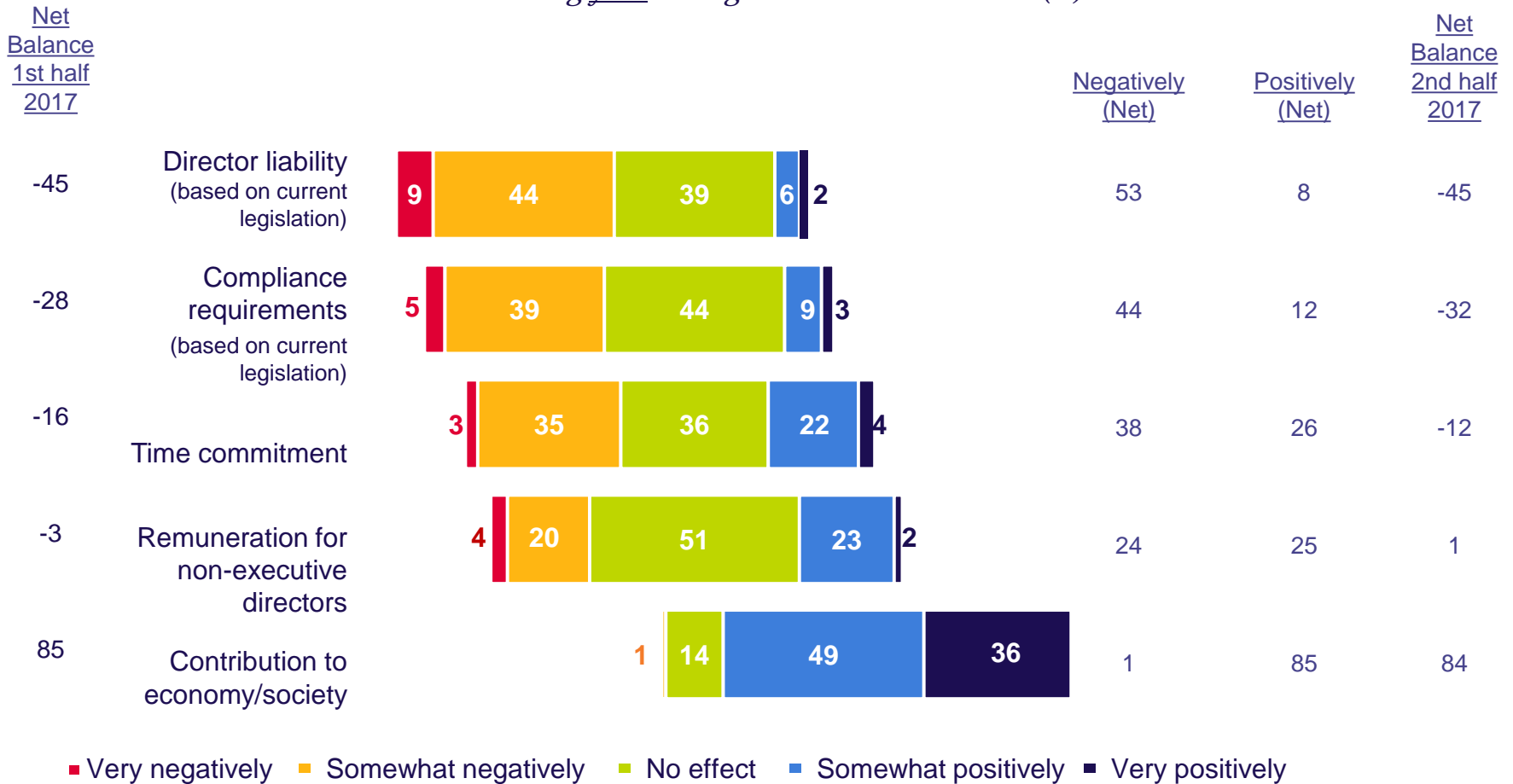
Is there a risk-averse decision-making culture on Australian boards? (%)



Factors influencing your willingness to serve on a board

Consistent with the first half of 2017, 85 per cent of directors believe that the contribution they make to the economy and society influences their willingness to serve on a board, while 53 per cent of them believe that director liability negatively impacts their willingness to serve on a board.

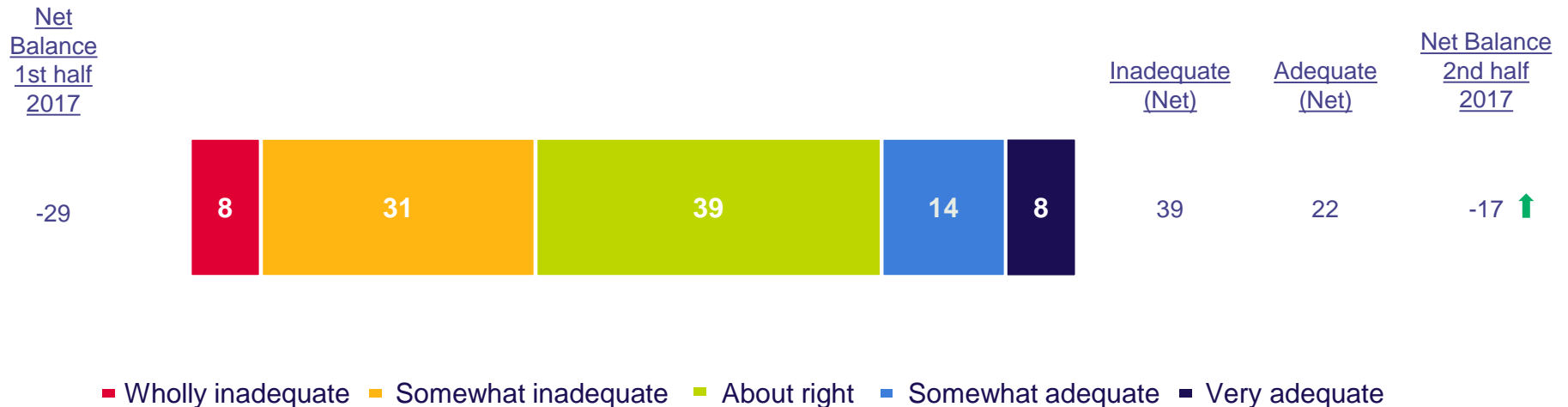
Factors influencing your willingness to serve on a board (%)



Adequacy of public company remuneration reports

Directors are less pessimistic about the adequacy of public company remuneration reports, with 39 per cent of directors perceiving them to be about right.

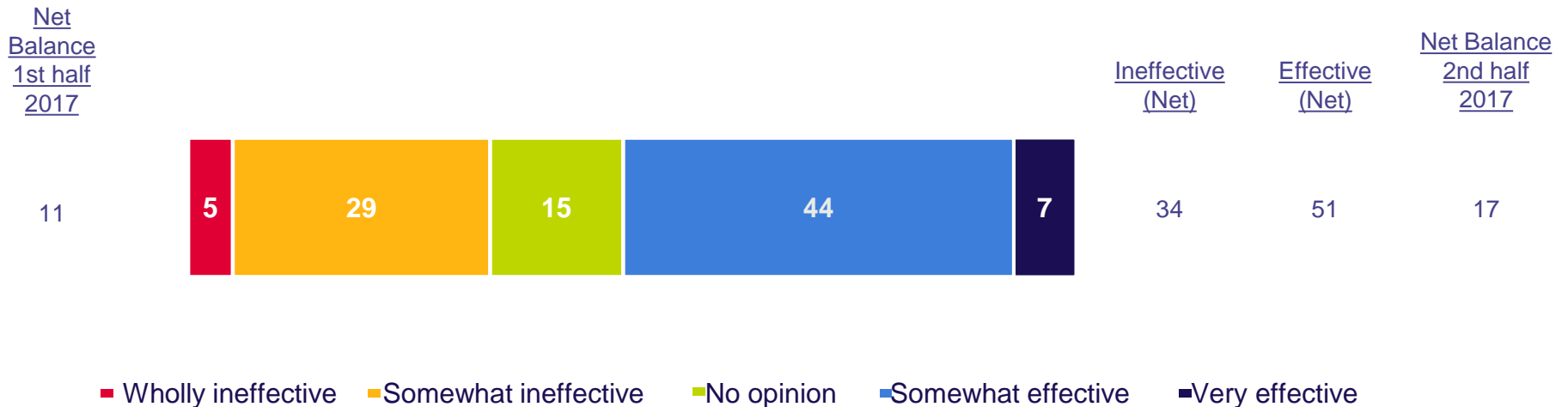
Adequacy of public company remuneration reports (%)



Effectiveness of corporate reporting

Directors continue to feel optimistic about the effectiveness of corporate reporting, with 51 per cent believing it is effective.

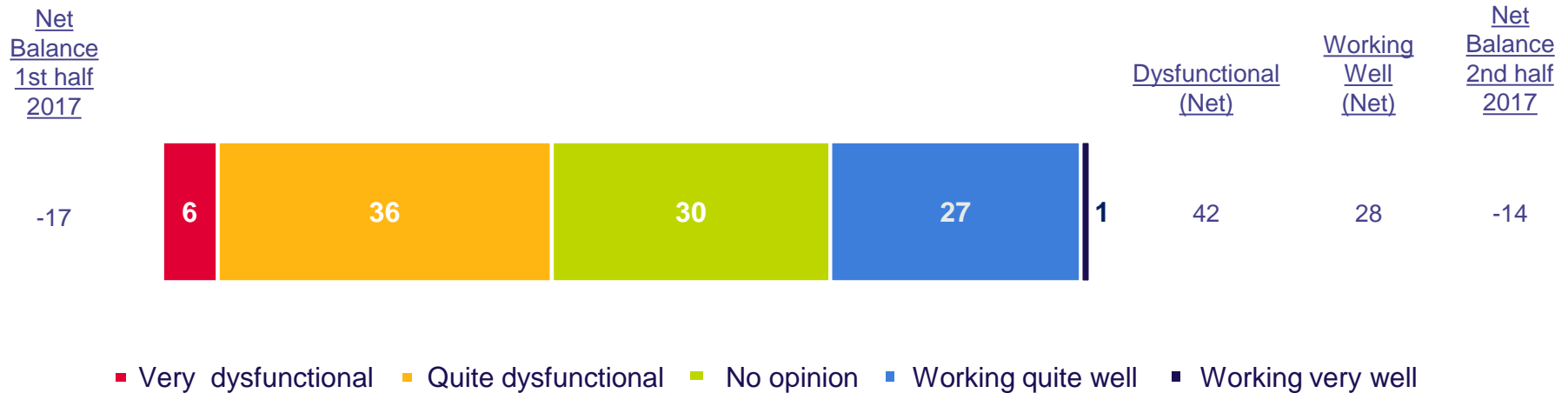
Effectiveness of corporate reporting(%)



Current AGM system

No change in sentiment regarding the current AGM system in the second half of 2017, with 28 per cent of directors believing that the current AGM system is working well.

Functionality of the current AGM system (%)



Board diversity: policy and efforts to increase

More efforts were made to increase the diversity of skills in board membership in the second half of 2017, with 77 per cent of directors stating that their business is actively seeking to improve in this area, while 53 per cent indicate their business is actively trying to increase diversity in terms of gender.

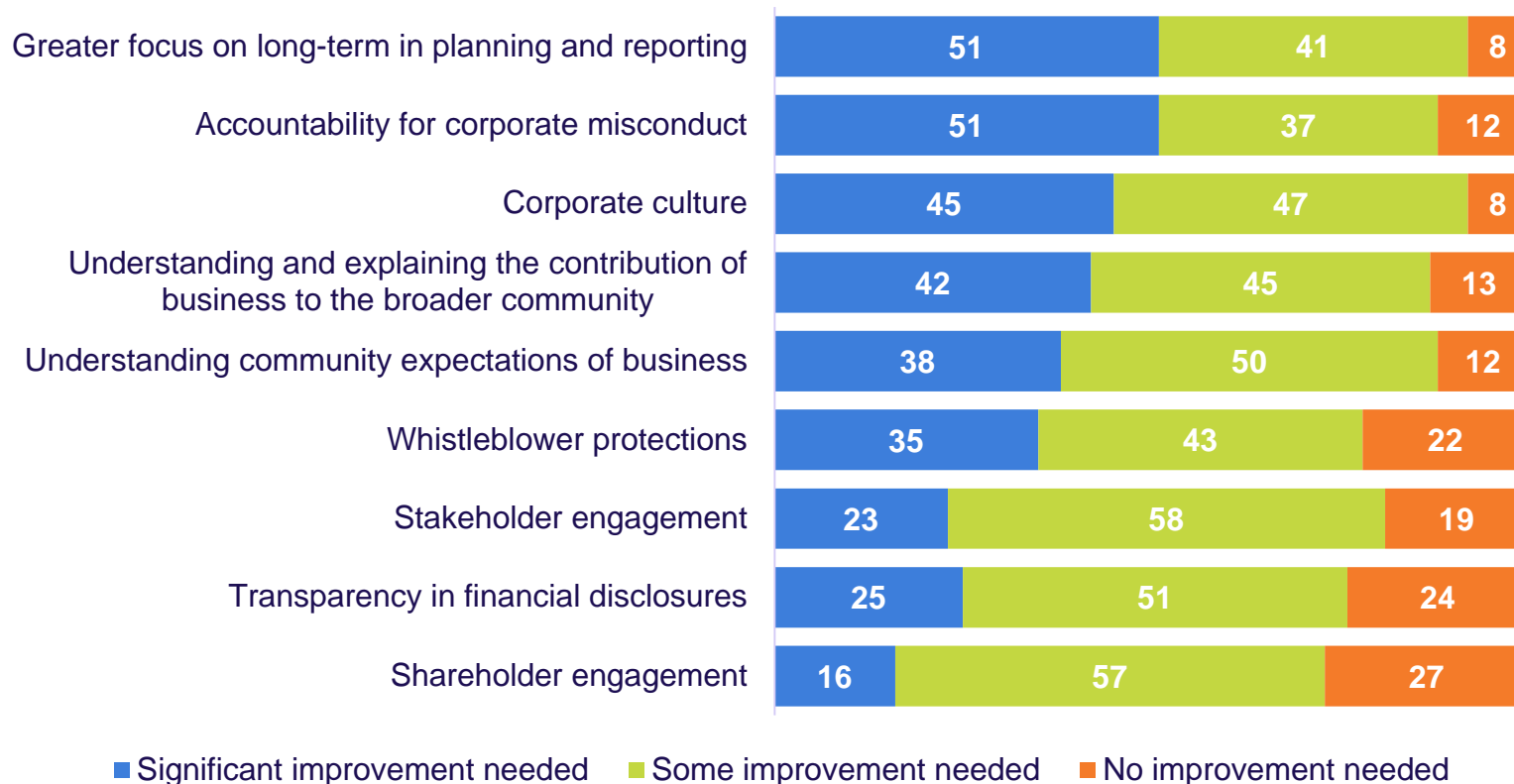
To what extent is your board actively seeking to increase diversity of board membership in the following areas? (%)



Business standards/social licence

Fifty-one per cent of directors believe that Australian business needs to make significant improvements in its focus on long-term planning/reporting and accountability for corporate misconduct, followed by corporate culture.

Areas to improve in business standards/social licence(%)



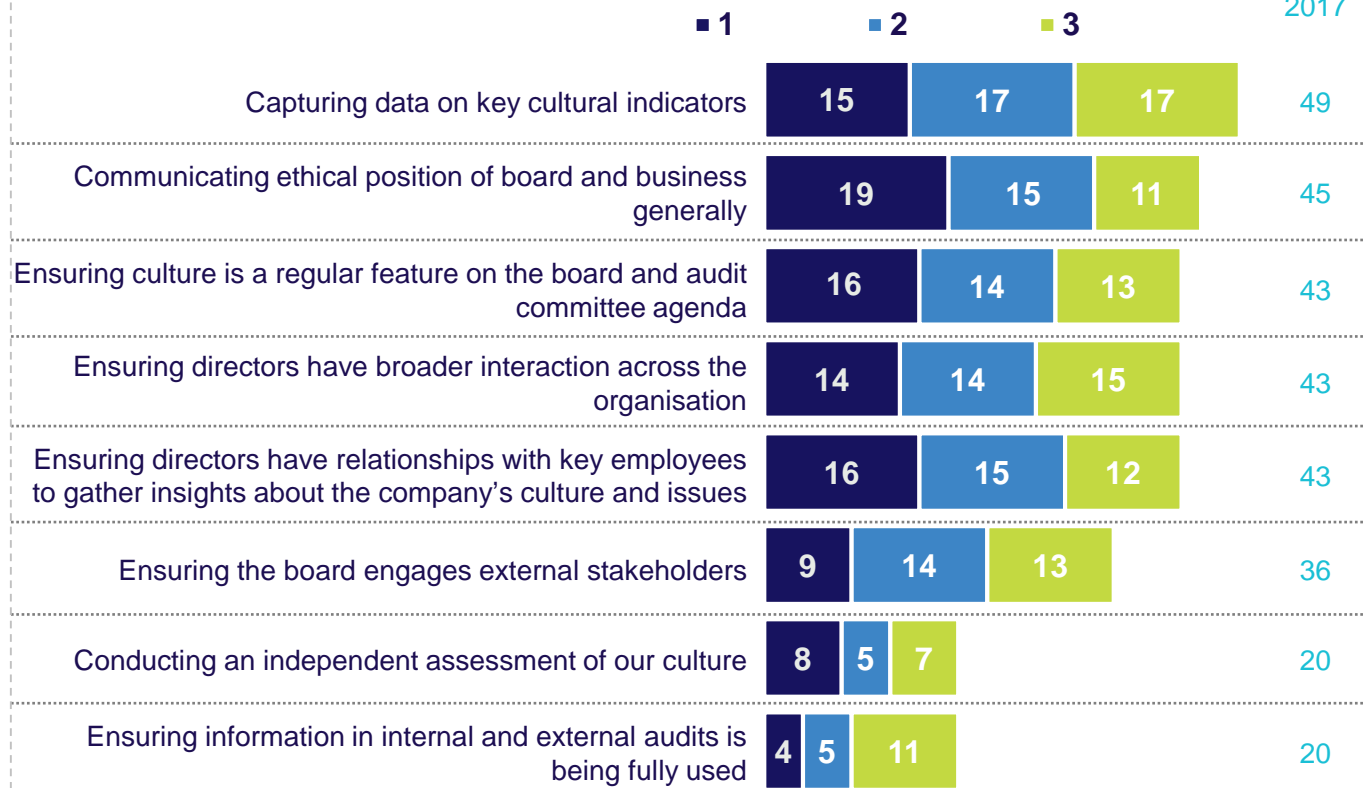
Corporate culture

Ninety-two per cent of directors are making efforts to improve culture in their organisation. The top three elements they are using to improve are capturing data on key cultural indicators, followed by communicating the ethical position of board and business generally, and then ensuring culture is a regular feature on the board and audit committee meeting agenda.

Extent of effort to change culture within organisation(%)

	2 nd half 2017
Substantial effort	36
Some effort	56
No effort	8

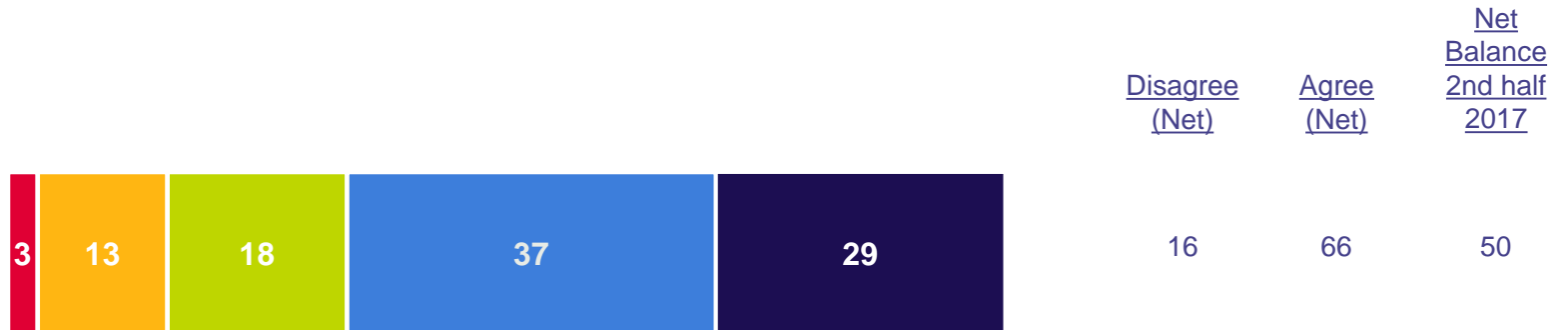
Top 3 elements in making changes in corporate culture? (%)



Boardroom discussions

Sixty-six per cent of directors believe that dissenting views are encouraged in the boardroom.

Are dissenting views in the boardroom...? (%)

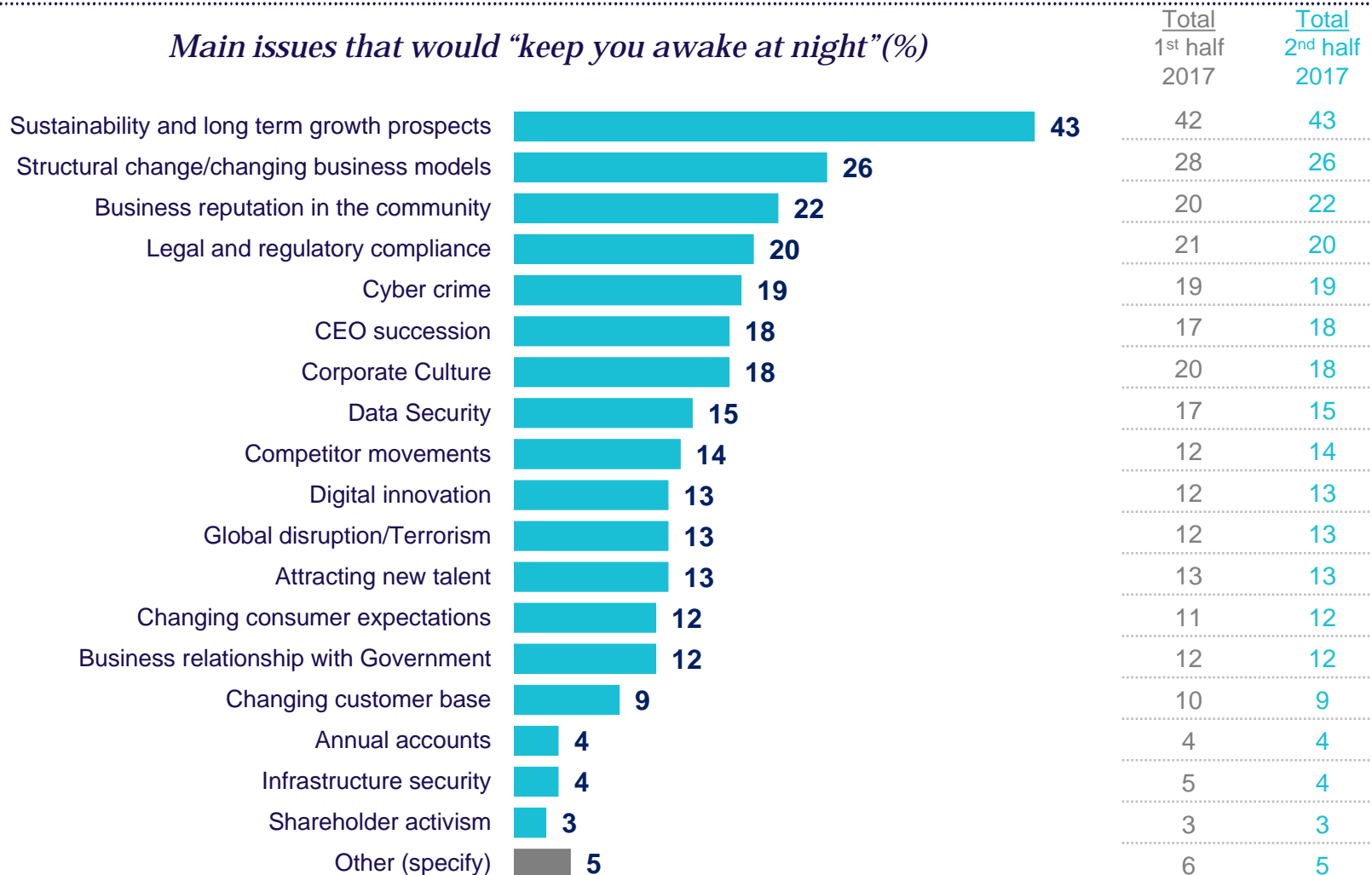


■ Strongly discouraged
 ■ Somewhat discouraged
 ■ Neither encourage nor discouraged
 ■ Somewhat encouraged
 ■ Strongly encouraged

Topical Issues

Main issues that would “keep you awake at night”







Sustainability and long term growth prospects continues to be the main issue that keeps directors “awake at night”, followed by structural change/changing business models. Business reputation in the community, legal and regulatory compliance, and cyber crime are also pertinent.



Summary of Key Indicators

Summary of key indicators

(1 of 6)

Indicator (expected change in coming 12 months)	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
<i>Economic conditions</i>			
Health of the Australian economy	Weak/strong	-6 	-24
Health of the Asian economy	Weak/strong	30	31
Health of the European economy	Weak/strong	-24 	-59
Health of the US economy	Weak/strong	4 	-6
Inflation rate (Australia)	Lower/higher	34 	42
Exchange rate (value of AUD versus USD)	Lower/higher	-19	-19
RBA cash rate	Lower/higher	56	61
Level of wages growth	Lower/higher	25 	10
Unemployment rate	Lower/higher	-8 	26
Expected change in ASX All Ordinaries index	Fall/rise	27	20

Summary of key indicators

(2 of 6)

Indicator (expected change in coming 12 months, with the exception of*)	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
Business conditions			
Growth of primary directorship business	Weak/strong	45	43
Change in business investment levels	Decrease/increase	35 ↑	28
Change in business staffing levels/labour demand	Decrease/increase	29 ↑	22
Change in level of business exports	Decrease/increase	21	18
Change in level of outsourcing	Decrease/increase	29	34
Expectations of profits for Jul-Dec 2017 actual versus forecast*	Below/up	34 ↑	27
Expectations of profits for Jan-Jun 2018 actual versus forecast*	Below/up	25	22
Confidence in general business outlook*	Pessimistic/opt	29 ↑	13
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	32 ↑	23
Expected change in level of mergers and acquisitions	Fall/rise	54	54
Infrastructure			
Perception of level of government spending on infrastructure*	Low/high	-70 ↑	-82
Taxation			
Perception of current level of corporate taxation*	High/low	-41 ↑	-48
Perception of current level of personal taxation*	High/low	-66 ↓	-59

Summary of key indicators

(3 of 6)

Indicator	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
Regulation, legal issues, reporting			
Expected change in level of 'red-tape' in coming 12 months	Increase/decrease	-35	-31
Impact of 'red-tape' on preparing/ paying taxes	High impact/low impact	-42	-39
Impact of 'red-tape' on workplace health/safety	High impact/low impact	-43	-38
Impact of 'red-tape' on workplace flexibility	High impact/low impact	-34	-29
Impact of 'red-tape' on employing new workers	High impact/low impact	-30	-29
Impact of 'red-tape' on corporate reporting requirements	High impact/low impact	-57	-54
Impact of 'red-tape' on environmental compliance	High impact/low impact	-13	-8
Impact of 'red-tape' on investing in capital assets	High impact/low impact	-9	-4

Summary of key indicators

(4 of 6)

Indicator (expected change in coming 12 months, with the exception of*)	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
Tax, credit, M&A			
Credit availability for investment purposes	Constrained/available	19	13
Credit availability for asset purchases	Constrained/available	28	23
Credit availability for working capital	Constrained/available	21 ↑	11
Public Policy			
Quality of current Public Policy debate in Australia*	Poor/good	-79	-82
Regulation, legal issues, reporting			
Agreement with 'Federal Government understands business'*	Disagree/agree	-12	-9
Regulation, legal issues			
How is the current Federal Government's performance affecting your business decision making?*	Negatively/positively	-38 ↑	-45
How is the current Federal Government's performance affecting consumer confidence?*	Negatively/positively	-64 ↑	-75

Summary of key indicators

(5 of 6)

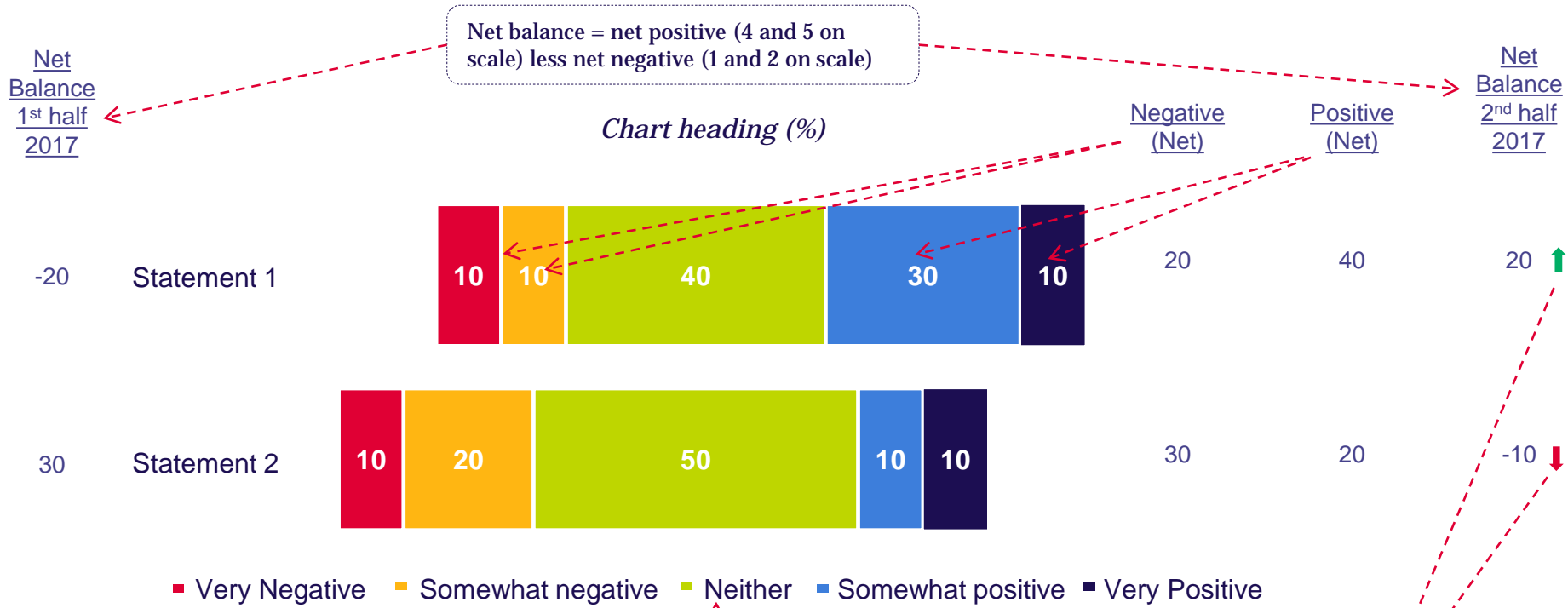
Indicator	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
Regulation, legal issues			
Perception of governance regulations	Onerous/weak	-43	-43
Extent legislation on directors affect your business decision-making	Negatively/positively	-21	-18
Extent legislation on directors affect your willingness to continue on a board	Negatively/positively	-25	-24
Extent legislation on directors affect your willingness to accept new board appointments	Negatively/positively	-38	-37
Risk-averse decision-making culture on Australian boards	Disagree/agree	65 ↑	54
Adequacy of public company remuneration reports	Inadequate/adequate	-17 ↑	-29
Functionality of current AGM system	Dysfunctional/ functional	-14 ↑	-17

Summary of key indicators

(6 of 6)

Indicator (expected change in coming 12 months, with the exception of*)	Scale	2 nd half 2017 net balance	1 st half 2017 net balance
Board diversity			
Board actively seeking to increase diversity of gender on board	Not actively/actively	34	29
Board actively seeking to increase diversity of age on board	Not actively/actively	7	3
Board actively seeking to increase diversity of skills on board	Not actively/actively	68 ↑	62
Board actively seeking to increase diversity of ethnicity on board	Not actively/actively	-7	-7
Directorship conditions			
Impact of directors' liability on willingness to serve on a board	Negatively/positively	-45	-45
Impact of compliance requirements on willingness to serve on a board	Negatively/positively	-32	-28
Impact of remuneration on willingness to serve on a board	Negatively/positively	1	-3
Impact of contribution to economy/society on willingness to serve on a board	Negatively/positively	84	85
Impact of time commitment on willingness to serve on board	Negatively/positively	-12	-16

Explanation of charts – example only



5-point scale where 1= very negative and 5= very positive

↑ Indicates a significant **increase** from 1st half 2017 net balance @95% confidence level
↓ Indicates a significant **decrease** from 1st half 2017 net balance @95% confidence level

Total number of respondents that answered the question

Question number: Question text
Base: All respondents n=xxx