



Director Sentiment Index: Research Findings Second Half 2019

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Second half 2019 sample profile

Members of the Australian Institute of Company Directors were invited to take part in the survey between 12-26 September 2019. A total of 1489 members participated. Results were weighted by gender to reflect the profile of the AICD member base.

No. of current directorships	%
1	33 (32)
2	29 (28)
3 or more	37 (39)
Prefer not to say	1 (1)

Positions held on board(s)	%
Executive Director	36 (36)
Non-Executive Director	64 (66)
Chairman	32 (35)
Other	8 (7)
Prefer not to say	2 (1)

Gender	%
Male	70 (70)
Female	30 (30)
Other	0
Prefer not to say	0

Primary directorship company	%
Publicly listed Australian entity	11 (10)
Private/non-listed Australian entity	42 (42)
Not-for profit entity	35 (35)
Public sector/ government body	8 (10)
Overseas entity	3 (3)

Primary directorship based	%
NSW	26 (27)
VIC	23 (24)
QLD	17 (18)
WA	13 (13)
SA/NT	10 (7)
TAS	4 (4)
ACT	4 (5)
Overseas	3 (3)

(x) = 1st half 2019 results (28 Feb – 14 Mar 2019)

S1 - S5, S8

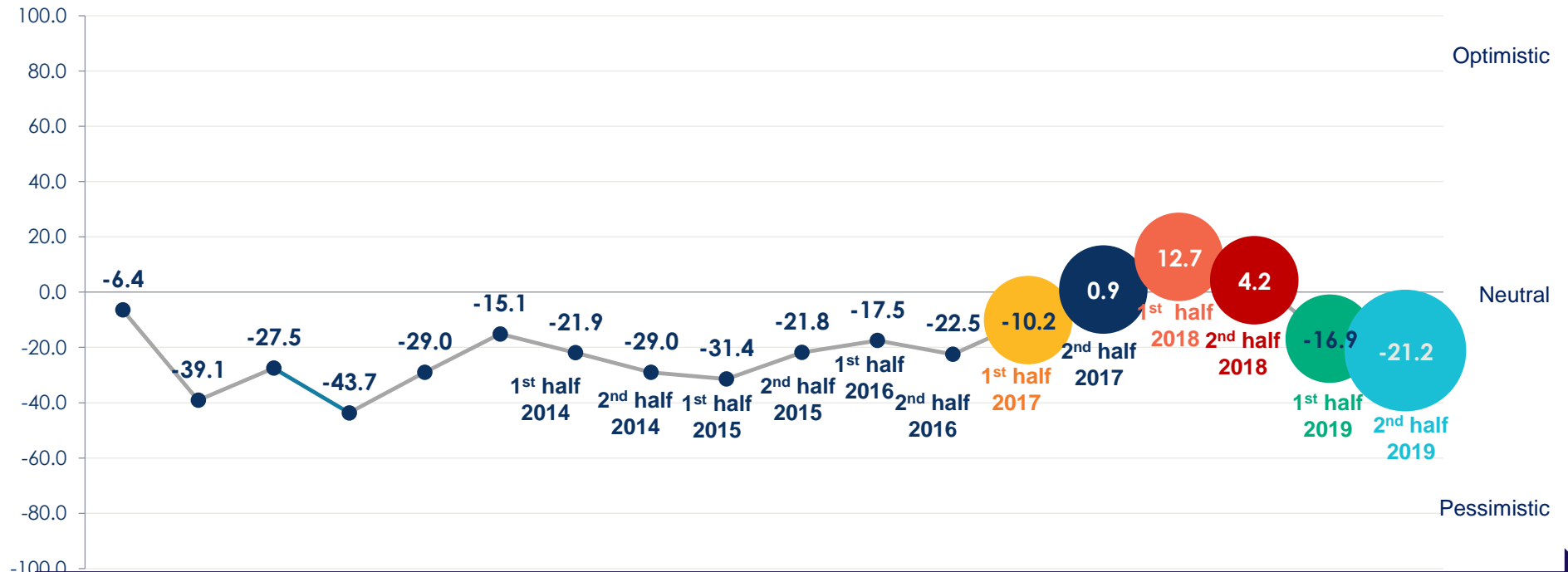
Base: All respondents n=1489

Primary directorship business sector(s)	%
Health and Community Services	22 (25)
Finance and Insurance	14 (16)
Education	10 (9)
Property and Business Services	9 (8)
Mining	5 (6)
Manufacturing	5 (6)
Agriculture, Forestry and Fishing	5 (5)
Construction	5 (4)
Personal and Other Services	4 (3)
Cultural and Entertainment industry	4 (3)
Energy	4 (3)
Government Administration and Defence	3 (3)
Communication Services	3 (2)
Transport and Storage	3 (2)
Wholesale Trade	2 (2)
Retail Trade	3 (1)
Accommodation, Cafes and Restaurants	2 (1)

Director Sentiment Index

Overall Director Sentiment Index

The overall sentiment in the second half of 2019 remains pessimistic, down a further 4.3 points on the last survey.



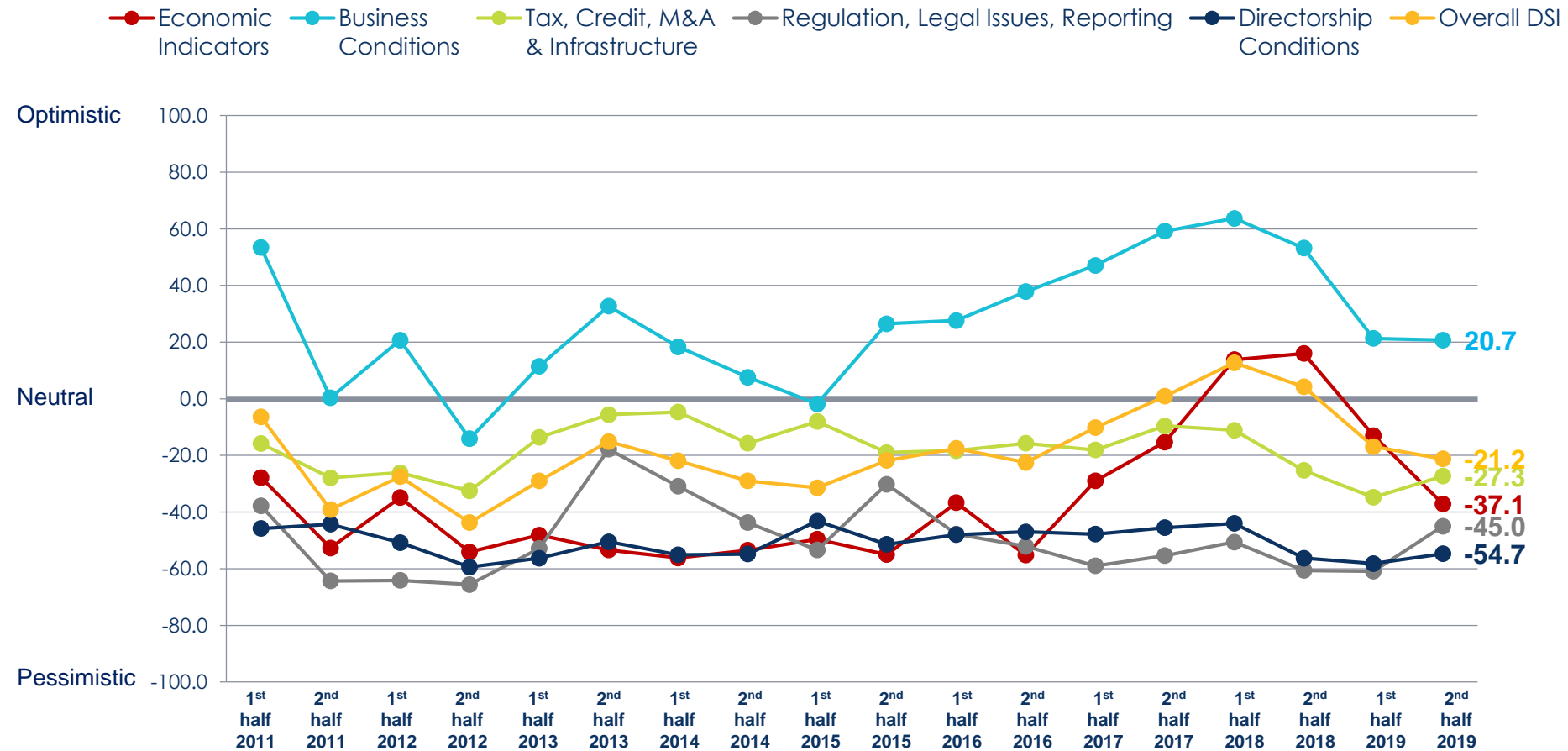
1/2011	2/2011	1/2012	2/2012	1/2013	2/2013	Nov'13-Apr'14	May-Oct'14	Nov'14-Apr'15	May-Oct'15	Nov'15-Jul'16	Aug-Nov'16	Dec'16-Apr'17	May-Oct'17	Nov'17-Mar'18	Apr'18-Oct'18	Nov'18-Mar'19	Apr-Sept'19
							Federal gov't school funding backflip (Dec)	Coalition gov't announces first budget (Jun)	Leadership 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. Economic conditions globally improved. Local economy expanded 0.8% in June Qtr.	Cash rate stable. Barnaby Joyce by-election & resignation Same sex marriage vote. The Australian economy grew 0.4% in the December quarter of 2017	Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry report released	Liberal/National coalition wins the Apr'19 Federal election
							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 issued executive order on refugees and immigration (Jan)	Economic conditions globally improved. Local economy expanded 0.8% in June Qtr.	Same sex marriage vote. The Australian economy grew 0.4% in the December quarter of 2017	Scott Morrison takes over as PM (end the December quarter of 2017)	No change to official cash rate	Cash rates lowered (25 basis points Jun'19, 25 basis points in Jul'19)
							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)	Malcolm Turnbull re-elected as PM (Jul)	Iron ore price rises significantly from November 2016 to March 2017	Iron ore price rises significantly from November 2016 to March 2017	Iron ore price rises significantly from November 2016 to March 2017	Iron ore price rises significantly from November 2016 to March 2017	Iron ore price rises significantly from November 2016 to March 2017	Ongoing and escalating USA-China trade tensions - tariffs and restrictions

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019

Overall Director Sentiment Index by segment

Sentiment has improved across Tax, Credit, M&A & Infrastructure, Regulation, Legal Issues & Reporting and Directorship Conditions, but remains in negative territory. There has been a further decrease in sentiment for Economic Indicators.



Executive Summary

EXECUTIVE SUMMARY

Economic and Market Outlook

Health of economies

- The downward trend in the view of the health of the economies in the next 12 months has continued this half. Directors' outlook for the health of the Asian economy remains the highest but is in negative territory along with the other global economies.
- Directors across all States/Territories view their economies as less strong over the next 12 months and are in negative territory.

Economic indicators

- Compared to the first half of 2019, directors expect a decrease in interest rates, the inflation rate and level of wages growth.
- Directors expect the unemployment rate to increase.
- Expectations regarding the ASX All Ordinaries index remains negative, with 43% of directors expecting the index to fall in the next 12 months.

Economic challenges

- Global economic uncertainty is again the biggest economic challenge currently facing Australian business in the second half of 2019, followed by low productivity growth, China's outlook and climate change.

EXECUTIVE SUMMARY

Business Forecast

Business growth

- Directors' views regarding past and future business growth remains in positive territory. 43% of directors expect their business to expand in the coming year.

Changes in business

- One in three directors expect staffing levels/labour demand, investment levels and outsourcing levels to increase over the coming year.

Profits

- Expectations of profits for the current six months (Jan-Jun'19) compared to profits for the previous six months and the budget forecast for the current six months remain in positive territory.
- Expectations of profits for the second half of this financial year (Jan-Jun'20) are positive compared to profits for the current six months and for the budget forecast.

Business outlook

- Directors are less confident about the general business outlook in the next 12 months compared to the first half of 2019.
- However, 32% of directors are optimistic about the business outlook for their own sectors.

EXECUTIVE SUMMARY

Government Policy

Budgetary

- The top three priorities the Federal Government should address in the short term are energy policy, climate change and infrastructure.
- Consistent with the first half of 2019, directors rate climate change as the top long term priority the federal government should address, followed by energy policy, infrastructure, an aging population and taxation reform.
- Opinion regarding the level of government spending on infrastructure is significantly more negative, with 74% of directors perceiving that government spending on infrastructure is low.
- Directors rate water supply as the top area of importance for infrastructure investment, with a significantly higher proportion of directors nominating this area compared to the first half of 2019.

Taxation

- Directors continue to view the level of personal and corporate taxation in Australia as high.
- Directors rate personal income tax, state based taxes and company tax as the top three priorities for taxation system reform.

Regulation

- 42% of directors expect the level of 'red-tape' to increase in the next 12 months. 77% of directors identify corporate reporting requirements as the aspect of their business most affected by 'red-tape', followed by workplace health/safety and preparing/paying taxes.

National productivity

- Directors continue to nominate less focus on short termism as the top measure for lifting national productivity.

Credit availability

- Expectations of credit availability in the future are more positive compared to the first half of 2019. 38% of directors expect credit for asset purchases will be available in the next twelve months, 32% expect the same regarding credit for investment purposes and 32% expect the same regarding working capital purposes.

EXECUTIVE SUMMARY

Government Policy (cont.)

Public policy

- 78% of directors believe the current quality of public policy debate is poor.

Performance & business understanding

- Compared to the first half of 2019, directors' are significantly more positive overall about the effect of the Federal Government's current performance on consumer confidence and business decision making. However, results remain in negative territory.
- Directors are positive about the Federal Government's understanding of business, with 43% agreeing with the statement that the current Federal Government understands business.

Director liability

- 49% of directors perceive it is difficult to obtain cost-effective directors and officers insurance in the current market.
- Directors continue to feel negative about the impact of

legislation on director liability in the second half of 2019. 36% of directors feel that it has negatively affected their business decision making, 40% on their willingness to continue on a board and 50% on their willingness to accept new board appointments.

- 70% of directors agree there is a risk-averse decision-making culture on Australian boards, and the main reason for this is the excessive focus on compliance over performance.

Board diversity

- The effort made to increase the diversity in board membership with regards to gender and ethnicity has increased compared to the first half of 2019. 58% of directors state their business is actively seeking to improve gender diversity and 40% are actively trying to increase ethnic diversity.

Corporate culture

- 89% of directors believe their Board is trying to effect cultural change in their organisation.

EXECUTIVE SUMMARY

Topical Issues

Director issues

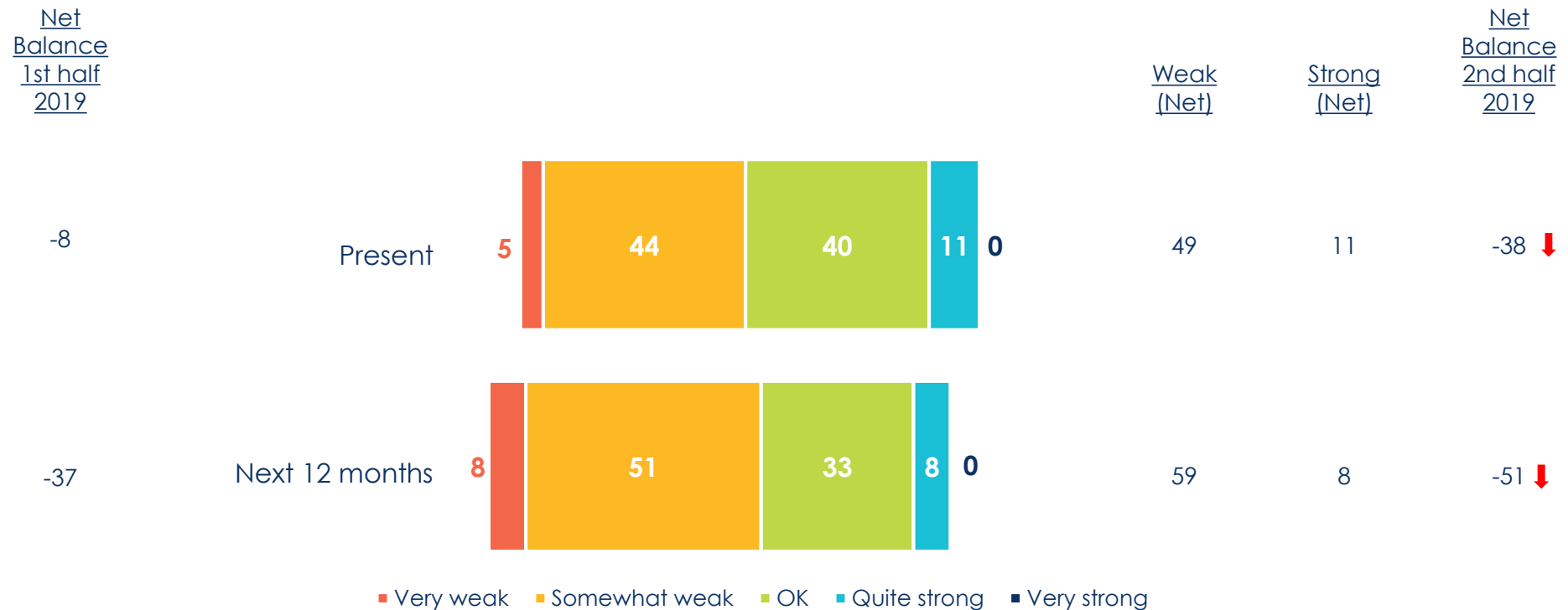
- Sustainability and long-term growth prospects continues to be the main issue that keeps directors “awake at night”. Global economic conditions, legal and regulatory compliance, cyber crime and structural change/changing business models are mentioned by at least one in five directors.
- 64% of directors state that an improved economic outlook would encourage their business to increase its level of investment/ capital expenditure over the next year, followed by Australian economic policy certainty and enhanced focus on long-term returns.

Economic Outlook and Challenges

Health of the Australian economy

Compared to the first half of 2019, the assessment of the Australian economy is significantly more negative. At present, 49% of directors perceive the economy as weak versus 11% as strong. Directors continue to be negative about the Australian economy in the next 12 months, with 59% expecting it to be weak and 8% expecting it to be strong.

Assessment of the health of the Australian economy (%)



DIRECTOR SENTIMENT INDEX

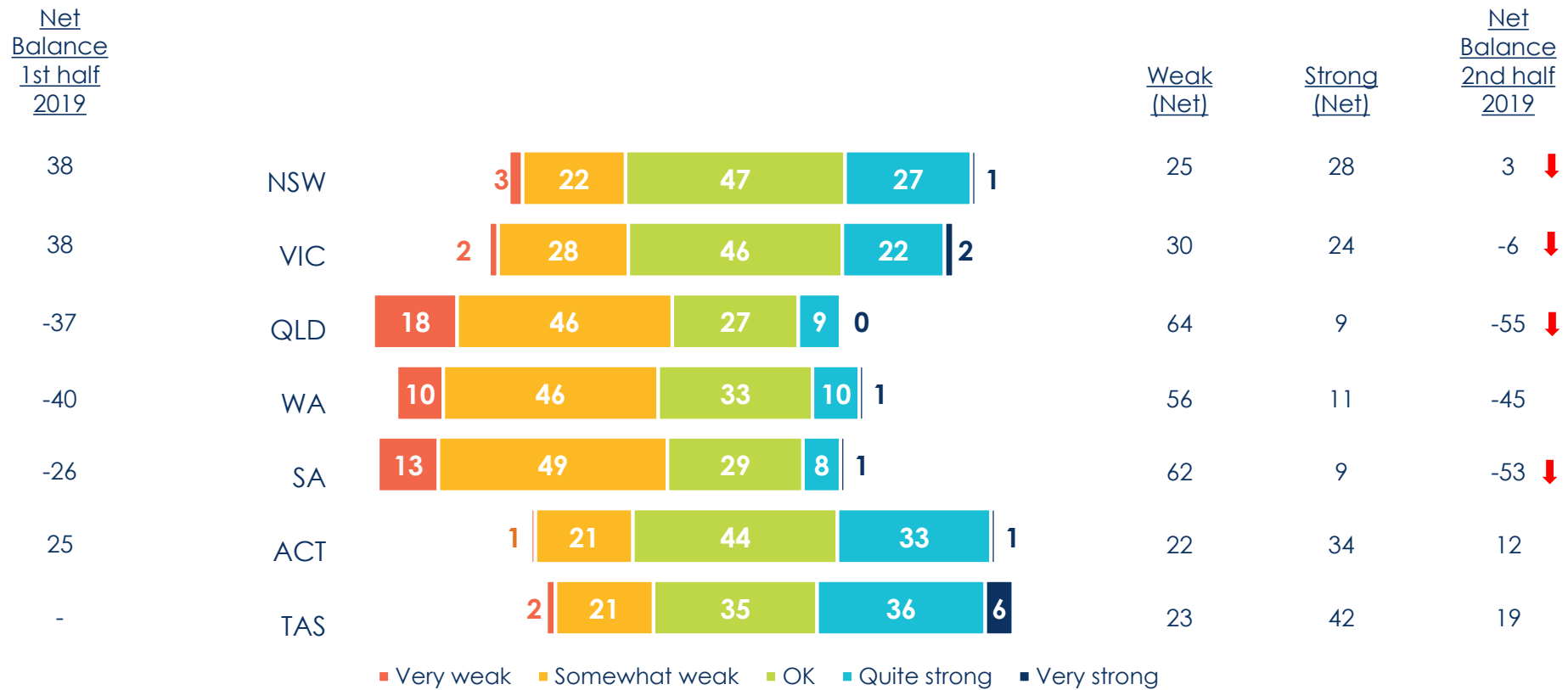
RESEARCH FINDINGS SECOND HALF 2019

1. What is your assessment of the health of the Australian economy?
 Base: All respondents n=1489

Health of the State/Territory economies - now

Director views of the health of their state/territory economy varies from state to state. Compared to the first half of 2019, directors across all states/territory have lowered their assessment of the economies.

Assessment of the health of your State/Territory economy - present (%)



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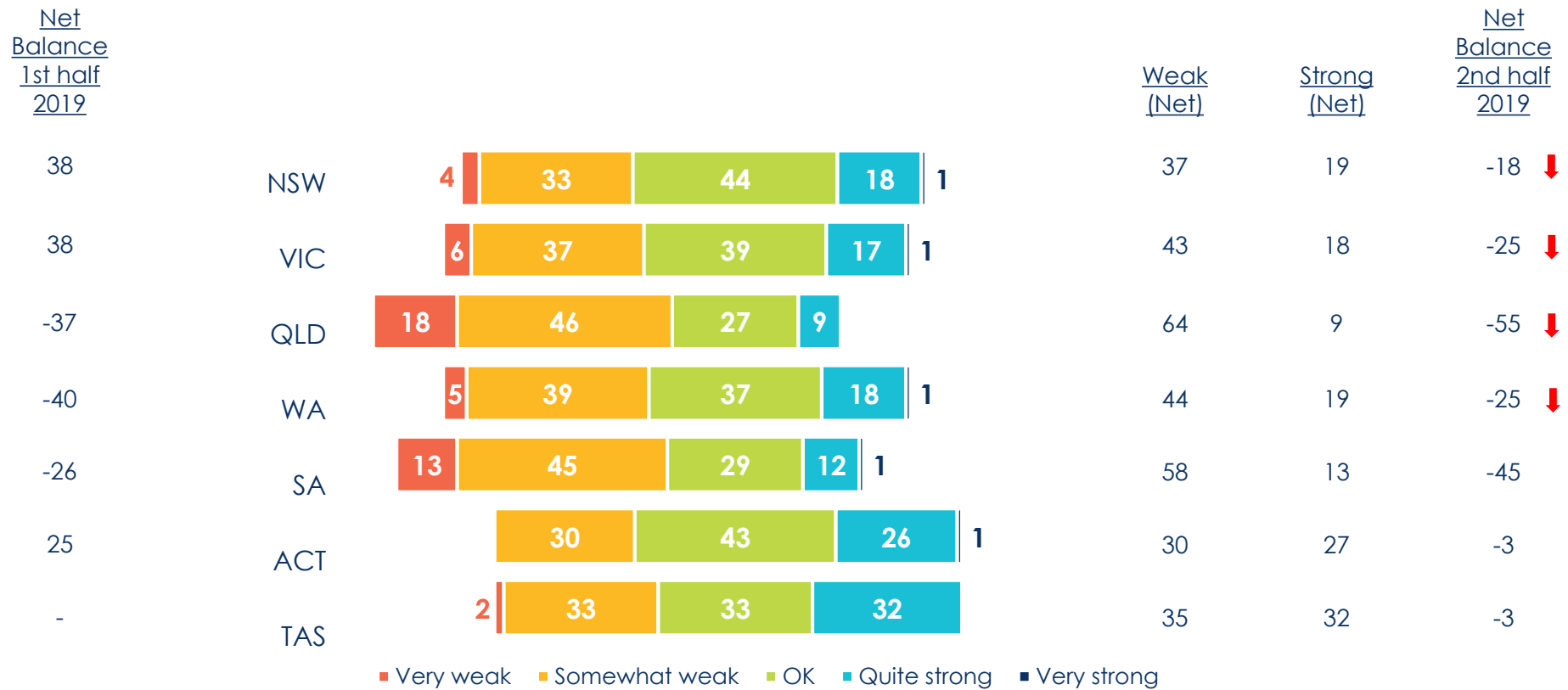
RESEARCH FINDINGS SECOND HALF 2019

2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?
 Base: NSW/VIC/QLD/WA/SA/ACT/TAS n=382/331/262/193/119/66/63

Health of the State/Territory economies – next 12 months

Directors from all states/territories view the health of their economy in the next 12 months negatively.

Assessment of the health of your State/Territory economy – next 12 months (%)



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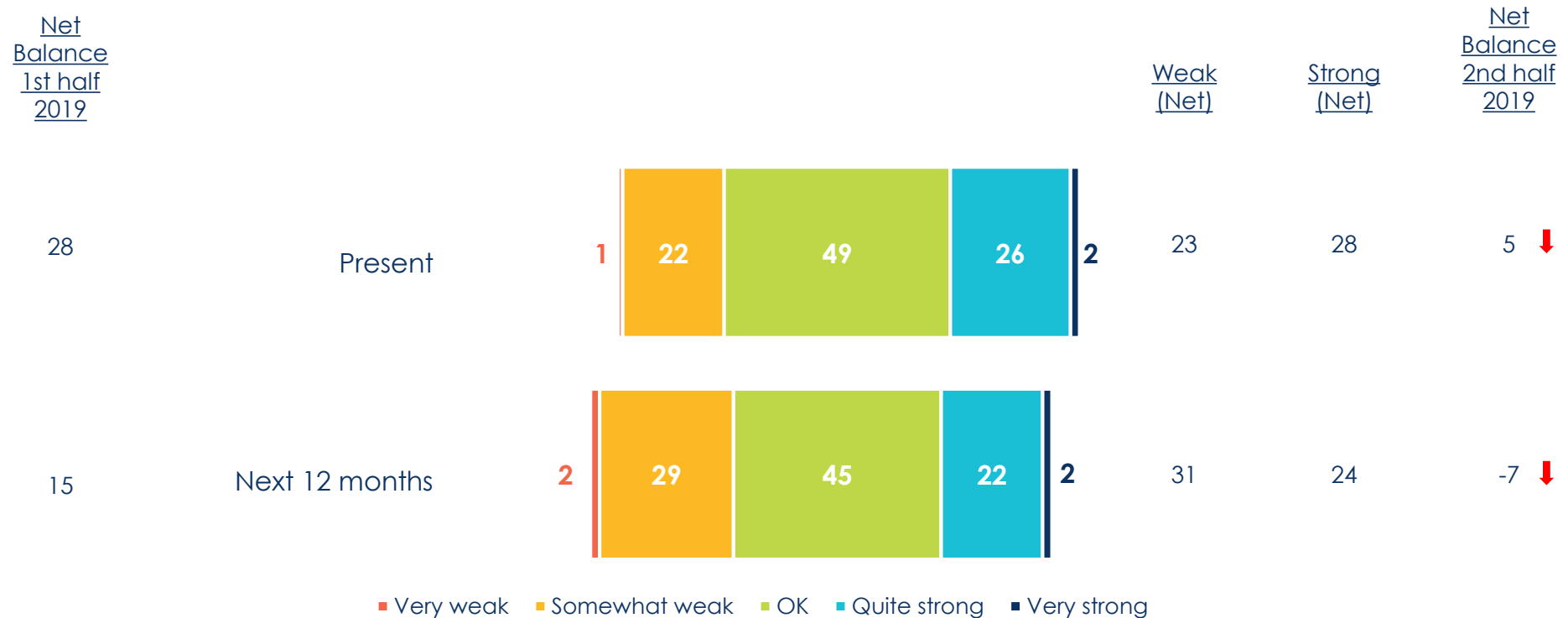
RESEARCH FINDINGS SECOND HALF 2019

2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?
 Base: NSW/VIC/QLD/WA/SA/ACT/TAS n=382/331/262/193/119/66/63

Health of the Asian economy

The assessment of the health of the Asian economy at present remains positive although less so compared to the first half of 2019. 28% of directors perceive the Asian economy as currently strong, however, sentiment is negative over the coming 12 months.

Assessment of the health of the Asian economy (%)



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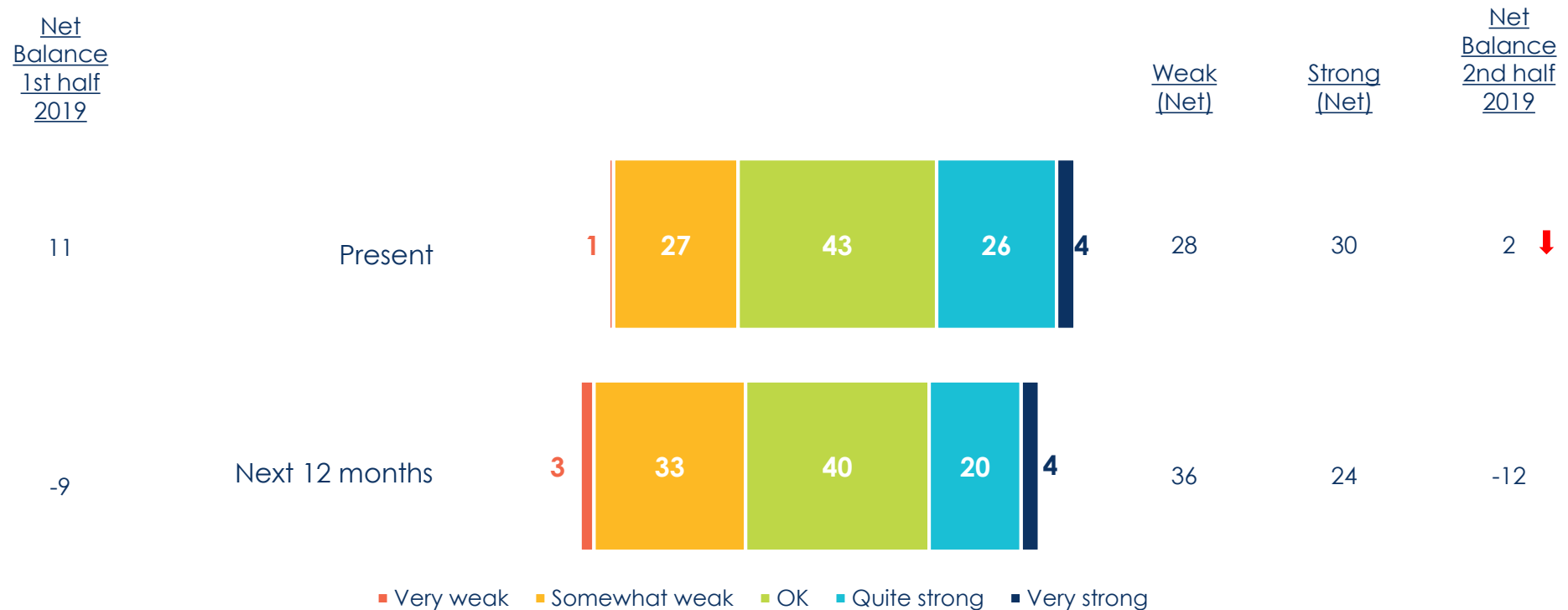
RESEARCH FINDINGS SECOND HALF 2019

3. What is your assessment of the health of the Asian economy?
Base: All respondents n=1489

Health of the Chinese economy

The assessment of the health of the Chinese economy has declined compared to the first half of 2019. 30% of directors perceive the Chinese economy as currently strong, however, sentiment for the next 12 months is negative.

Assessment of the health of the Chinese economy (%)



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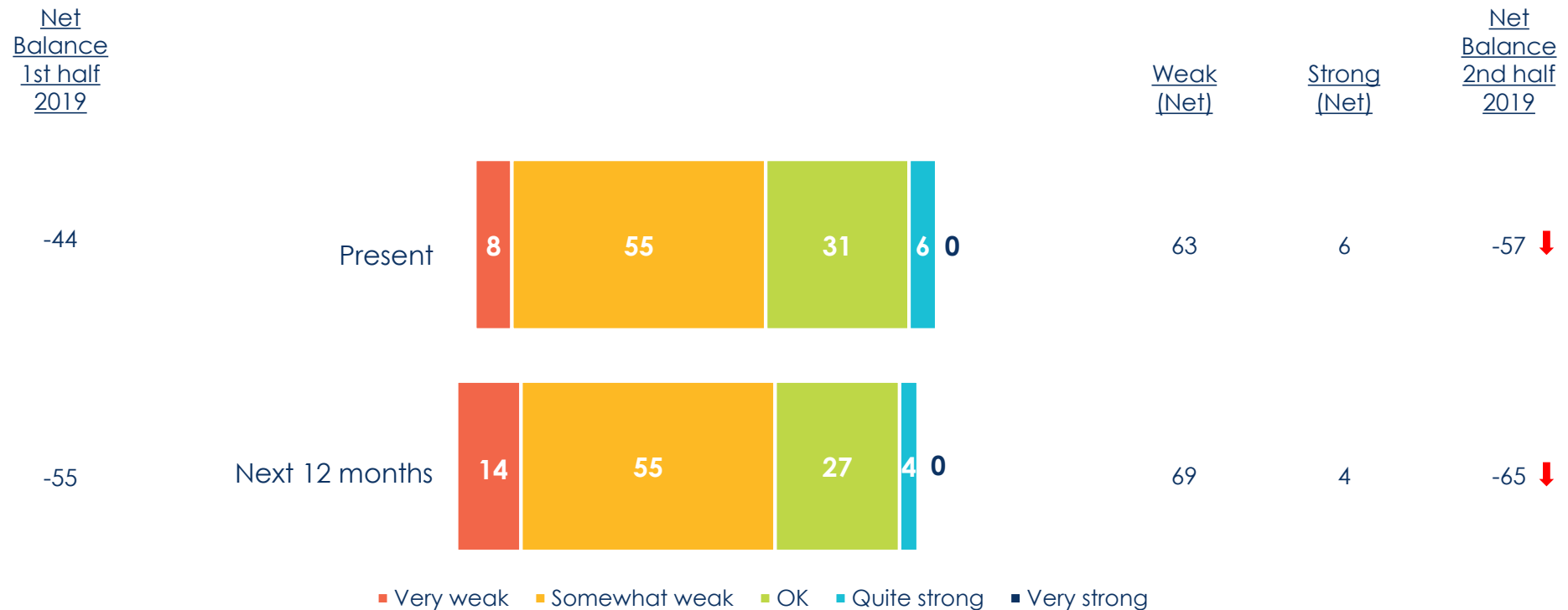
RESEARCH FINDINGS SECOND HALF 2019

4. What is your assessment of the health of the Chinese economy?
Base: All respondents n=1489

Health of the European economy

The assessment of the European economy at present and in the next 12 months is negative. 63% of directors perceive the European economy as weak at present, and 69% expect it to remain weak in the next 12 months.

Assessment of the health of the European economy (%)



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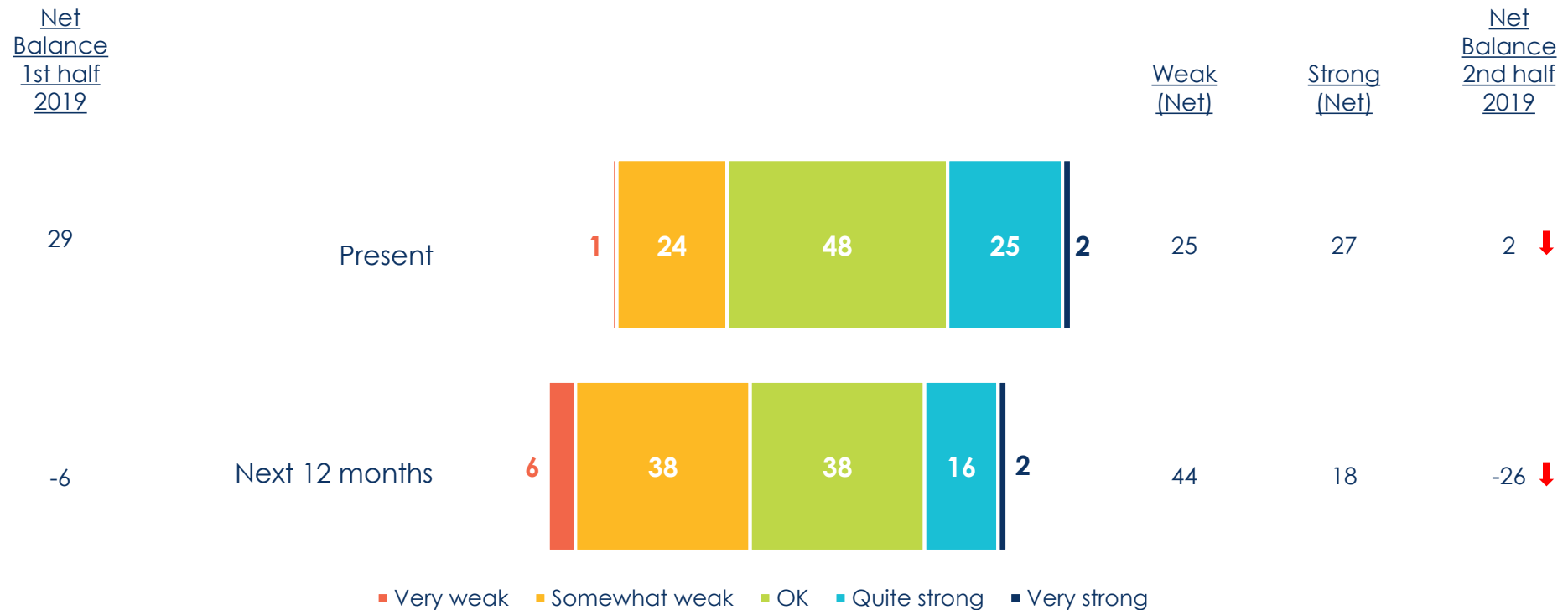
RESEARCH FINDINGS SECOND HALF 2019

5. What is your assessment of the health of the European economy?
Base: All respondents n=1489

Health of the US economy

The assessment of the US economy has become significantly less positive compared to the first half of 2019. 27% of directors perceive the US economy as presently strong versus 25% as weak. Directors are negative overall regarding the next 12 months with 44% expecting it to be weak in the coming year.

Assessment of the health of the US economy (%)



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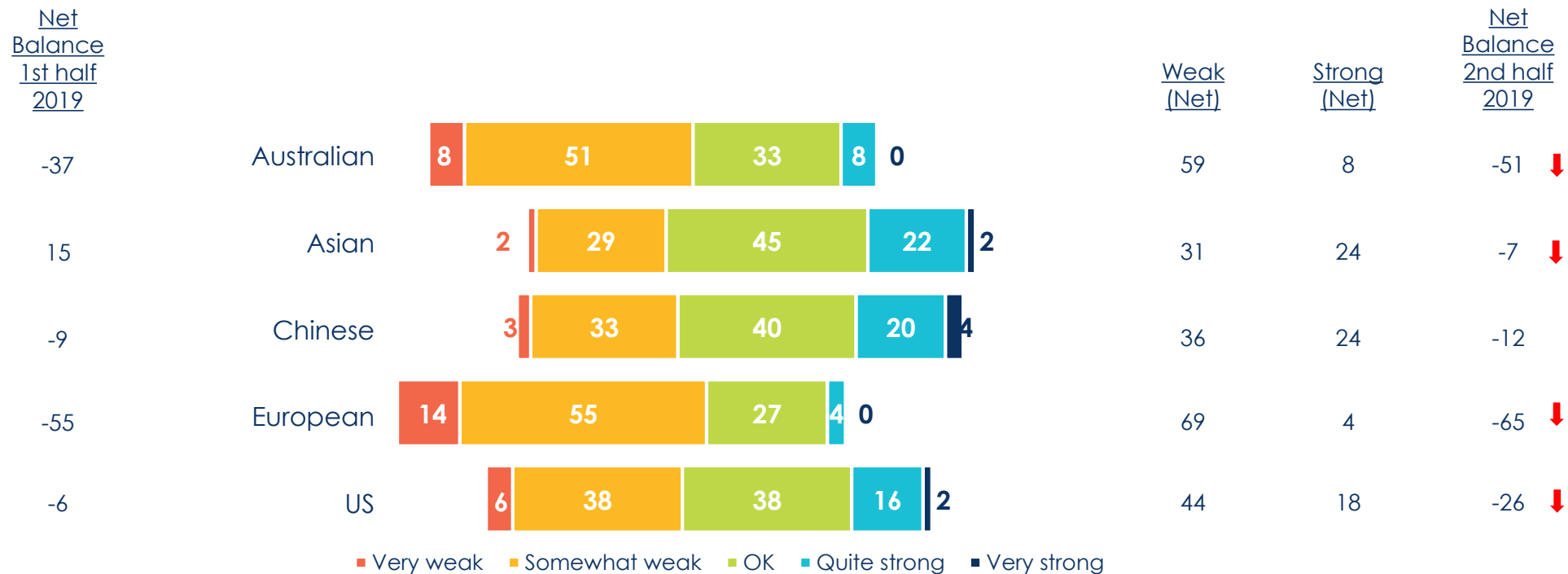
RESEARCH FINDINGS SECOND HALF 2019

6. What is your assessment of the health of the US economy?
 Base: All respondents n=1489

Next 12 months health of economies - summary

Compared to the first half of 2019, directors have become more negative about the future health of the global economies. All global economies are now in negative territory.

Next 12 months health of economies (%)



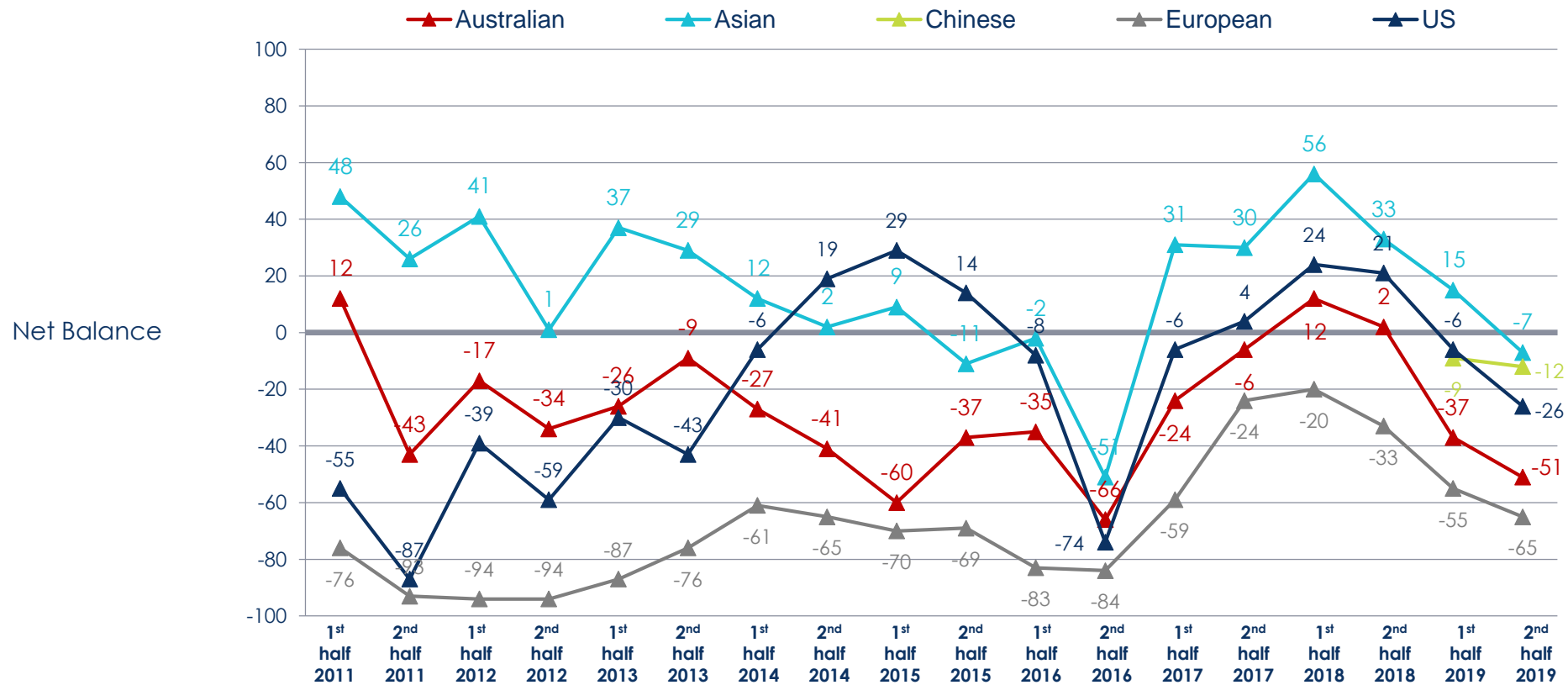
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RESEARCH FINDINGS SECOND HALF 2019

Base: All respondents n=1489

Next 12 months health of economies – semi-annual trend

Directors' outlook for the health of world economies is at its lowest point in three years. Sentiment regarding all economies is now in negative territory for the first time since the second half of 2019.



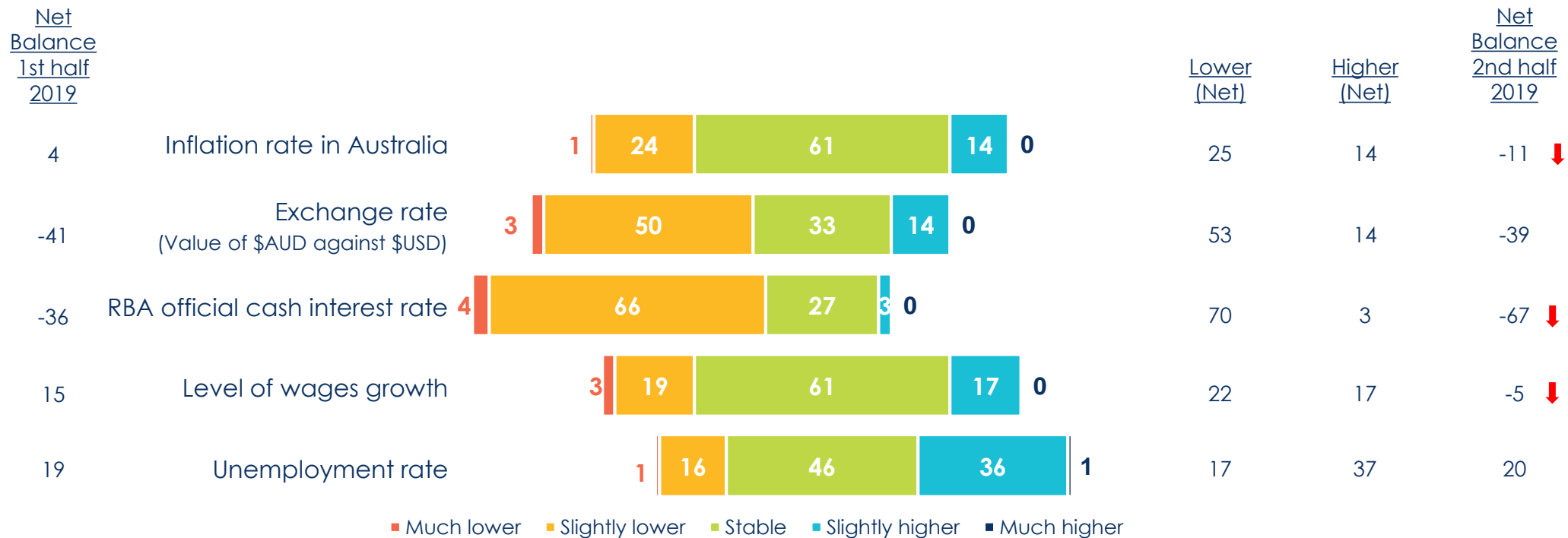
Source: 1,3-6

Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489

Economic indicators (Australia) – expectations in next 12 months

Compared to the first half of 2019, directors expect a significant decrease in inflation, the cash interest rate and level of wages growth. 37% of directors expect an increase in the unemployment rate in the next 12 months.

Expectation of ... in 12 months time (%)

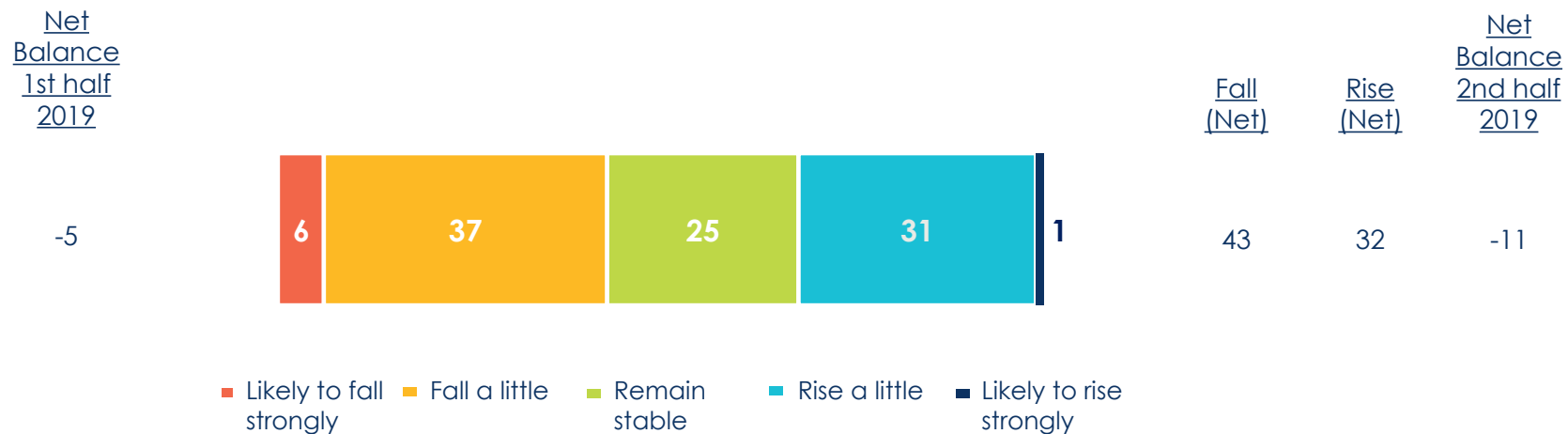


7. What is your expectation of ... ?
Base: All respondents n=1489

Expected change to ASX ALL Ordinaries index – next 12 months

Expectations regarding the ASX All Ordinaries index remains negative, with 43% of directors expecting the index to fall in the next 12 months.

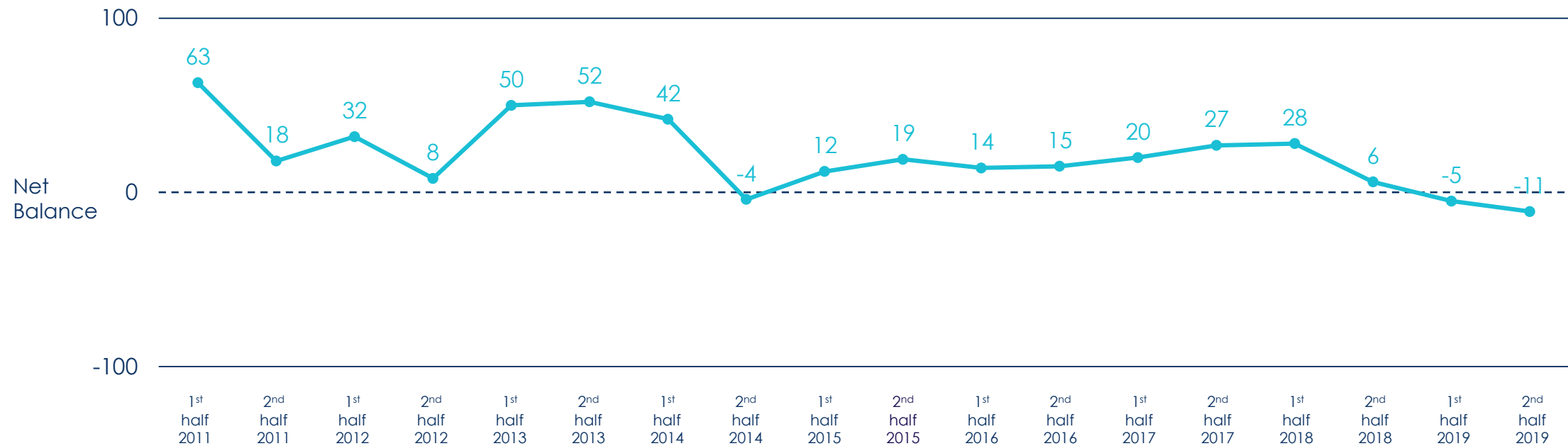
Expected change to ASX All Ordinaries index – next 12 months (%)



19. What is your expectation of change to the ASX All Ordinaries index over the next 12 months?
 Base: All respondents n=1489

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

Expectations regarding the ASX All Ordinaries index for the coming year remains in negative territory for the second consecutive period.



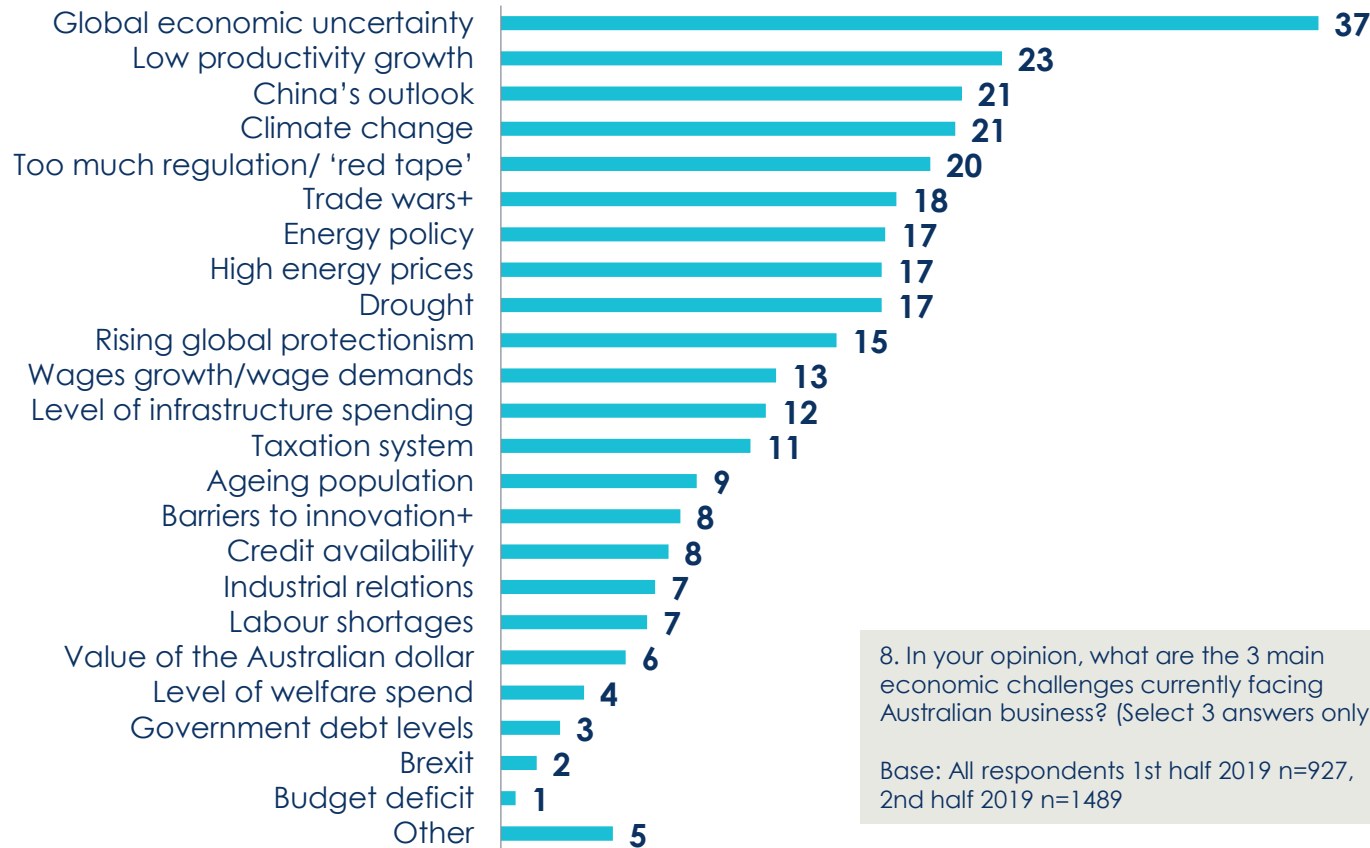
Source: 19

Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=521; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489

Main current economic challenges (Top 3)

Global economic uncertainty is again the main economic challenge currently facing Australian business, followed by low productivity growth, China's outlook and climate change. Global economic uncertainty and the drought are mentioned significantly more often by directors compared to the first half of 2019.

Main economic challenges currently facing Australian business (Top 3) (%)



8. In your opinion, what are the 3 main economic challenges currently facing Australian business? (Select 3 answers only)

Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

Total 1st half 2019	Total 2nd half 2019
27	37 ↑
20	23
24	21
23	21
20	20
n/a	18
22	17
20	17
10	17 ↑
15	15
15	13
11	12
19	11 ↓
13	9
n/a	8
16	8 ↓
10	7
5	7
4	6
7	4
6	3
1	2
3	1
9	5

RESEARCH FINDINGS SECOND HALF 2019

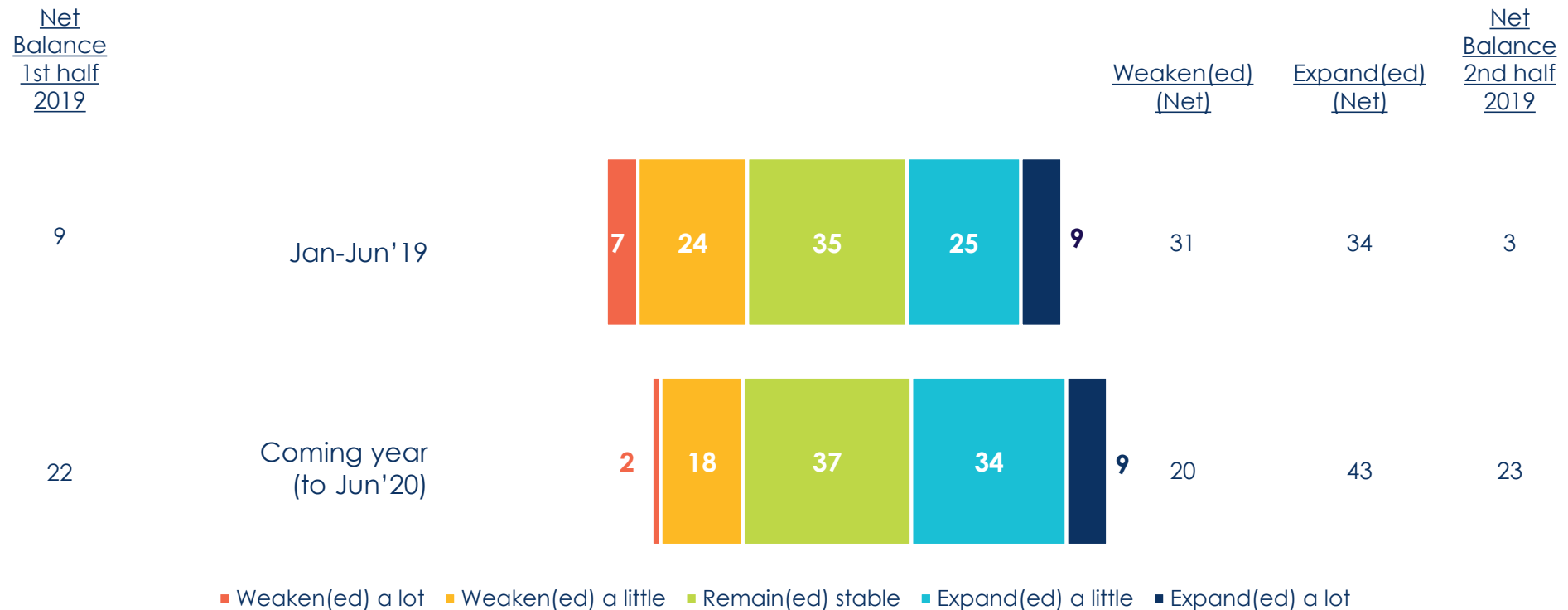
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Business Forecast

Growth of the business (primary directorship company)

Directors continue to have a positive view regarding the growth of their business, with 43% of directors expecting their business to expand in the coming year.

Growth of the business – past and future (%)

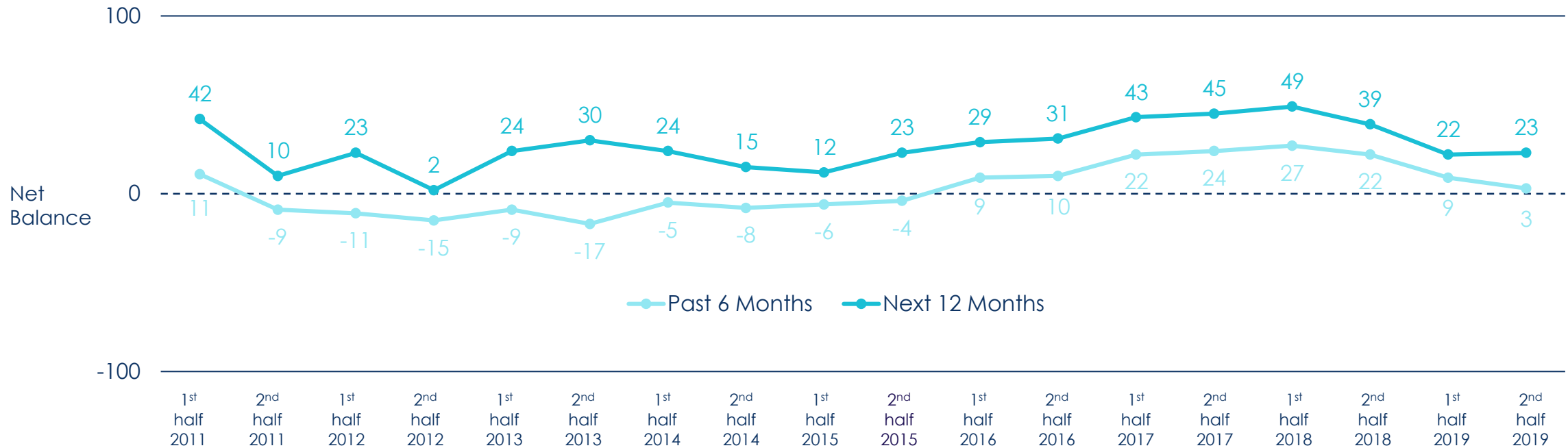


9. Which best describes the growth or otherwise of the business over the period January to June 2019?
 10. What is your expectation of the growth or otherwise of the business over the coming year (to June 2020)?
 Base: All respondents n=1489

Past and future growth of business – semi-annual trend

Directors' overall views regarding past business growth has had a consecutive downward movement, although still in positive territory. Directors' views regarding future business growth remains stable.

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

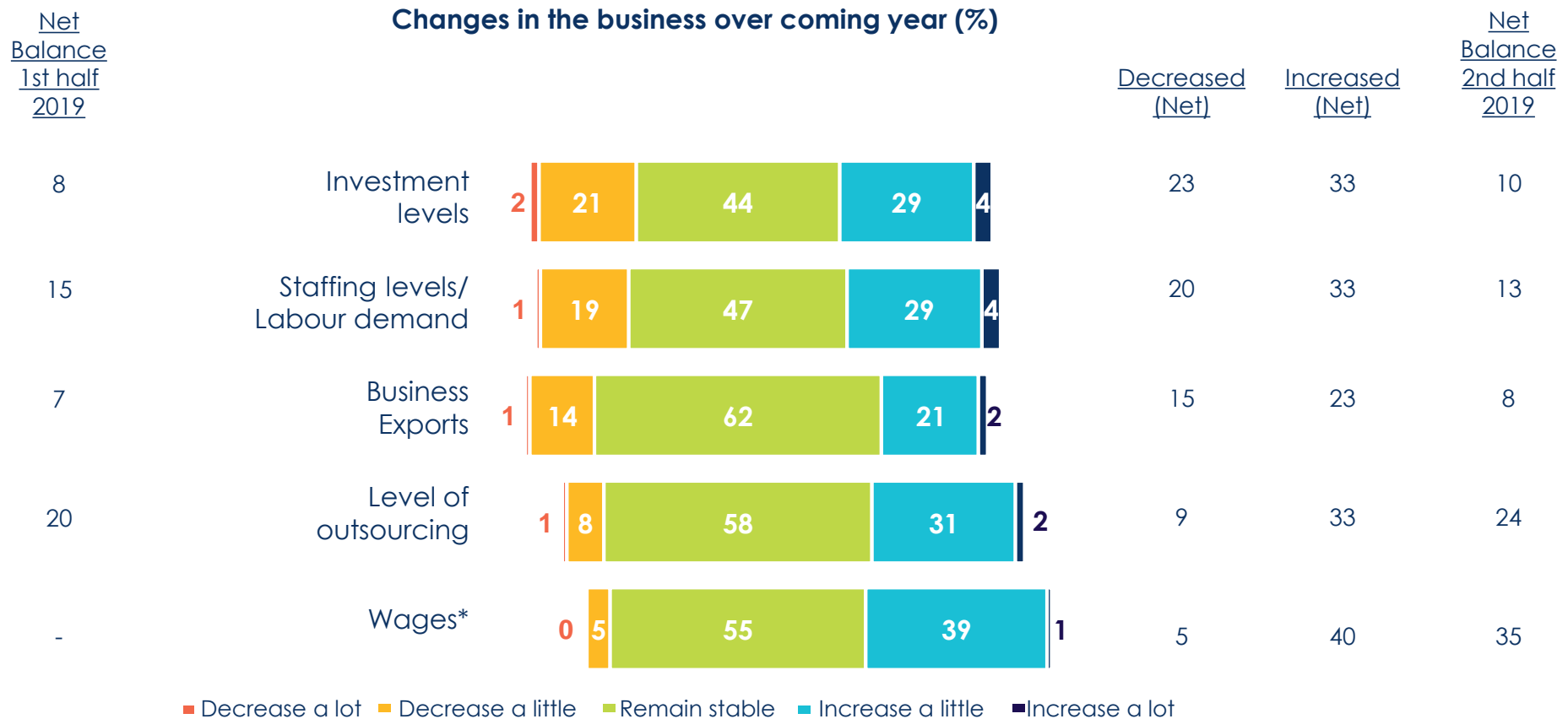


Source: 8 – 9

Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=521; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525 , W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1489

Changes in business – coming year

One in three directors expect staffing levels/labour demand, investment levels and outsourcing levels to increase over the coming year.



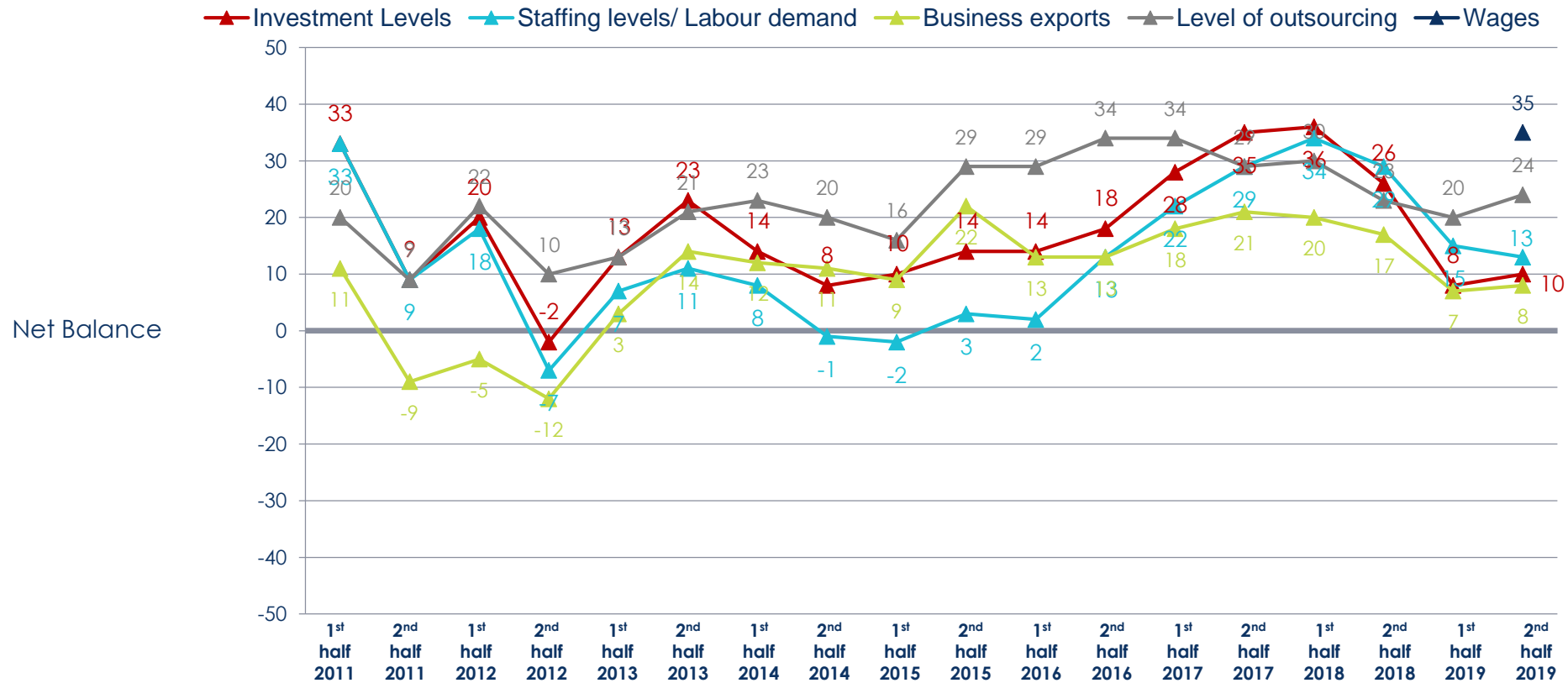
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RESEARCH FINDINGS SECOND HALF 2019

11. To what extent, if any, do you expect these things to change over the coming year (to June 2020)? *Wages added in H2'19
 Base: All respondents n=1489

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

The expectation of changes in the business have seen marginal increases for investment levels, outsourcing levels and business exports in the second half of 2019.



DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019

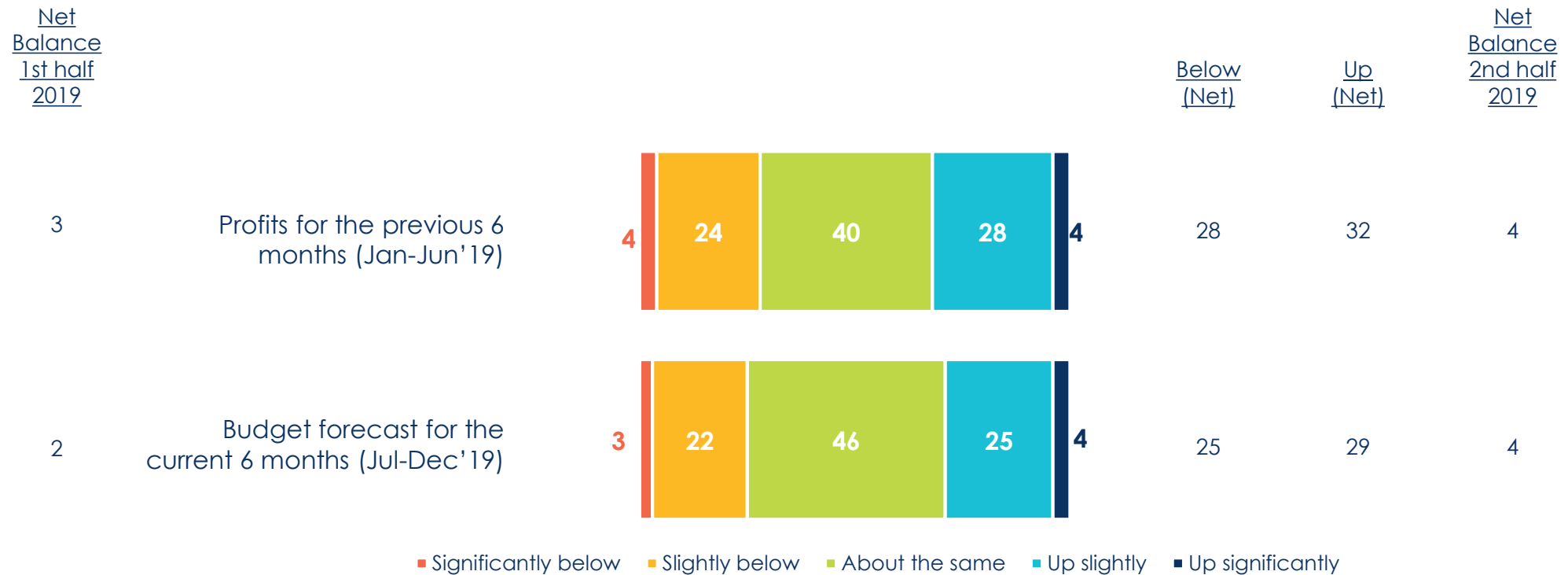
Source: 11

Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489. *Wages added in H2'19

Profits for current six months compared to ...

Expectations of profits for the current six months (Jan-Jun'19) are in positive territory. 32% of directors expect an increase in profits compared to the previous six months and 29% expect an increase in profits compared to the budget forecast for the current six months.

Actual profits for current six months (Jul-Dec'19) compared to ... (%)

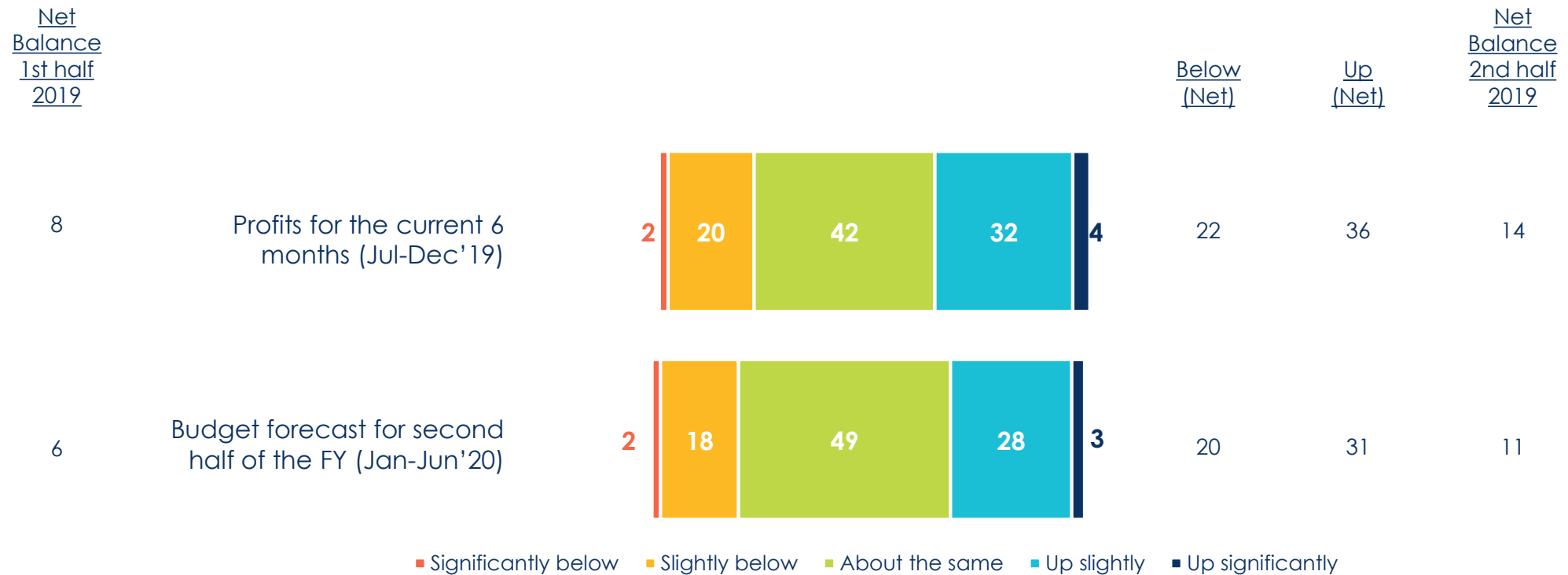


12. How do you expect your actual profits for the current 6 months, July to December 2019, to compare to ... ?
 Base: All respondents n=1489

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

Expectations of profits for the second half of this financial year (Jan-Jun'20) are positive compared to profits for the current six months and for the budget forecast. 36% of directors are expecting an increase in profits compared to profits for the current 6 months (Jul-Dec'19) and 31% of directors are expecting an increase in profits compared to the budget forecast for Jan-Jun'20.

Actual profits for second half of this financial year (Jan-Jun'20) compared to ... (%)



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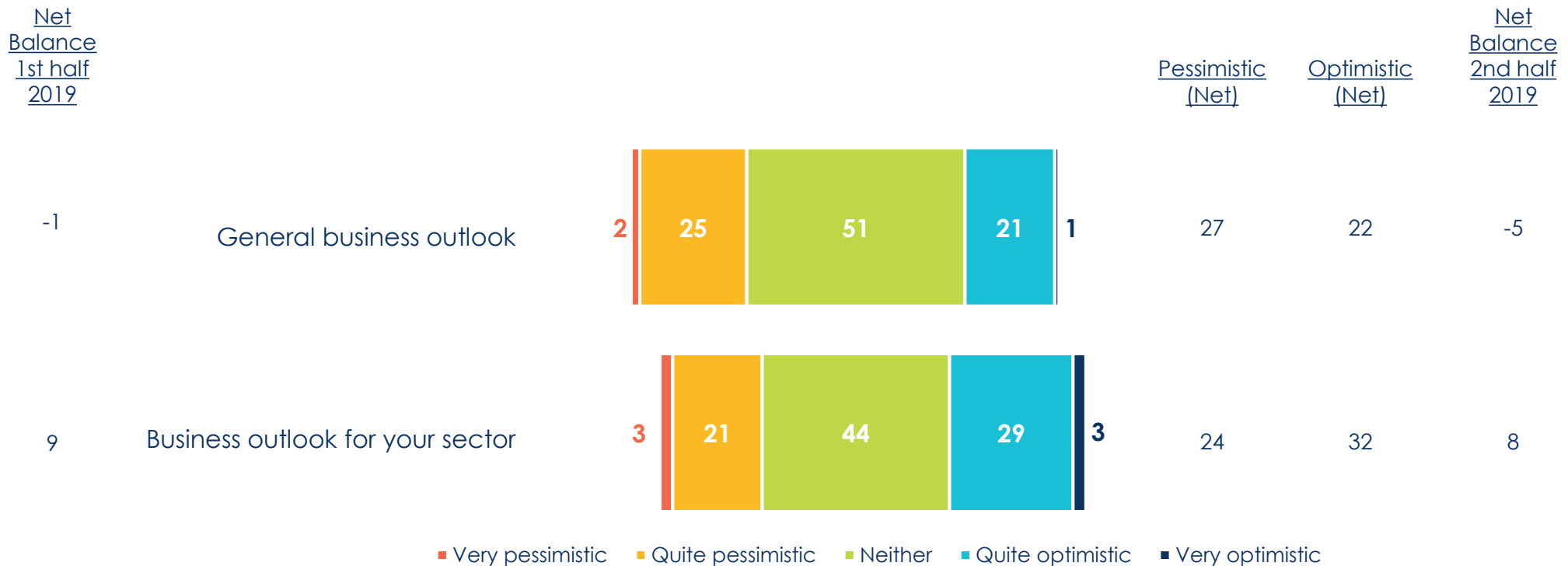
RESEARCH FINDINGS SECOND HALF 2019

13. How do you expect your actual profits for the second half of this financial year, January to June 2020, to compare to ... ?
 Base: All respondents n=1489

Confidence in business outlook – next 12 months

Directors are less confident about the business outlook in the next 12 months compared to the first half of 2019. 27% of directors indicate they are pessimistic about the general business outlook. However, with regards to the business outlook for their own sectors, 32% of directors are optimistic.

Confidence in business outlook – next 12 months (%)



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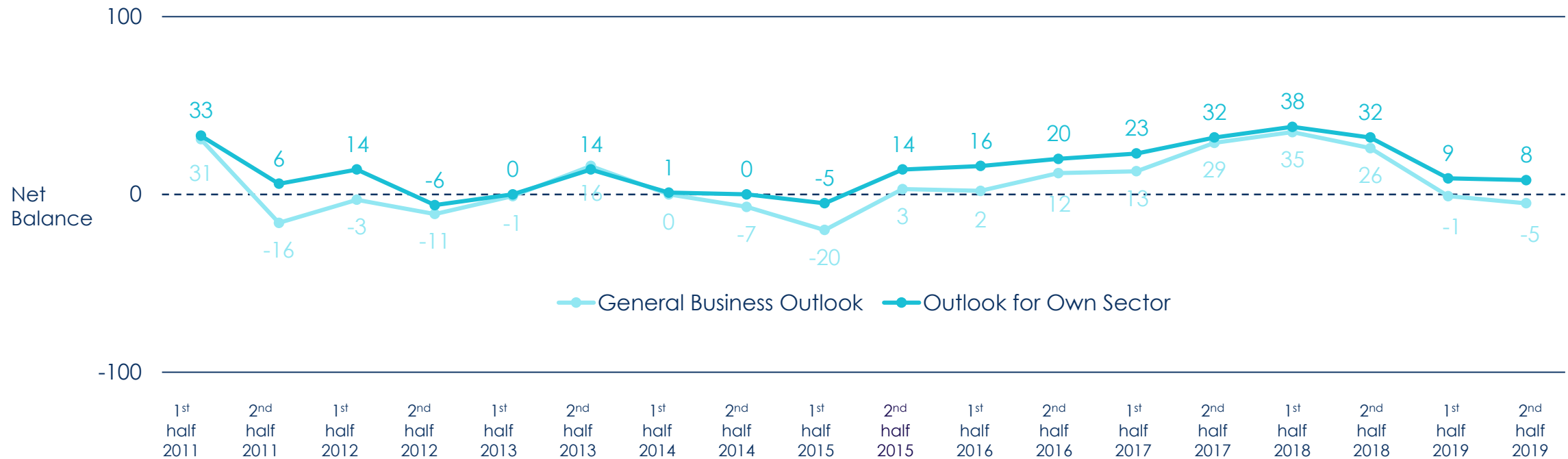
RESEARCH FINDINGS SECOND HALF 2019

14. Overall, how confident or otherwise are you about...?
Base: All respondents n=1489

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

The second half of 2019 has seen a further downward movement in directors' confidence regarding the general business outlook.

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



RESEARCH FINDINGS SECOND HALF 2019

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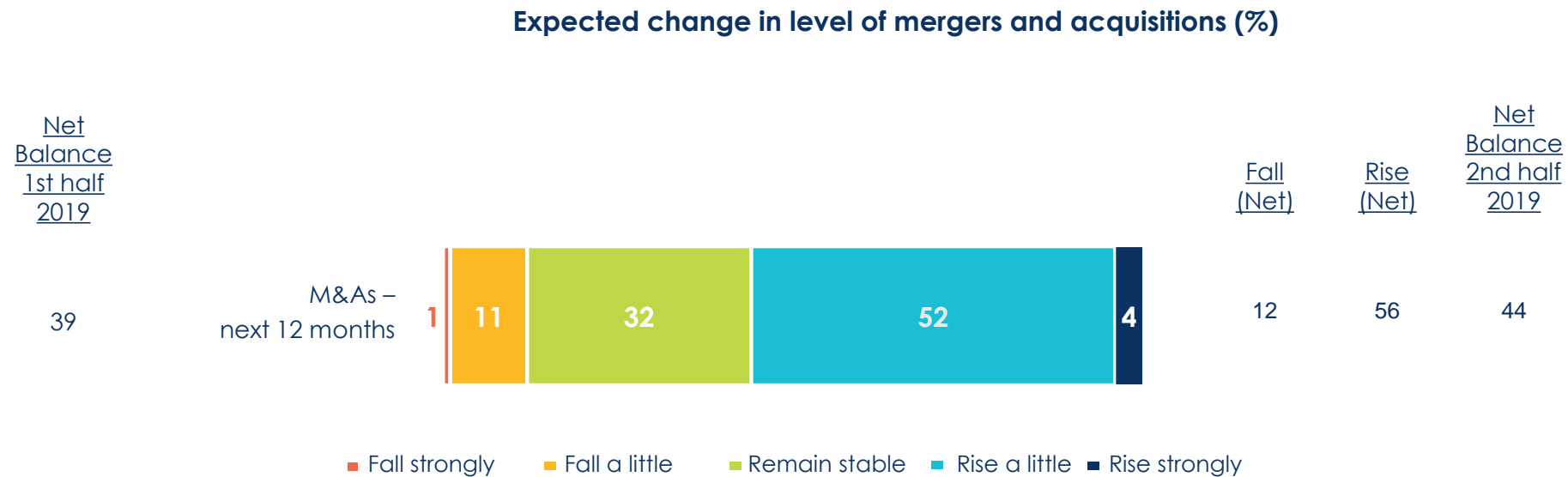
14. Overall, how confident or otherwise are you about ... ?
 Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489

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

56% of directors expect a rise in the level of mergers and acquisitions over the coming year.

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019



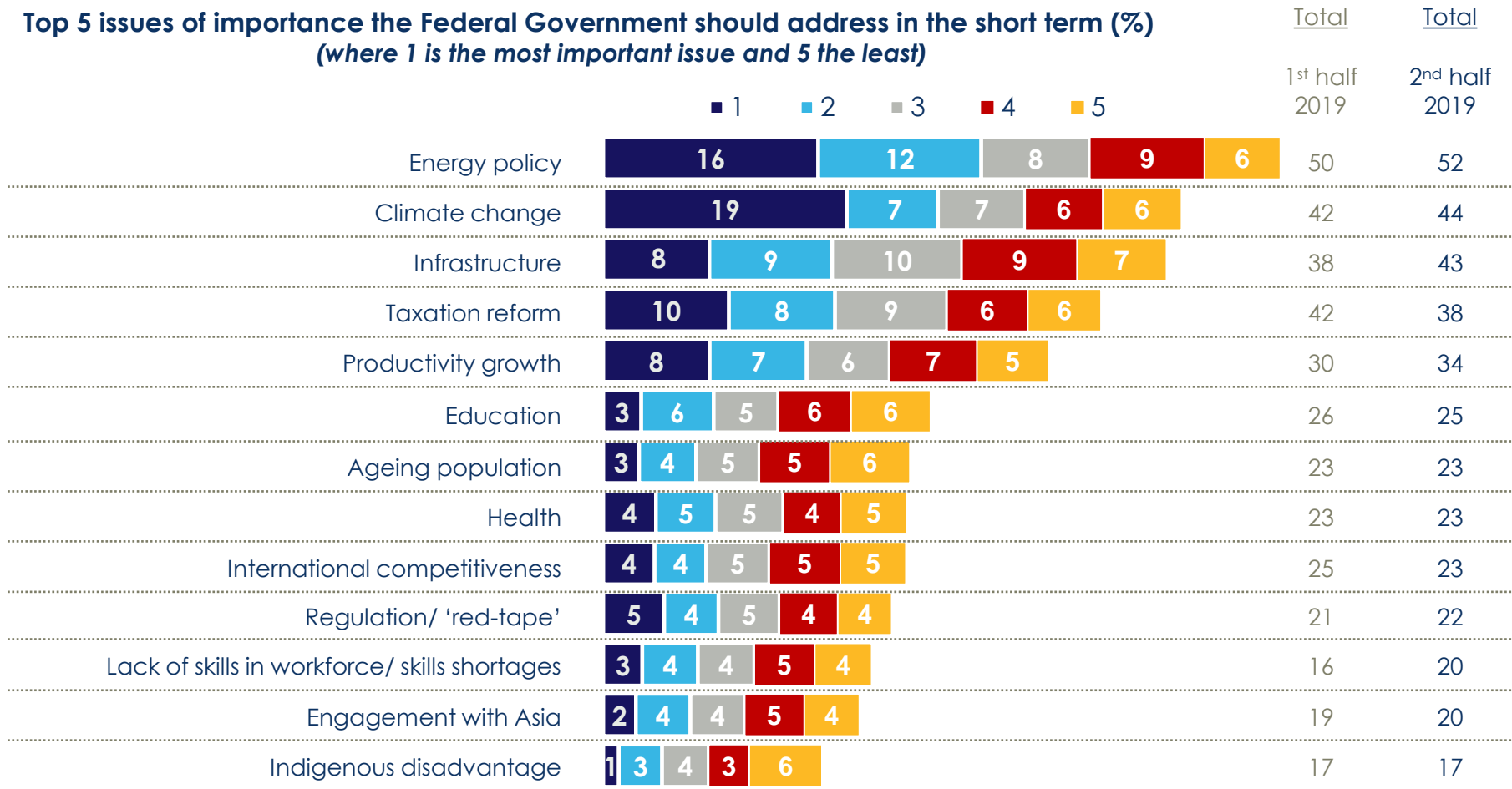
19. What is your expectation of changes in the level of mergers and acquisitions activity over the next 12 months?
 Base: All respondents n=1489

Government Policy Budgetary

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

Directors rate energy policy, climate change and infrastructure as the top priorities for the Federal Government to address in the short term.

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)



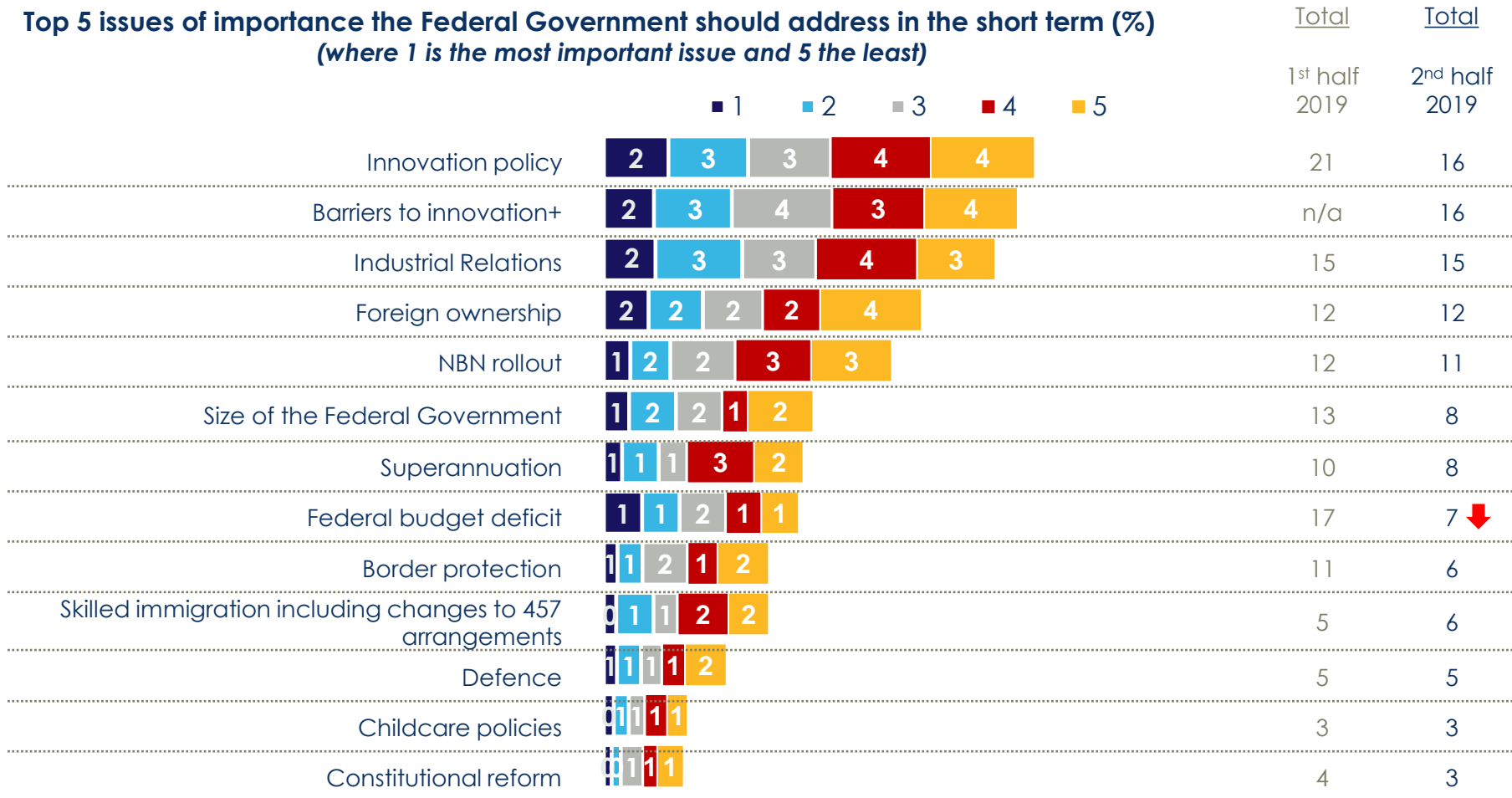
25. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the short term (i.e. in the next 3 years), where 1 is the most important issue and 5 is the least important
Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019

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)



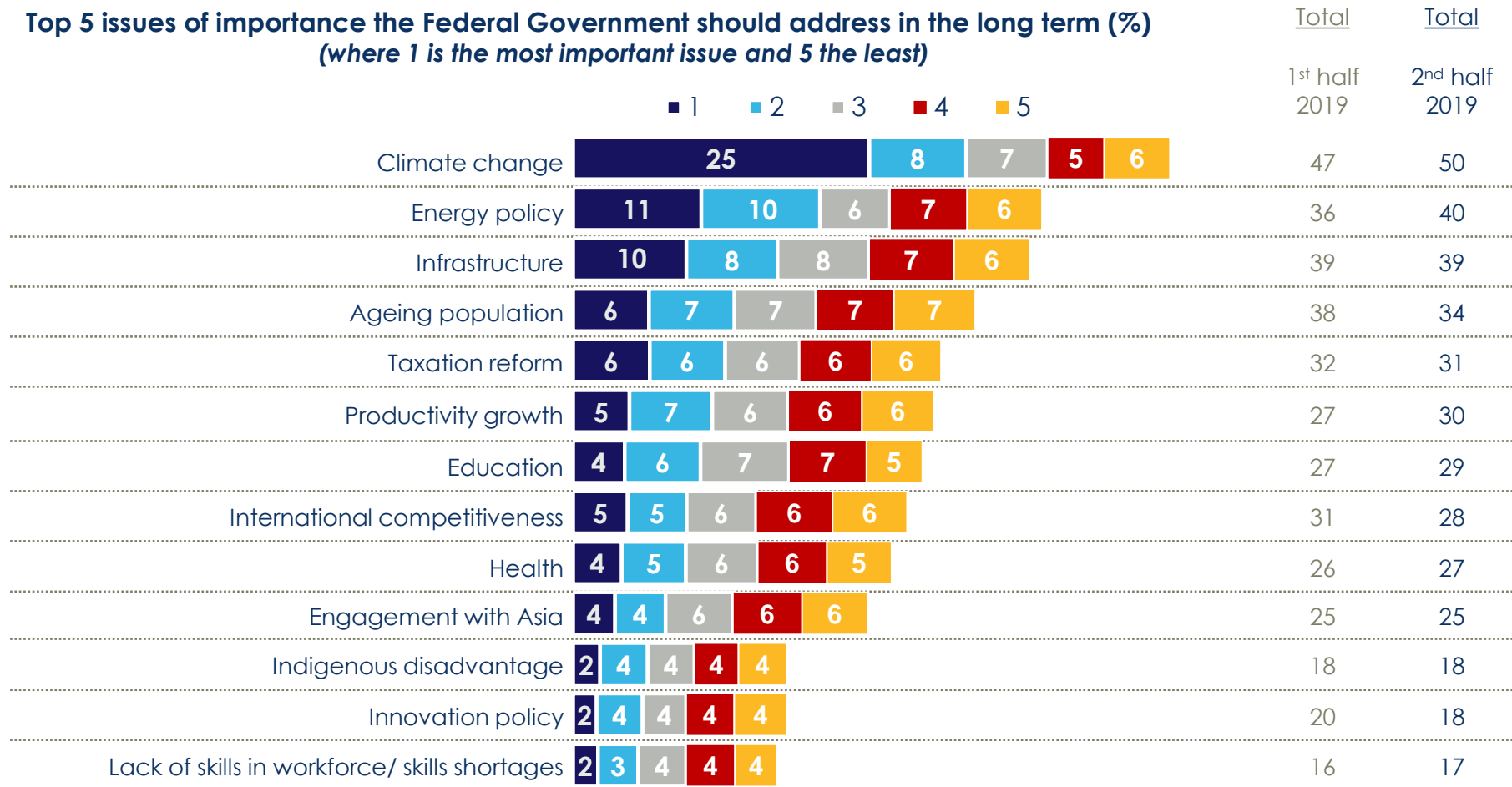
25. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the short term (i.e. in the next 3 years), where 1 is the most important issue and 5 is the least important
 Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

+ New code in H2'19

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

Consistent with the first half of 2019, directors rate climate change as the top long term priority the federal government should address, followed by energy policy, infrastructure, an 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)



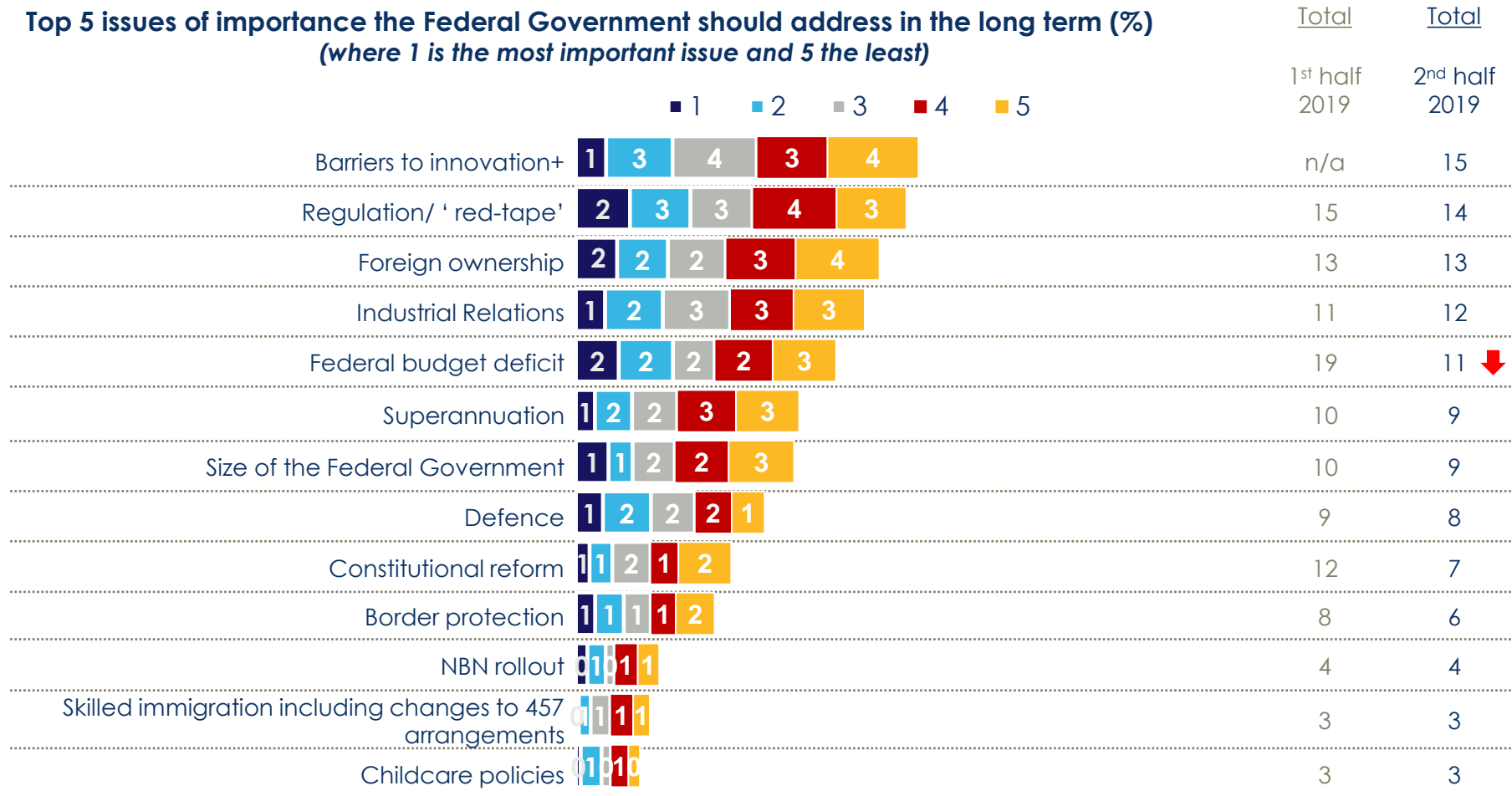
26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important
 Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

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RESEARCH FINDINGS SECOND HALF 2019

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)



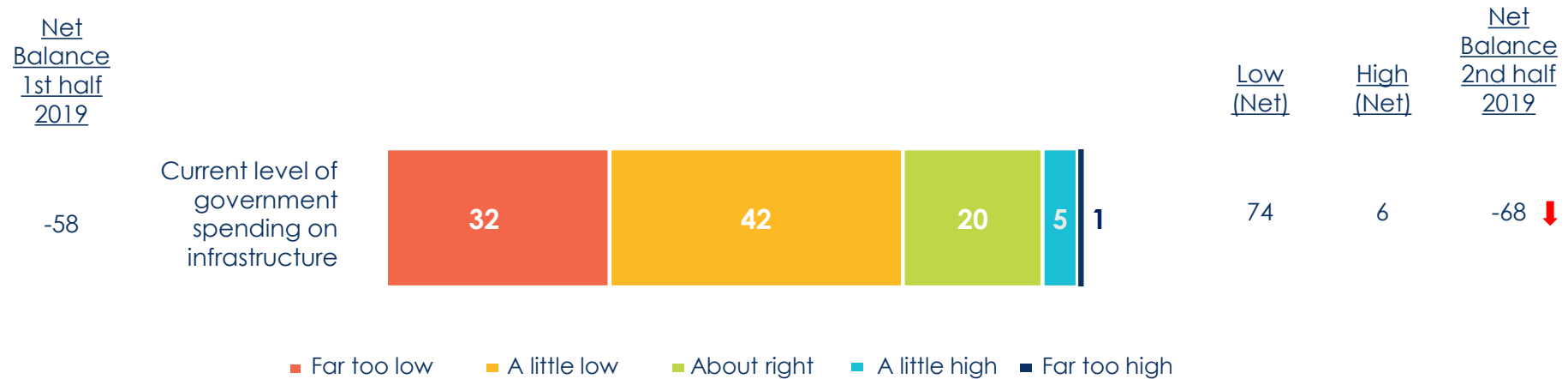
26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important
 Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

+ New code in H2'19

Current level of government spending on infrastructure

Opinion regarding the level of government spending on infrastructure is significantly more negative, with 74% of directors perceiving that government spending on infrastructure is low.

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



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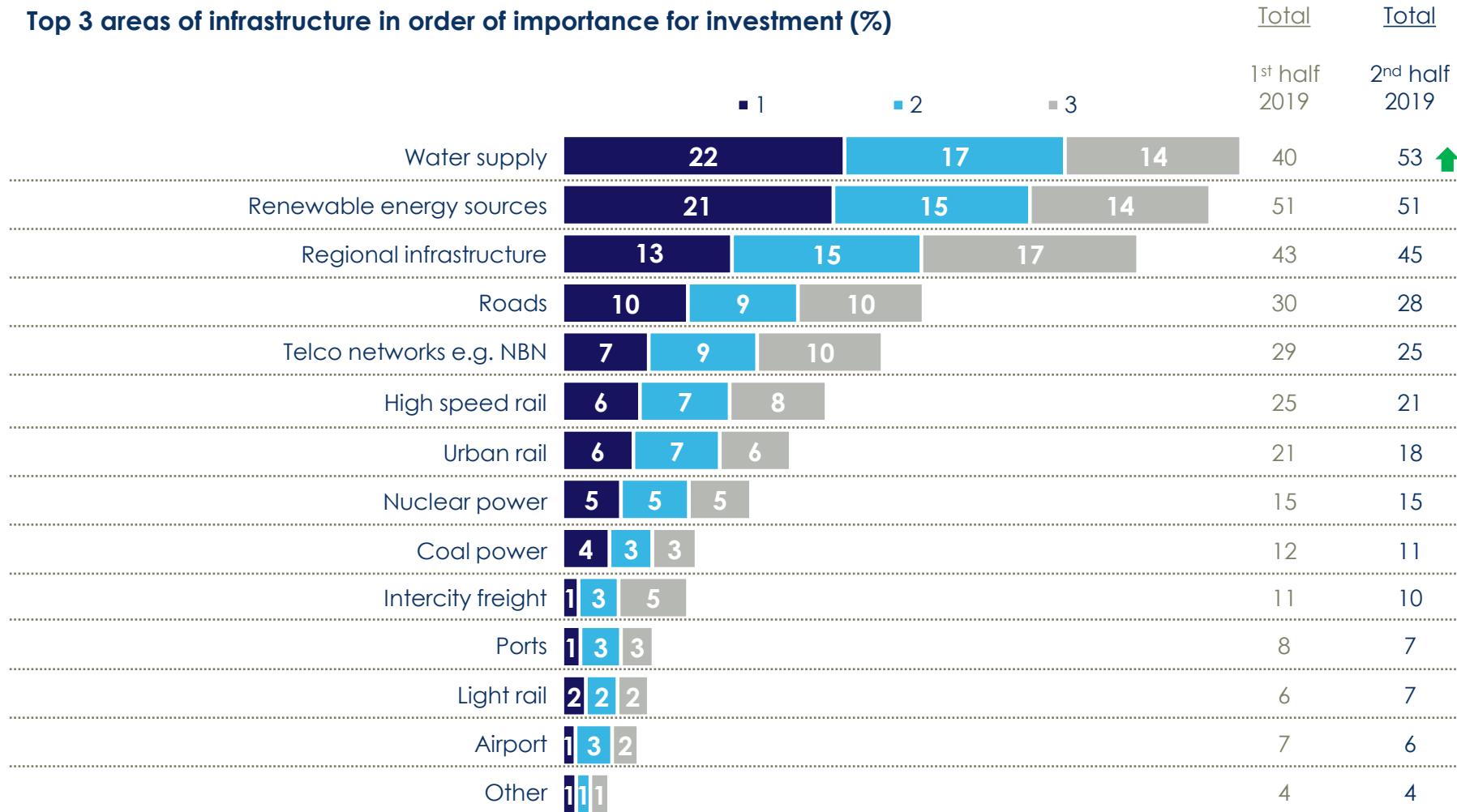
RESEARCH FINDINGS SECOND HALF 2019

20. In your opinion, is the current level of government spending on infrastructure...?
 Base: All respondents n=1489

Investment in Infrastructure (Top 3)

Directors rate water supply as the top area of importance for infrastructure investment, with a significantly higher proportion of directors nominating this area compared to the first half of 2019. This is followed by renewable energy sources and regional infrastructure.

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



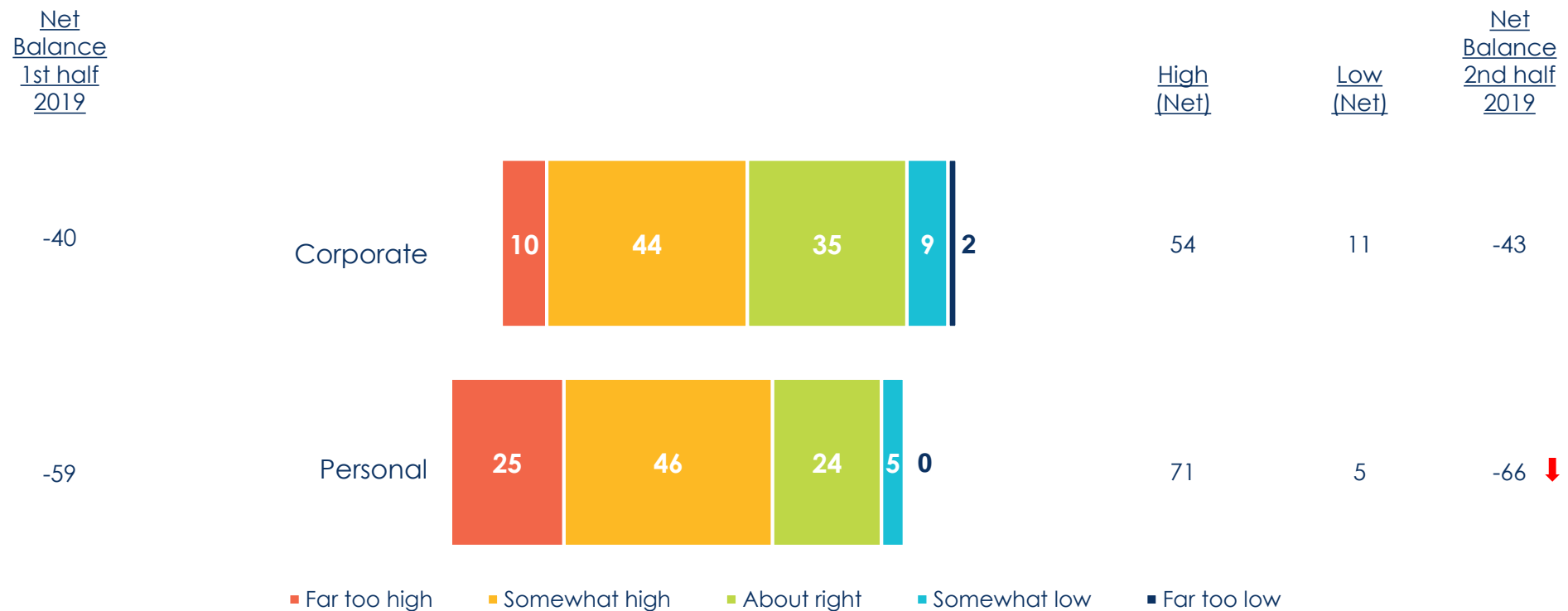
21. Please nominate the top three areas of infrastructure in order of importance for investment, in your opinion (Select three answers only)
 Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

Government Policy Taxation

Level of taxation in Australia

Directors continue to view the level of taxation in Australia as high. Compared to the first half of 2019, there has been a significant decline with regards to directors' views of the level of personal taxation.

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

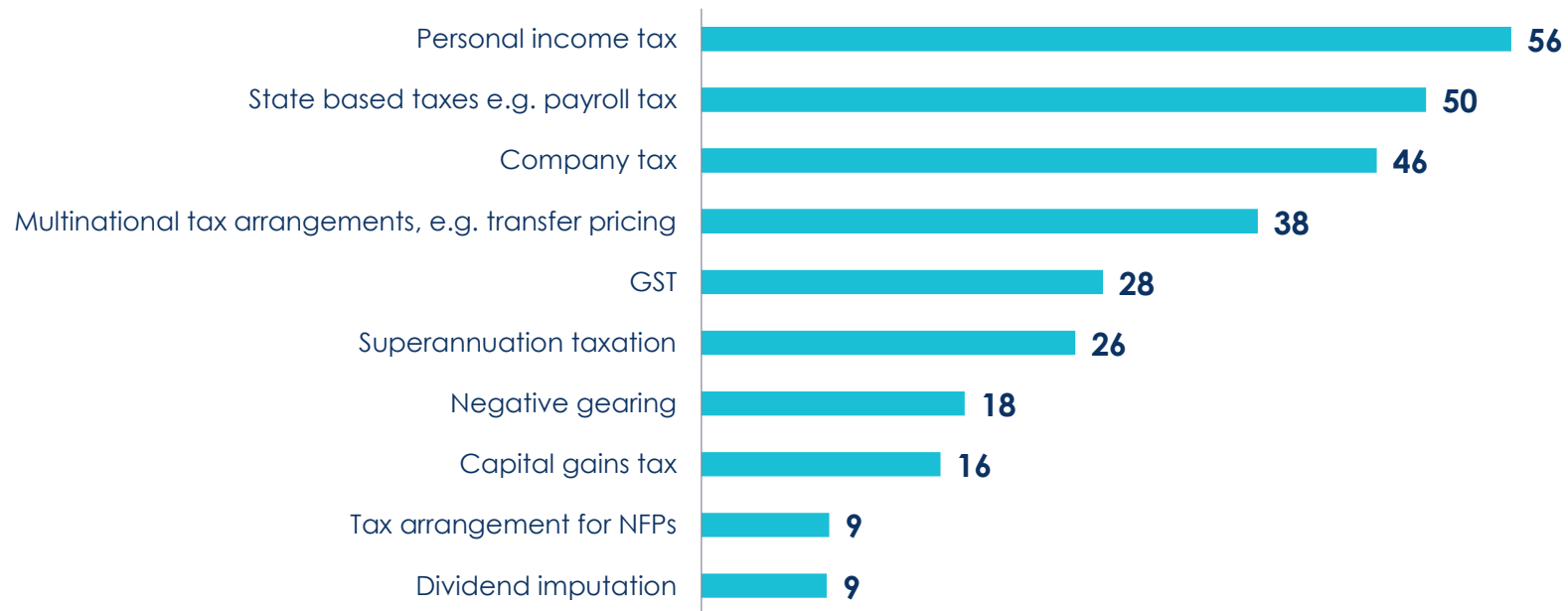


15. What is your view on the level of...?
Base: All respondents n=1489

Reform of taxation system

The top priorities nominated for taxation reform remain consistent with results for the first half of 2019. Directors rate personal income tax, followed by state based taxes and company tax as the top three priorities for reform in any future comprehensive review of the current taxation system.

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



	Total 1st half 2019	Total 2nd half 2019
Personal income tax	52	56
State based taxes e.g. payroll tax	45	50
Company tax	48	46
Multinational tax arrangements, e.g. transfer pricing	39	38
GST	29	28
Superannuation taxation	25	26
Negative gearing	21	18
Capital gains tax	15	16
Tax arrangement for NFPs	10	9
Dividend imputation	10	9

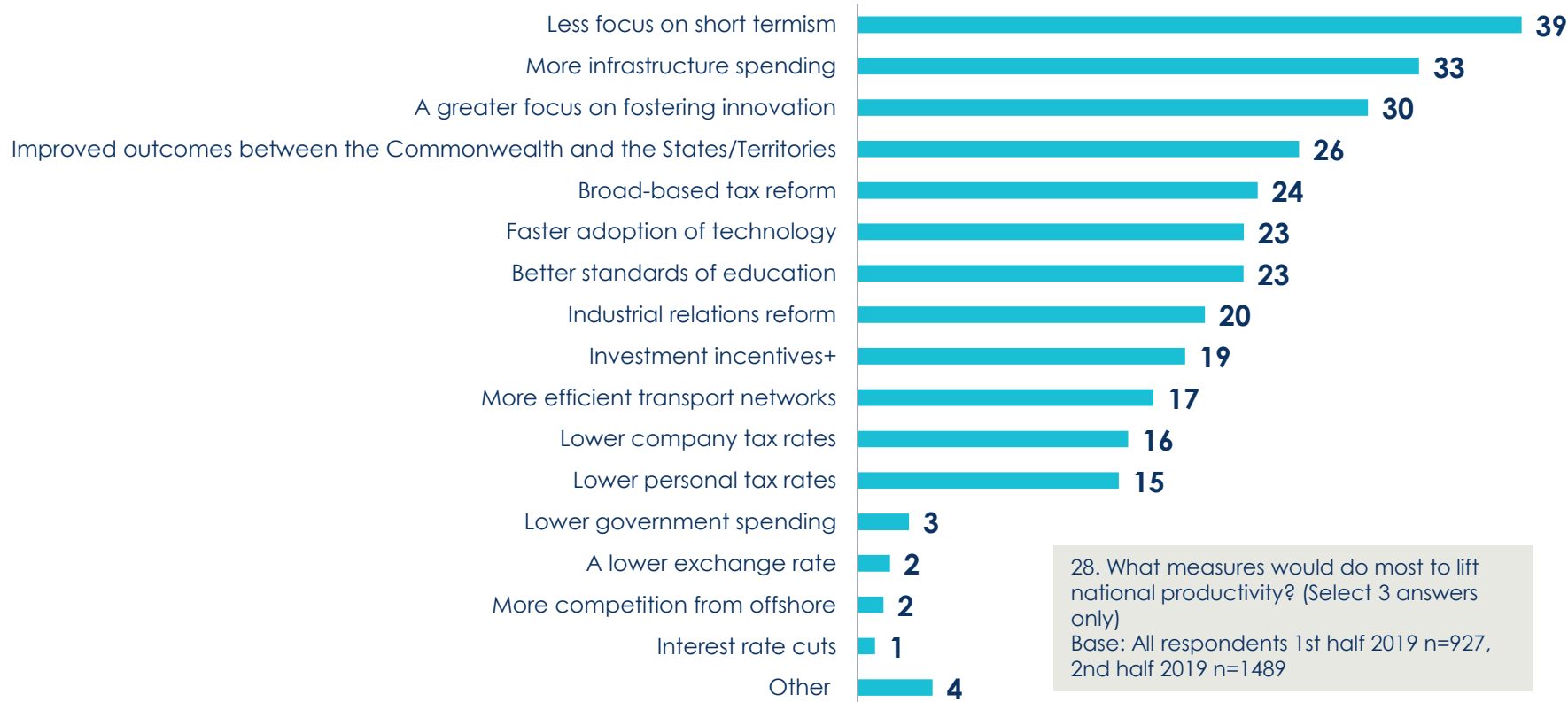
15. Please nominate the top 3 priorities for tax reform, in your opinion, in any future comprehensive review of the current taxation system.
Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

Government Policy Regulation

Main measure to lift national productivity

Directors continue to nominate less focus on short termism as the top measure for lifting national productivity, although a significantly lower proportion of directors nominated this compared to the first half of 2019. This is followed by more infrastructure spending and a greater focus on fostering innovation.

Main measures to lift national productivity (Top 3) (%)



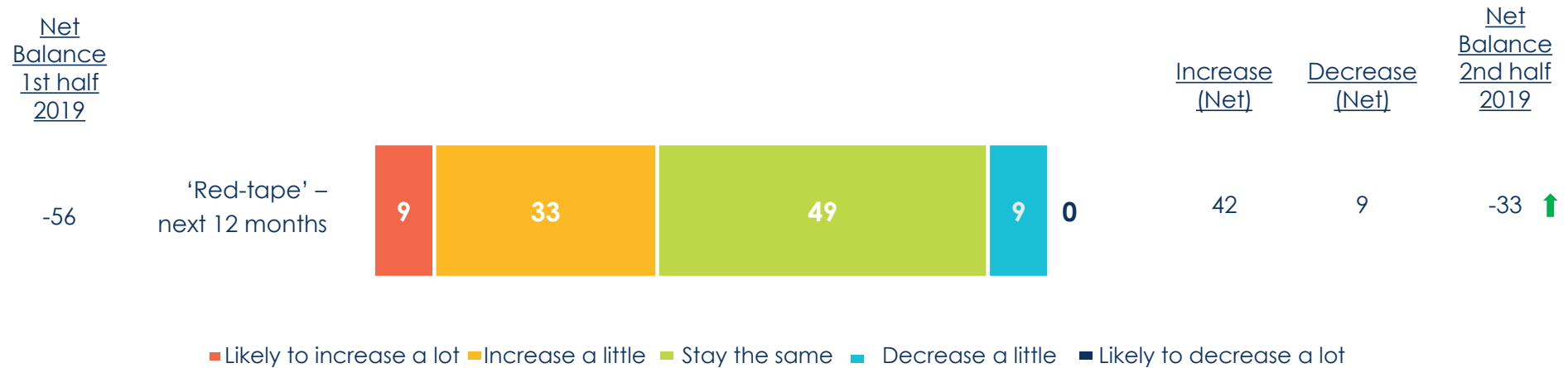
28. What measures would do most to lift national productivity? (Select 3 answers only)
 Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

	Total 1st half 2019	Total 2nd half 2019
Less focus on short termism	46	39 ↓
More infrastructure spending	28	33
A greater focus on fostering innovation	33	30
Improved outcomes between the Commonwealth and the States/Territories	25	26
Broad-based tax reform	23	24
Faster adoption of technology	26	23
Better standards of education	28	23
Industrial relations reform	18	20
Investment incentives+	n/a	19
More efficient transport networks	23	17 ↓
Lower company tax rates	17	16
Lower personal tax rates	16	15
Lower government spending	4	3
A lower exchange rate	2	2
More competition from offshore	2	2
Interest rate cuts	1	1
Other	4	4

Level of 'red-tape' in next 12 months

42% of directors continue to expect the level of 'red-tape' to increase in the next 12 months. Compared to the first half of 2019, expectations regarding the level of 'red-tape' have significantly improved.

Level of 'red-tape' – next 12 months (%)

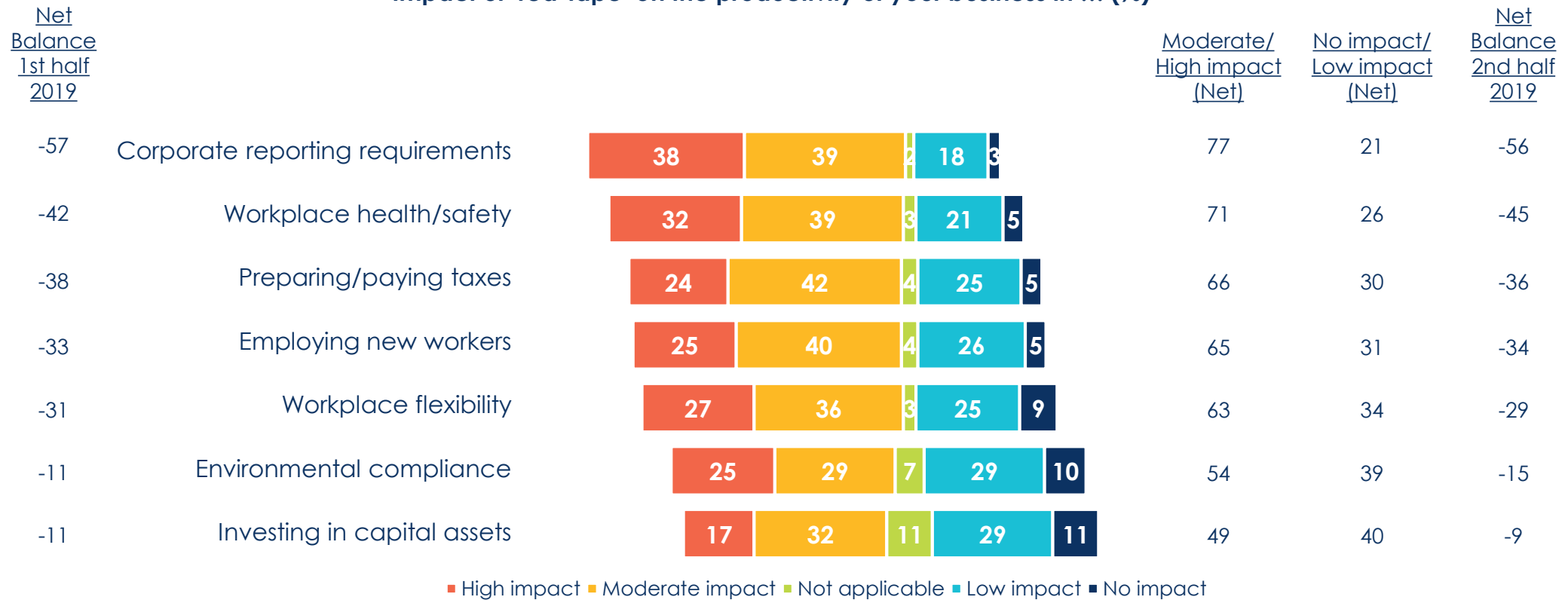


22. What is your expectation of changes in the level of "red-tape" over the next 12 months?
 Base: All respondents n=1489

Impact of 'red-tape' on business productivity

77% 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.

Impact of 'red-tape' on the productivity of your business in ... (%)



23. What impact (cost/time) does 'red-tape' have on the productivity of your business in the following areas?
 Base: All respondents n=1489

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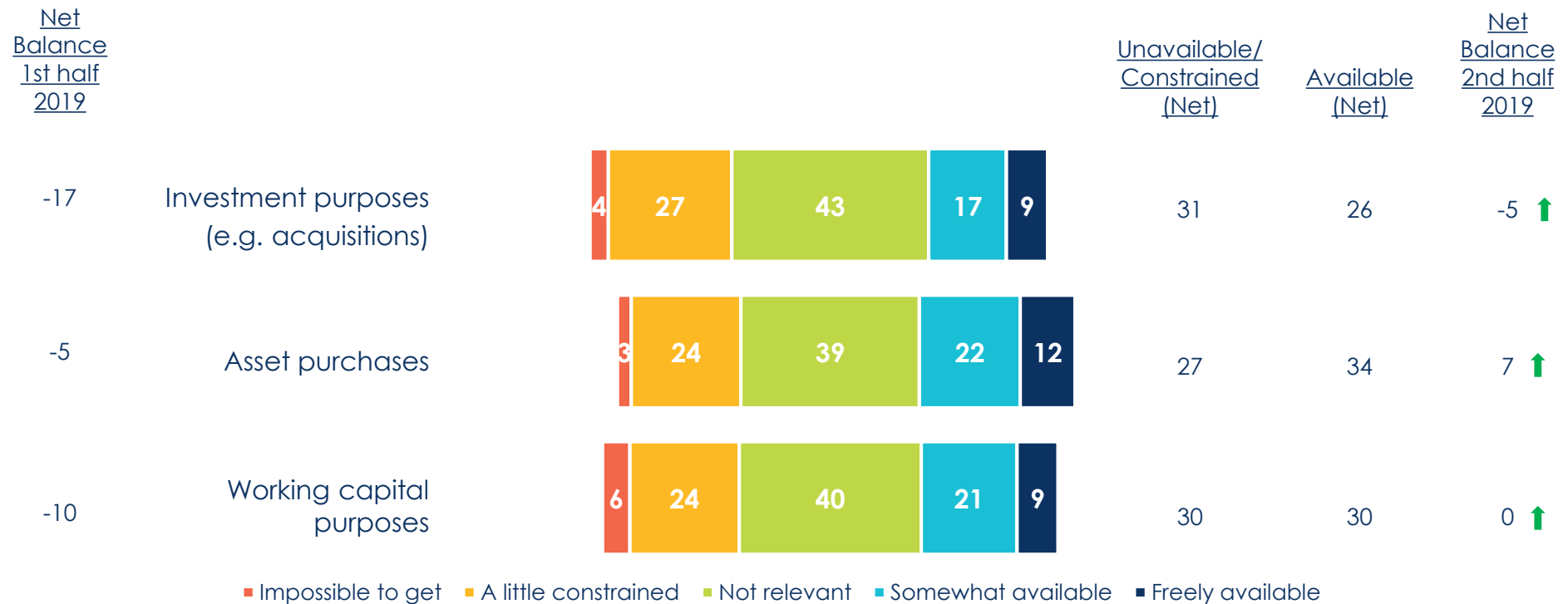
RESEARCH FINDINGS SECOND HALF 2019

Government Policy Credit Availability

Credit availability for business – Jan-Jun'19

Experience around credit availability for businesses over the past six months has significantly improved compared to the first half of 2019.

Credit availability for business – Jan-Jun'19 (%)



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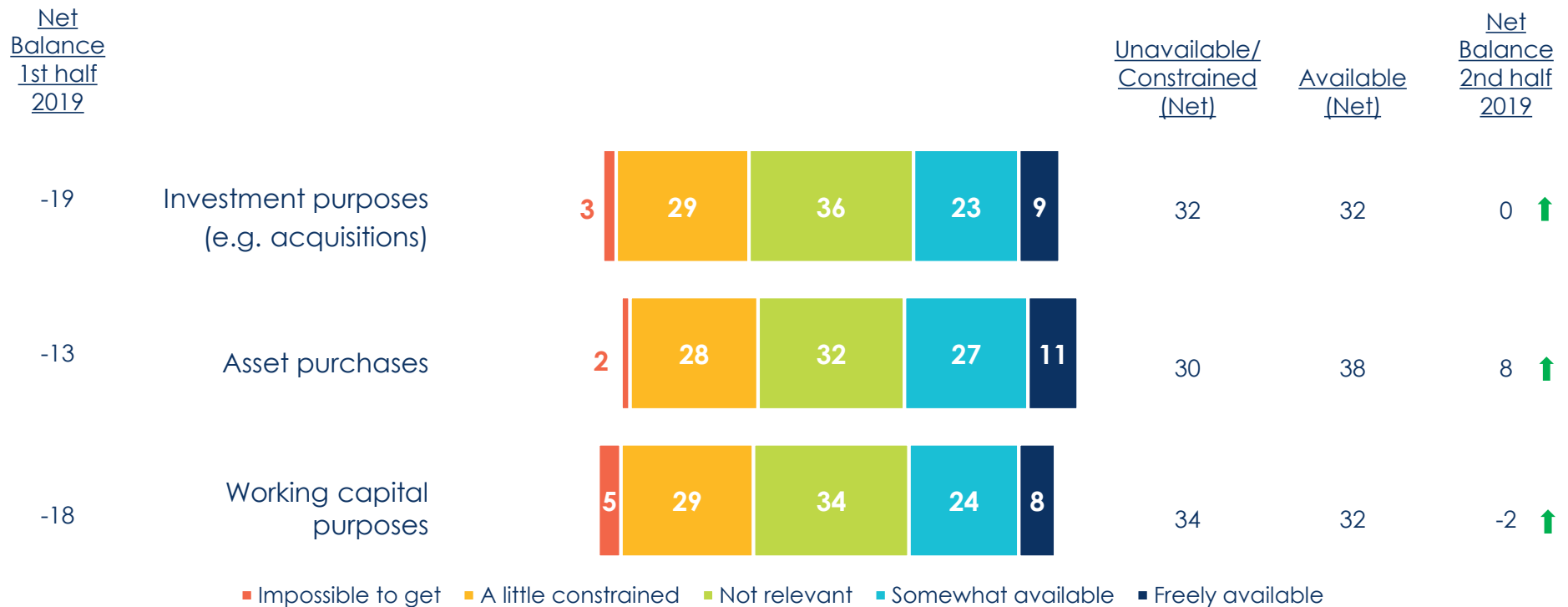
RESEARCH FINDINGS SECOND HALF 2019

16. For the business, what has been the experience over the period January to June 2019 relating to...?
 Base: All respondents n=1489

Credit availability for business – next 12 months

Expectations of credit availability in the future are more positive compared to the first half of 2019. 38% of directors expect credit for asset purchases will be available in the next twelve months, 32% expect the same regarding credit for investment purposes and 32% expect the same regarding working capital purposes.

Credit availability for business – next 12 months (%)



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RESEARCH FINDINGS SECOND HALF 2019

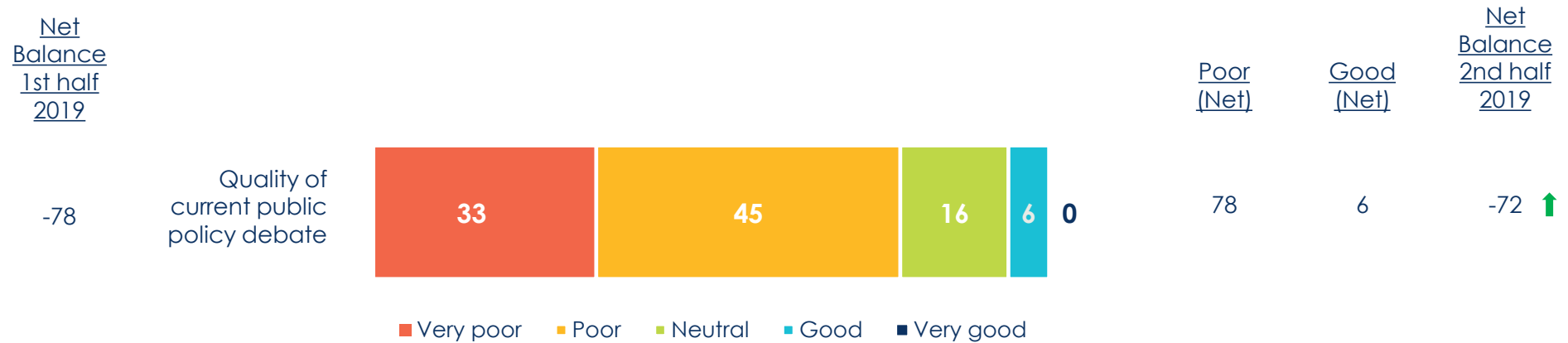
17. And what is your expectation of credit availability over the next 12 months?
Base: All respondents n=1489

Public Policy

Quality of public policy debate in Australia

Compared to the first half of 2019, directors' opinions regarding the current quality of public policy debate in Australia has significantly improved, although it remains in negative territory. 78% of directors believe the current quality of public policy debate is poor.

Opinion on quality of public policy debate (%)



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RESEARCH FINDINGS SECOND HALF 2019

47. How would you rate the current quality of public policy debate in Australia?
 Base: All respondents n=1489

Government Policy Performance & Business Understanding

Impact of Federal Government's performance on business

Compared to the first half of 2019, directors' are significantly less negative overall about the effect of the Federal Government's current performance on consumer confidence and business decision making. However, results remain in negative territory.

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



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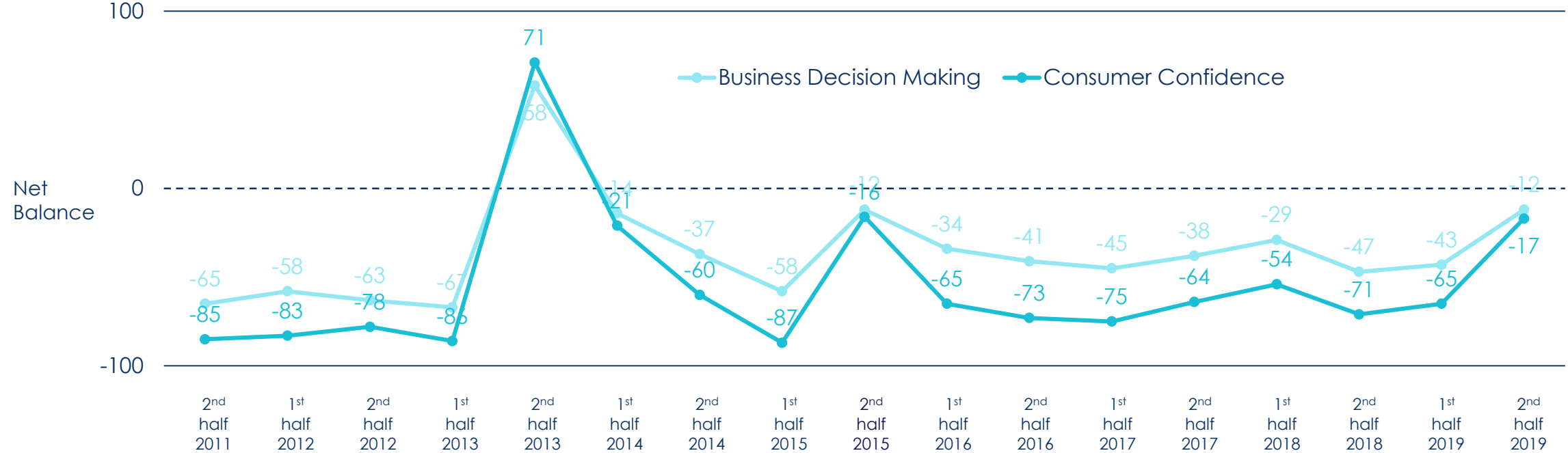
RESEARCH FINDINGS SECOND HALF 2019

27. How is the current federal government's performance affecting ...?
 Base: All respondents n=1489

Impact of federal government on business - semi-annual trend

The effect of the Federal Government's performance on business decision making and consumer confidence remains in negative territory but there has been a consecutive uplift in the second half of 2019.

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



Source: 27
 Base: All respondents; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1489

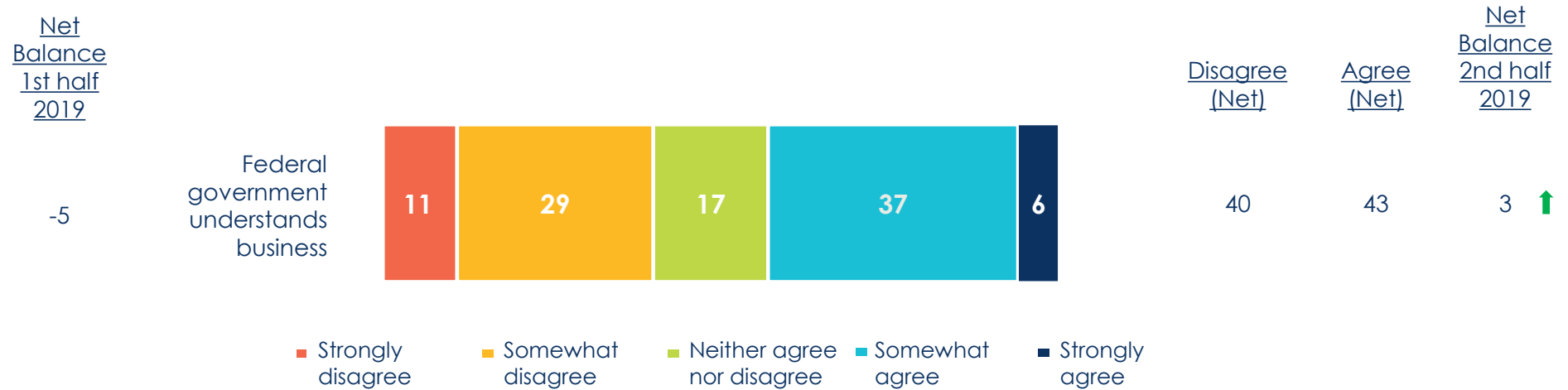
DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019

Federal government's understanding of business

Compared to the first half of 2019, directors are positive about the Federal Government's understanding of business, with 43% agreeing with the statement that the current Federal Government understands business.

Current federal government understands business (%)

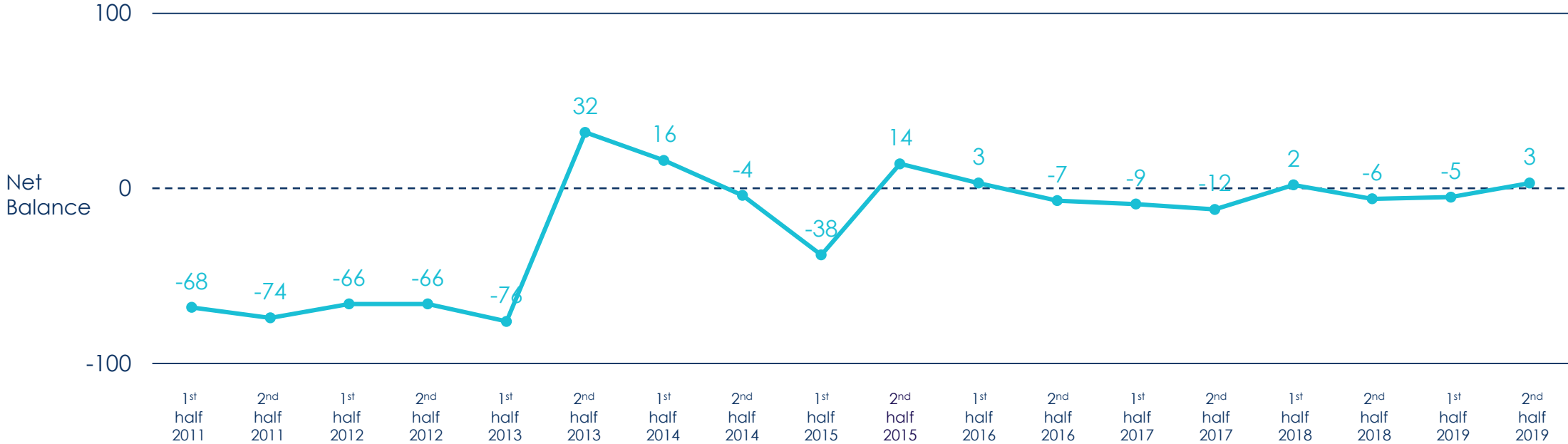


24. To what extent do you agree or disagree with the statement "The current Federal Government understands business"?
 Base: All respondents n=1489

Federal government's understanding of business – semi-annual trend

The view regarding the Federal Government's understanding of business has moved into positive territory in the second half of 2019.

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS SECOND HALF 2019

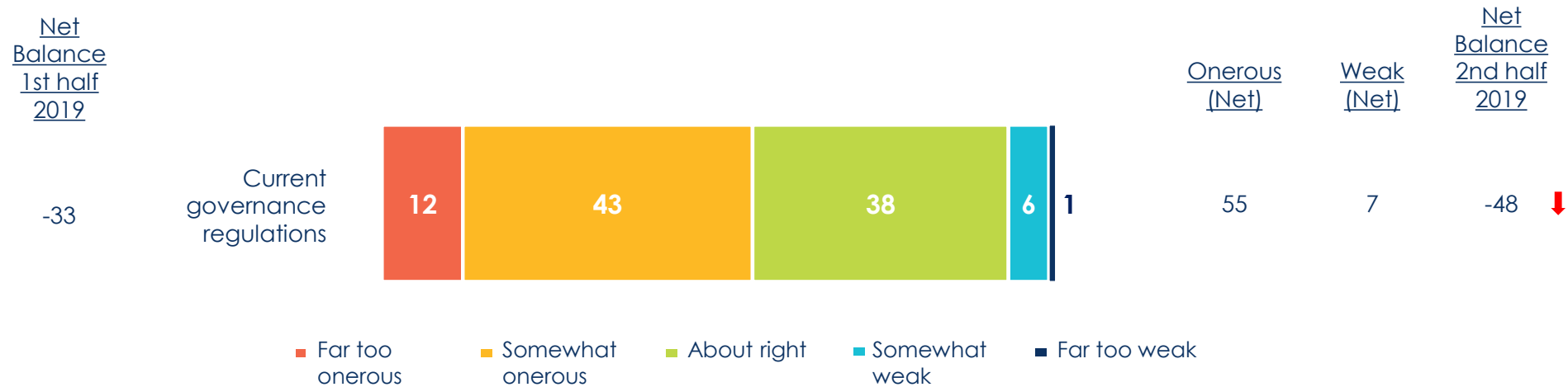
Source: 24
 Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=521; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489

Key Issues for Directors and Boards

Current governance regulations

Compared to the first half of 2019, directors are significantly more negative about current governance regulations, with 55% perceiving them to be onerous.

Current governance regulations ... (%)

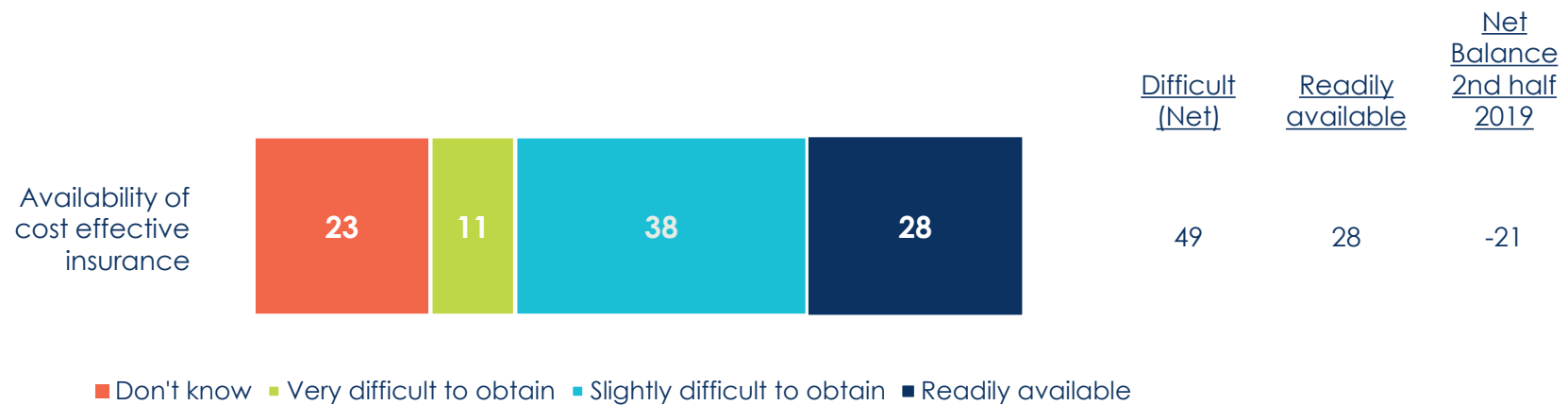


29. In your opinion, are current governance regulations ...?
 Base: All respondents n=1489

Availability of cost effective directors and officers

49% of directors perceive it is difficult to obtain cost-effective directors and officers insurance in the current market.

Availability of cost effective directors and officers insurance in the current market (%)



New question H2'19
 B10. How you would you rate the availability of cost-effective directors and officers insurance in the current market?
 Base: All respondents n=1489

Impact of legislation on director liability

50% of directors believe legislation on directors' liability is negatively impacting on their willingness to accept new board appointments. 40% of directors purport the legislation negatively impacts on their willingness to continue on Boards and for 36%, the legislation negatively affects their business decision making.

Legislation on directors' liability affecting ... (%)



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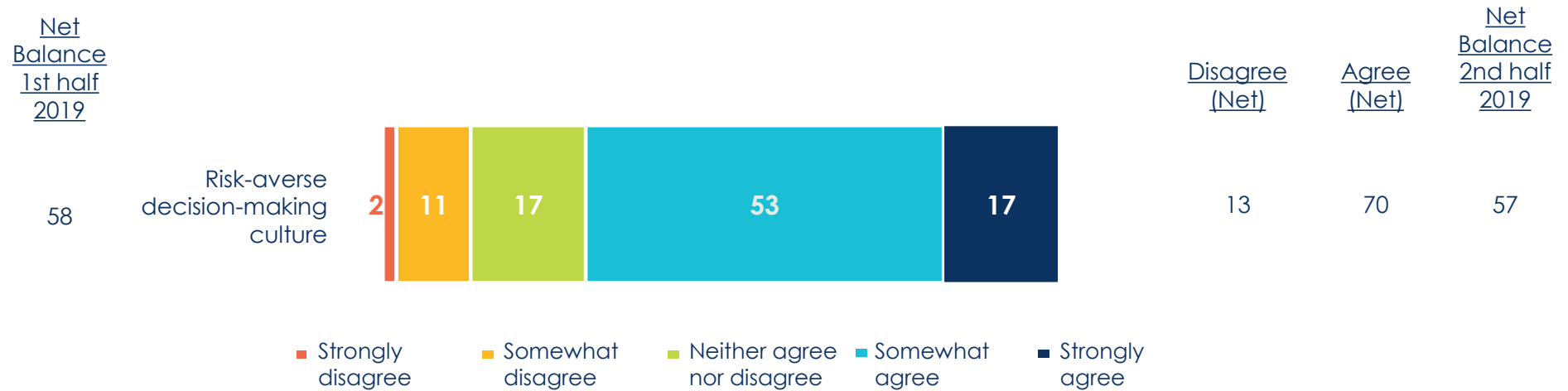
RESEARCH FINDINGS SECOND HALF 2019

30. How does legislation on Directors' liability affect ... ?
 Base: All respondents n=1489

Business decision making and risk aversion

70% of directors agree there is a risk-averse decision-making culture on Australian boards.

Risk-averse decision-making culture on Australian boards? (%)



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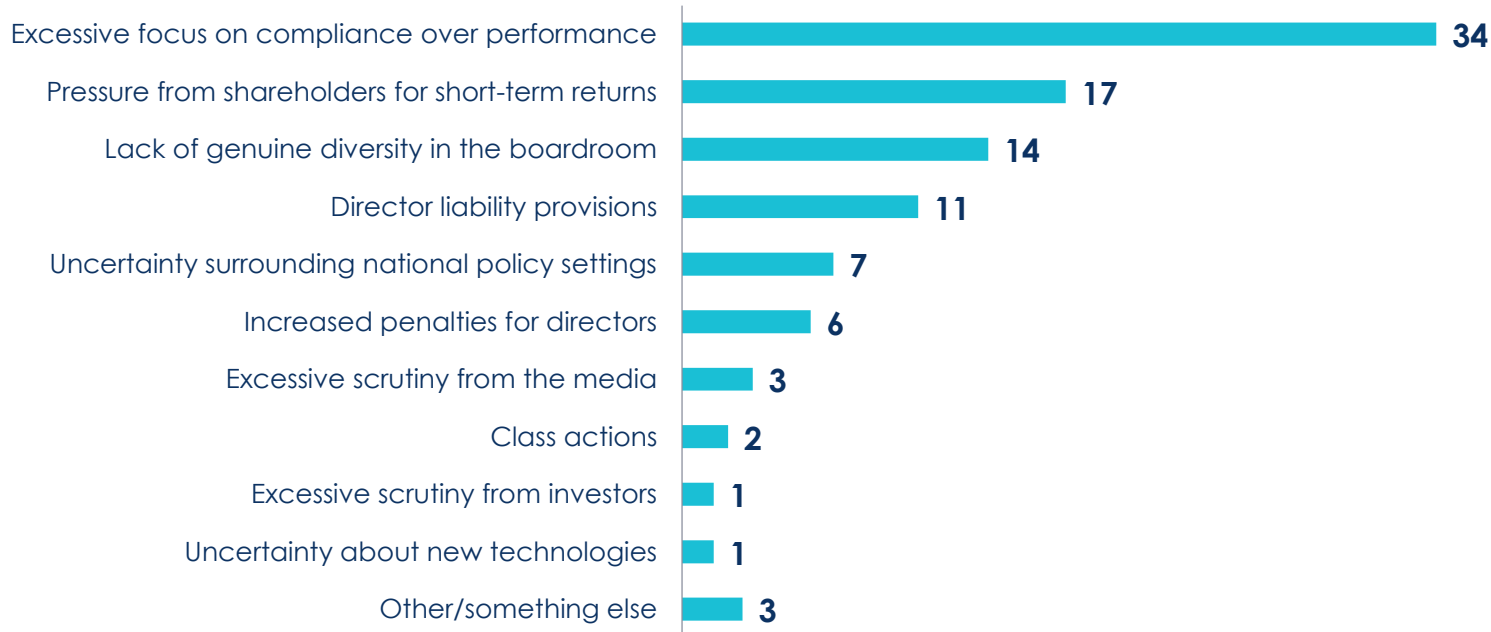
RESEARCH FINDINGS SECOND HALF 2019

31. To what extent do you agree or disagree that there is a risk-averse decision-making culture on Australian boards?
 Base: All respondents n=1489

Reason for risk-averse decision making culture

34% of directors believe the main reason there is a risk-averse decision making culture on Australian boards is due to excessive focus on compliance over performance, followed by pressure from shareholders for short-term returns and lack of genuine diversity in the boardroom.

Main reason that there is a risk-averse decision making culture (%)



	Total 1st half 2019	Total 2nd half 2019
Excessive focus on compliance over performance	30	34
Pressure from shareholders for short-term returns	21	17
Lack of genuine diversity in the boardroom	13	14
Director liability provisions	9	11
Uncertainty surrounding national policy settings	10	7
Increased penalties for directors	6	6
Excessive scrutiny from the media	5	3
Class actions	2	2
Excessive scrutiny from investors	1	1
Uncertainty about new technologies	1	1
Other/something else	3	3

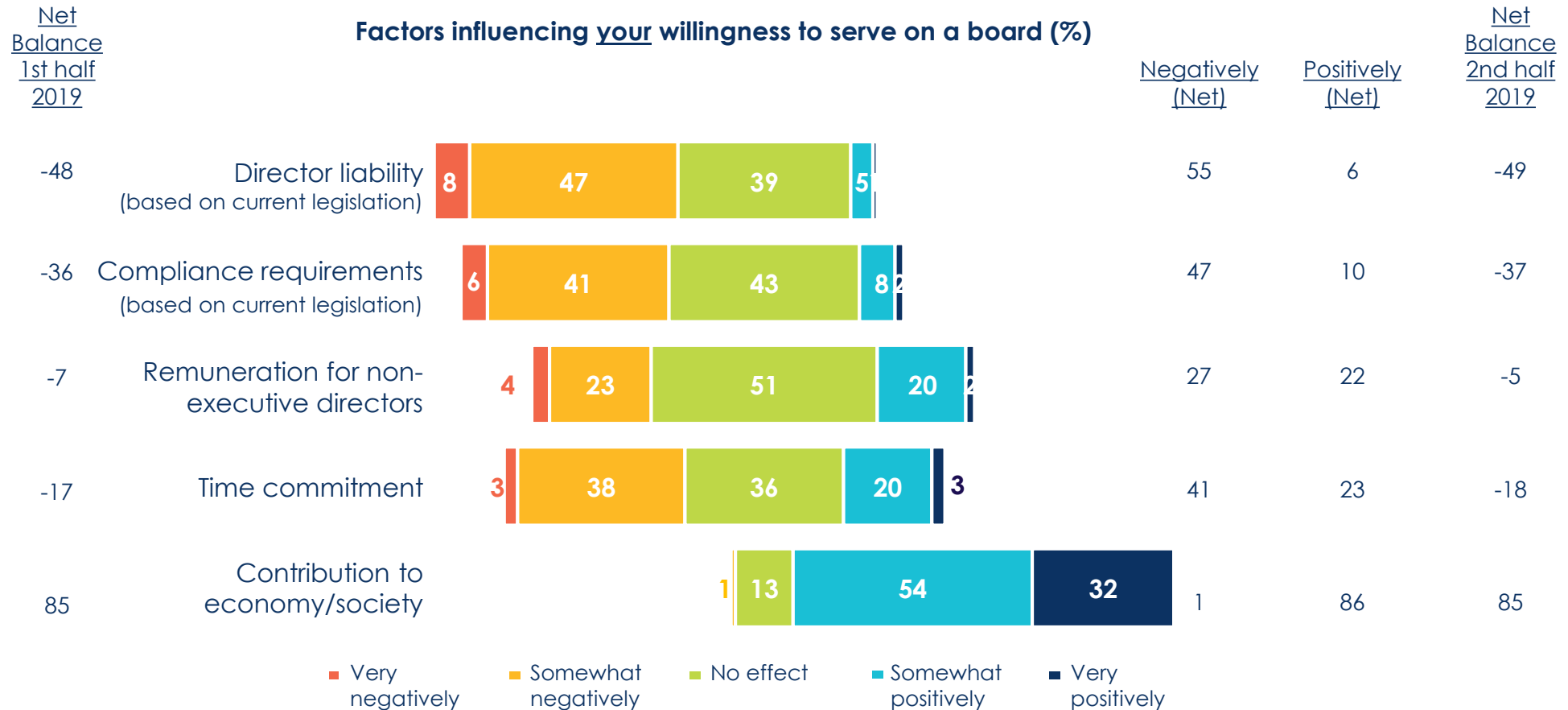
32. What do you feel is the main reason that there is a risk averse decision-making culture on Australian boards?
 Base: Those who agree that there is a risk-averse decision making culture on Australian boards 1st half 2019 n=652, 2nd half 2019 n=1044

Factors influencing your willingness to serve on a board

Consistent with the first half of 2019, 86% of directors believe that the contribution they make to the economy and society positively influences their willingness to serve on a board, while 55% believe that director liability negatively impacts their willingness to serve on a board.

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RESEARCH FINDINGS SECOND HALF 2019

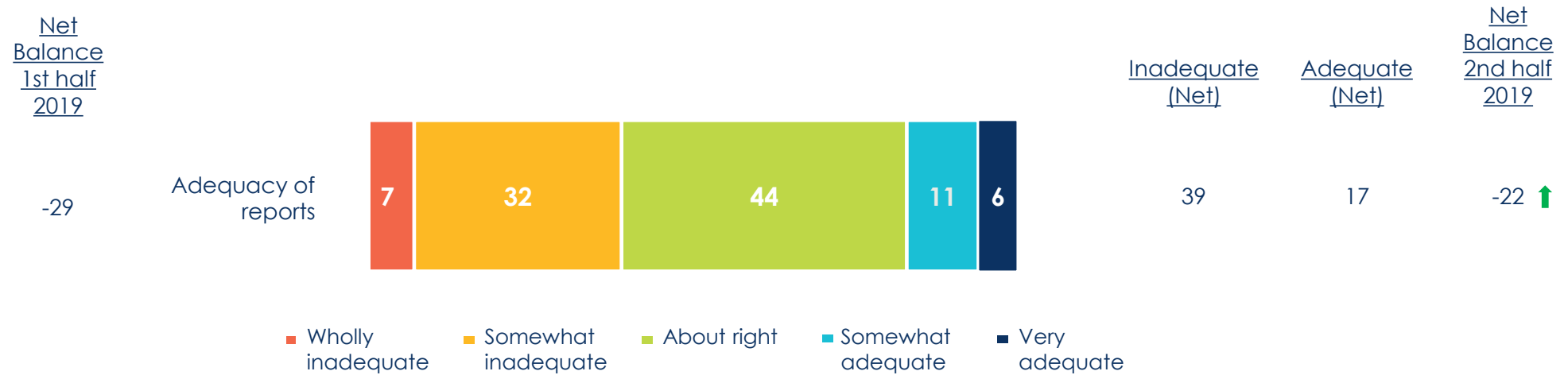


37. How do the following things influence your willingness to serve on a Board?
 Base: All respondents n=1489

Adequacy of public company remuneration reports

Compared to the first half of 2019, directors are significantly more positive about the adequacy of public company remuneration reports, although it remains in negative territory. 39% of directors perceive public company remuneration reports to be inadequate.

Adequacy of public company remuneration reports (%)



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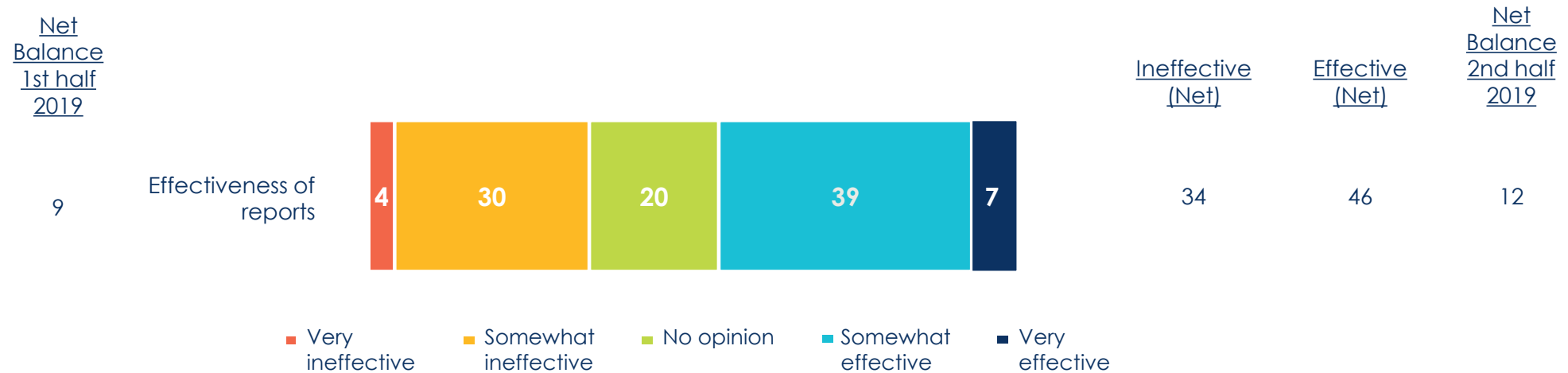
RESEARCH FINDINGS SECOND HALF 2019

33. What is your view of the adequacy of public company remuneration reports?
 Base: All respondents n=1489

Effectiveness of corporate reporting

46% of directors perceive the effectiveness of corporate reporting as effective.

Effectiveness of corporate reporting (%)

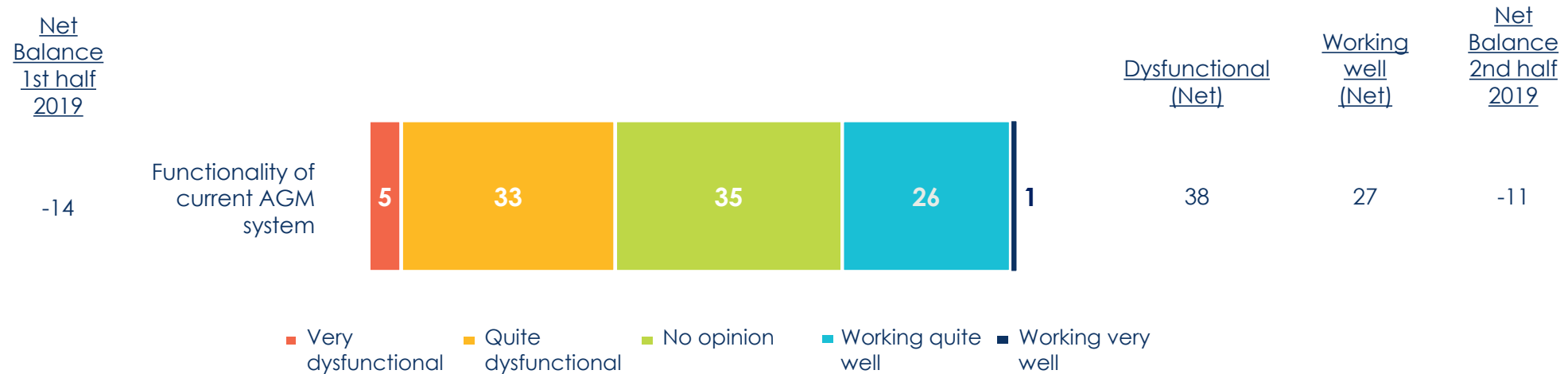


34. In your opinion, how would you rate the effectiveness of corporate reporting in Australia?
 Base: All respondents n=1489

Current AGM system

Opinion regarding the current AGM system remains consistent in the second half of 2019, with 38% of directors believing that the current AGM system is dysfunctional.

Functionality of the current AGM system (%)

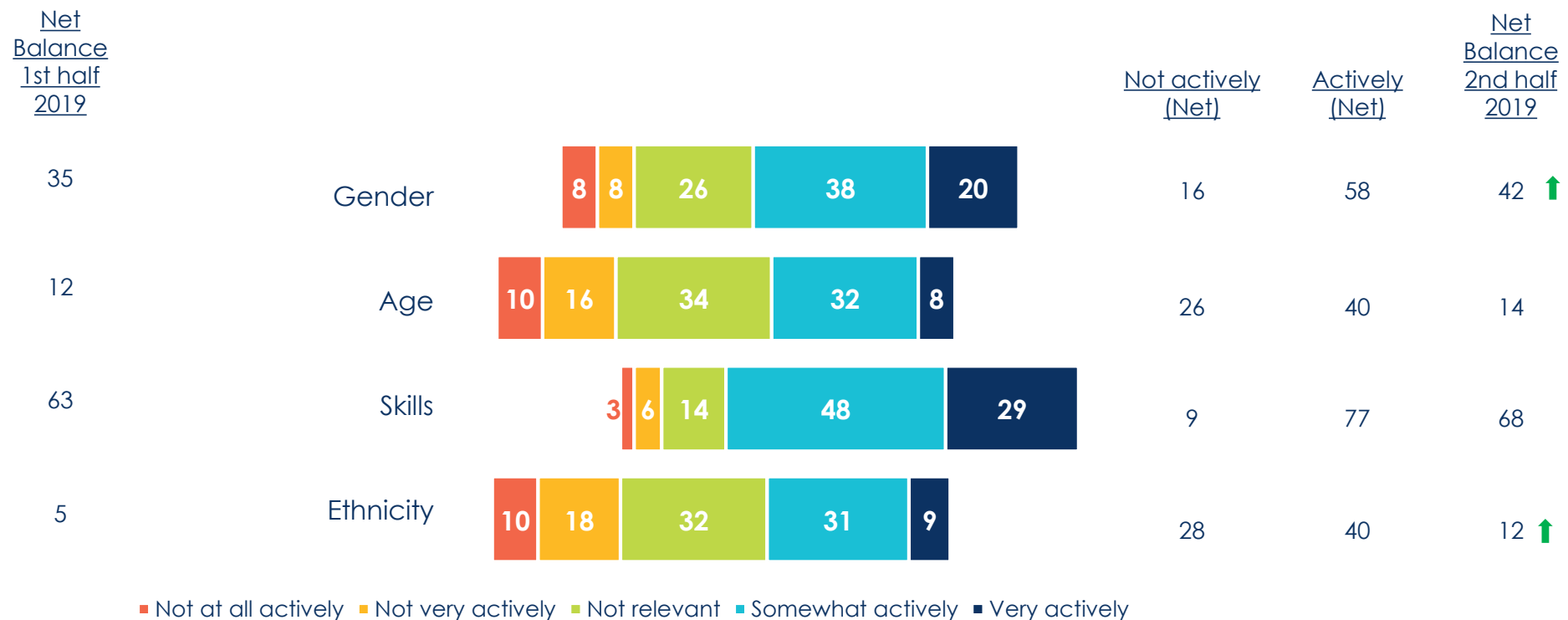


35. In your opinion, is the current AGM system ... ?
 Base: All respondents n=1489

Board diversity: policy and efforts to increase

The effort made to increase the diversity in board membership with regards to gender and ethnicity has significantly increased compared to the first half of 2019. 58% of directors state their business is actively seeking to improve gender diversity and 40% are actively trying to increase ethnic diversity.

Extent board is actively seeking to increase diversity of board membership in the following areas ... (%)



36. To what extent is your Board actively seeking to increase diversity in the following areas?
Base: All respondents n=1489

Extent Board is trying to effect change in culture

89% of directors believe their Board is trying to effect change in culture within their organisation.

Extent Board is trying to effect change in culture in the organisation (%)



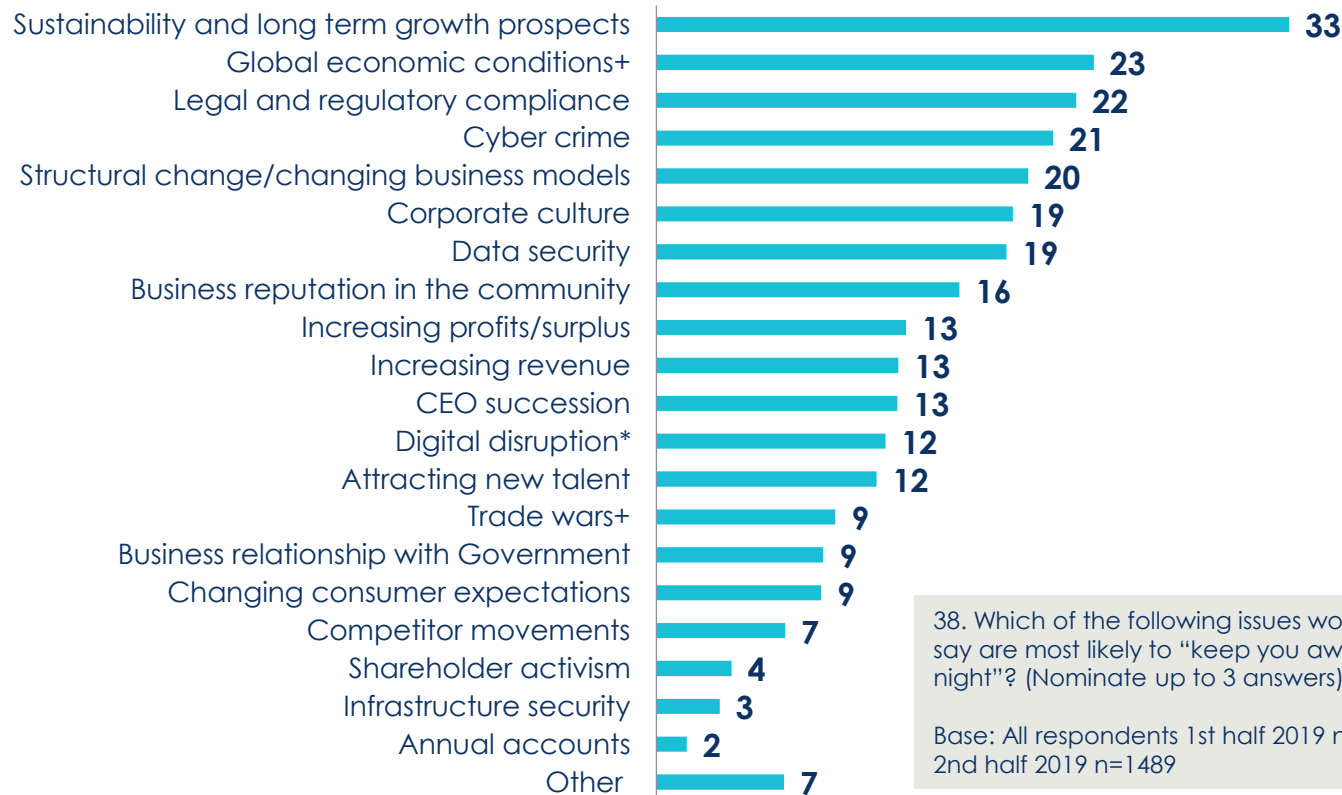
35. To what extent is your Board trying to effect change in culture within the organisation?
Base: All respondents n=1489

Topical Issues

Main issues “keeping you awake at night”

Sustainability and long-term growth prospects continues to be the main issue that keeps directors “awake at night”. Global economic conditions, legal and regulatory compliance, cyber crime and structural change/changing business models are mentioned by at least one in five directors.

Main issues that would “keep you awake at night” (%)



38. Which of the following issues would you say are most likely to “keep you awake at night”? (Nominate up to 3 answers)

Base: All respondents 1st half 2019 n=927, 2nd half 2019 n=1489

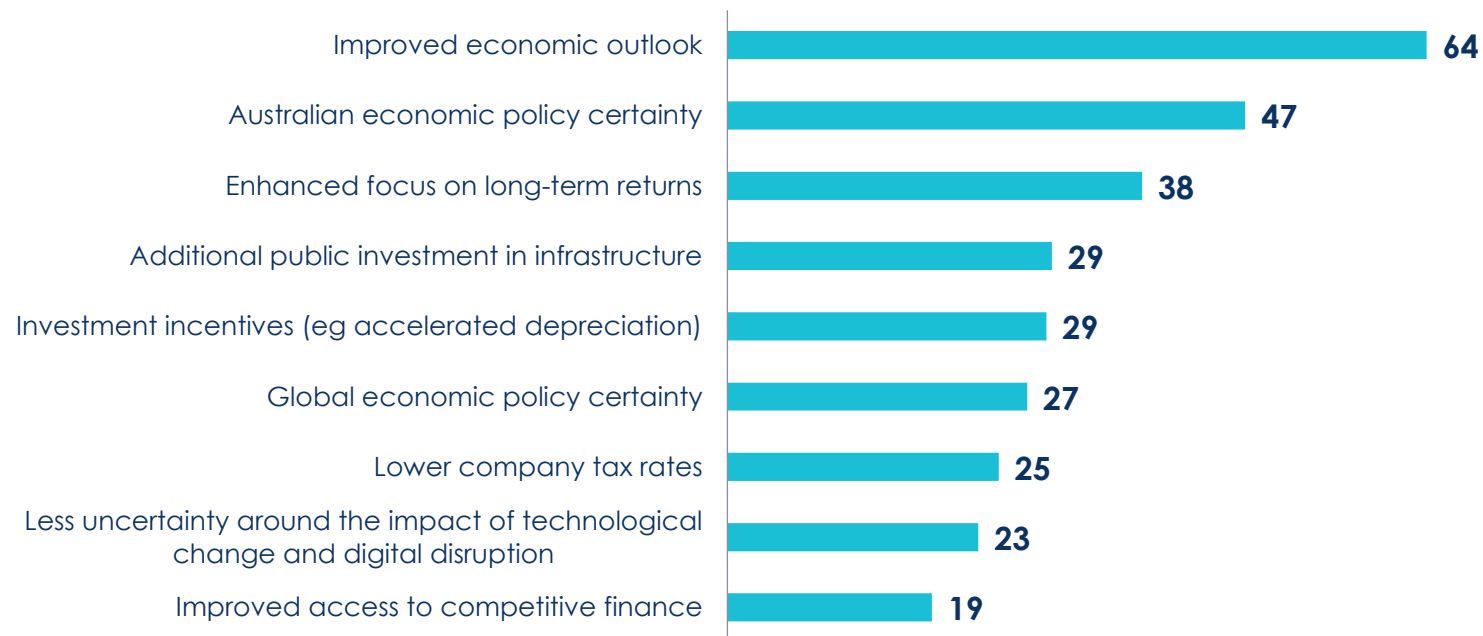
	Total 1st half 2019	Total 2nd half 2019
Sustainability and long term growth prospects	36	33
Global economic conditions+	n/a	23
Legal and regulatory compliance	21	22
Cyber crime	19	21
Structural change/changing business models	22	20
Corporate culture	20	19
Data security	20	19
Business reputation in the community	19	16
Increasing profits/surplus	14	13
Increasing revenue	14	13
CEO succession	17	13
Digital disruption*	10	12
Attracting new talent	13	12
Trade wars+	n/a	9
Business relationship with Government	12	9
Changing consumer expectations	10	9
Competitor movements	9	7
Shareholder activism	4	4
Infrastructure security	2	3
Annual accounts	3	2
Other	8	7

*Previously 'digital innovation' in H1'19 + New codes in H2'19

Encouraging business to increase investment/capital expenditure

64% of directors state that an improved economic outlook would encourage their business to increase its level of investment/capital expenditure over the next year, followed by Australian economic policy certainty and enhanced focus on long-term returns.

Factors encouraging your business to increase its level of investment / capital expenditure over the next year (Top 3) (%)



New question H2'19



39. Which of the following would encourage your business to increase its level of investment / capital expenditure over the next year?

Base: All respondents n=1489

Summary of Key Indicators

Summary of key indicators (1/6)

Indicator (expected change in coming 12 months)	Scale	2nd half 2019 net balance	1st half 2019 net balance
Economic conditions			
Health of the Australian economy	Weak/strong	-51 ↓	-37
Health of the Asian economy	Weak/strong	-7 ↓	15
Health of the Chinese economy	Weak/strong	-12	-9
Health of the European economy	Weak/strong	-65 ↓	-55
Health of the US economy	Weak/strong	-26 ↓	-6
Inflation rate (Australia)	Lower/higher	-11 ↓	4
Exchange rate (value of AUD versus USD)	Lower/higher	-39	-41
RBA cash rate	Lower/higher	-67 ↓	-36
Level of wages growth	Lower/higher	-5 ↓	15
Unemployment rate	Lower/higher	20	19
Expected change in ASX All Ordinaries index	Fall/rise	-11	-5

 Significantly higher vs. 1st half 2019 @ 95% confidence level
 Significantly lower vs. 1st half 2019 @ 95% confidence level

Summary of key indicators (2/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2nd half 2019 net balance	1st half 2019 net balance
Economic conditions			
Growth of primary directorship business	Weak/strong	23	22
Change in business investment levels	Decrease/increase	10	8
Change in business staffing levels/labour demand	Decrease/increase	13	15
Change in level of business exports	Decrease/increase	8	7
Change in level of outsourcing	Decrease/increase	24	20
Expectations of profits for Jul-Dec 2019 actual versus forecast*	Below/up	4	2
Expectations of profits for Jan-Jun 2020 actual versus forecast*	Below/up	11	6
Confidence in general business outlook*	Pessimistic/opt	-5	-1
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	8	9
Expected change in level of mergers and acquisitions	Fall/rise	44	39
Infrastructure			
Perception of level of government spending on infrastructure*	Low/high	-68 ↓	-58








↑ Significantly higher vs. 1st half 2019 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2019 @ 95% confidence level



Summary of key indicators (3/6)

Indicator	Scale	2nd half 2019 net balance	1st half 2019 net balance
Taxation			
Perception of current level of corporate taxation	High/low	-43	-40
Perception of current level of personal taxation	High/low	-66 ↓	-59
Regulation, legal issues, reporting			
Expected change in level of 'red-tape' in coming 12 months	Increase/decrease	-33 ↑	-56
Impact of 'red-tape' on preparing/ paying taxes	High impact/low impact	-36	-38
Impact of 'red-tape' on workplace health/safety	High impact/low impact	-45	-42
Impact of 'red-tape' on workplace flexibility	High impact/low impact	-29	-31
Impact of 'red-tape' on employing new workers	High impact/low impact	-34	-33
Impact of 'red-tape' on corporate reporting requirements	High impact/low impact	-56	-57
Impact of 'red-tape' on environmental compliance	High impact/low impact	-15	-11
Impact of 'red-tape' on investing in capital assets	High impact/low impact	-9	-11

↑ Significantly higher vs. 1st half 2019 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2019 @ 95% confidence level

Summary of key indicators (4/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2nd half 2019 net balance	1st half 2019 net balance
Tax, credit, M&A			
Credit availability for investment purposes	Constrained/available	0 	-19
Credit availability for asset purchases	Constrained/available	8 	-13
Credit availability for working capital	Constrained/available	-2 	-18
Public Policy			
Quality of current Public Policy debate in Australia*	Poor/good	-72 	-78
Regulation, legal issues, reporting			
Agreement with 'Federal Government understands business'*	Disagree/agree	3 	-5
Regulation, legal issues			
How is the current Federal Government's performance affecting your business decision making?*	Negatively/positively	-12 	-43
How is the current Federal Government's performance affecting consumer confidence?*	Negatively/positively	-17 	-65



 Significantly higher vs. 1st half 2019 @ 95% confidence level
 Significantly lower vs. 1st half 2019 @ 95% confidence level



Summary of key indicators (5/6)

Indicator	Scale	2nd half 2019 net balance	1st half 2019 net balance
Regulation, legal issues			
Perception of governance regulations	Onerous/weak	-48 ↓	-33
Extent legislation on directors affect your business decision-making	Negatively/positively	-25	-23
Extent legislation on directors affect your willingness to continue on a board	Negatively/positively	-34	-36
Extent legislation on directors affect your willingness to accept new board appointments	Negatively/positively	-44	-46
Risk-averse decision-making culture on Australian boards	Disagree/agree	57	58
Adequacy of public company remuneration reports	Inadequate/adequate	-22 ↑	-29
Effectiveness of corporate reporting	Ineffective/effective	12	9
Functionality of current AGM system	Dysfunctional/functional	-11	-14

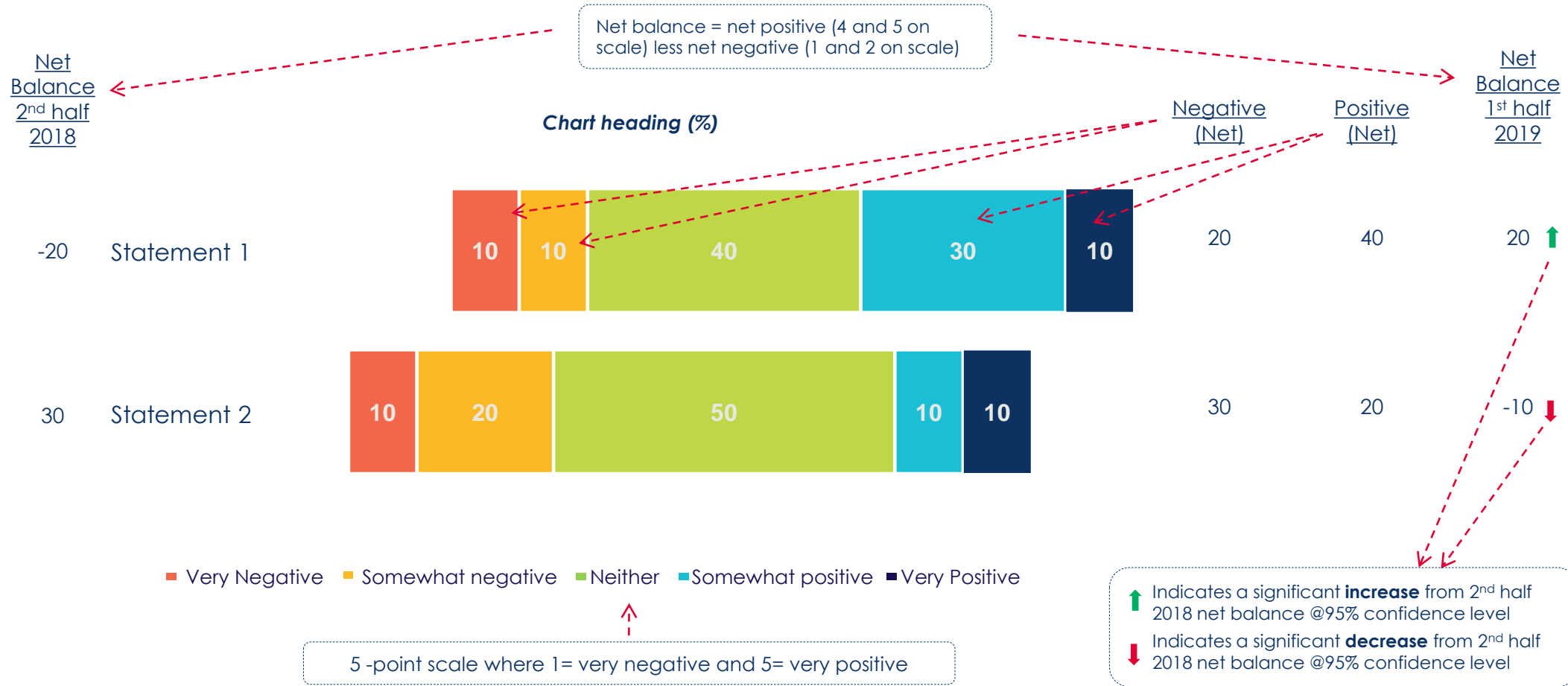
↑ Significantly higher vs. 1st half 2019 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2019 @ 95% confidence level

Summary of key indicators (6/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2nd half 2019 net balance	1st half 2019 net balance
Board diversity			
Board actively seeking to increase diversity of gender on board	Not actively/actively	42 	35
Board actively seeking to increase diversity of age on board	Not actively/actively	14	12
Board actively seeking to increase diversity of skills on board	Not actively/actively	68	63
Board actively seeking to increase diversity of ethnicity on board	Not actively/actively	12 	5
Directorship conditions			
Impact of directors' liability on willingness to serve on a board	Negatively/positively	-49	-48
Impact of compliance requirements on willingness to serve on a board	Negatively/positively	-37	-36
Impact of remuneration on willingness to serve on a board	Negatively/positively	-5	-7
Impact of contribution to economy/society on willingness to serve on a board	Negatively/positively	85	85
Impact of time commitment on willingness to serve on board	Negatively/positively	-18	-17

 Significantly higher vs. 1st half 2019 @ 95% confidence level
 Significantly lower vs. 1st half 2019 @ 95% confidence level

Explanations of charts – example only



Total number of respondents that answered the question

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

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2019



QUESTIONS



THANK YOU