



# Director Sentiment Index: Research Findings First Half 2020

Delivered by Ipsos

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# First half 2020 sample profile

Members of the Australian Institute of Company Directors were invited to take part in the survey between 12-22 March 2020. A total of 1550 members responded. A decision was made by the AICD to use members' responses from the 16 March onwards, given the rapidly changing environment related to COVID-19 (a sample of 1014).

No. of current directorships	%
1	33 (33)
2	30 (29)
3 or more	36 (37)
Prefer not to say	1 (1)
Positions held on board(s)	%
Executive Director	37 (36)
Non-Executive Director	64 (64)
Chairman	33 (32)
Other	7 (8)
Prefer not to say	2 (2)
Gender	%
Male	70 (70)
Female	30 (30)
Other	0
Prefer not to say	0

Primary directorship company	%
Publicly listed Australian entity	10 (11)
Private/non-listed Australian entity	45 (42)
Not-for profit entity	31 (35)
Public sector/ government body	9 (8)
Overseas entity	3 (3)
Primary directorship based	%
NSW	32 (26)
VIC	27 (23)
QLD	16 (17)
WA	10 (13)
SA/NT	6 (10)
TAS	3 (4)
ACT	3 (4)
Overseas	3 (3)

(x) = 2<sup>nd</sup> half 2019 results (12-26 Sept 2019)

S1 - S5, S8

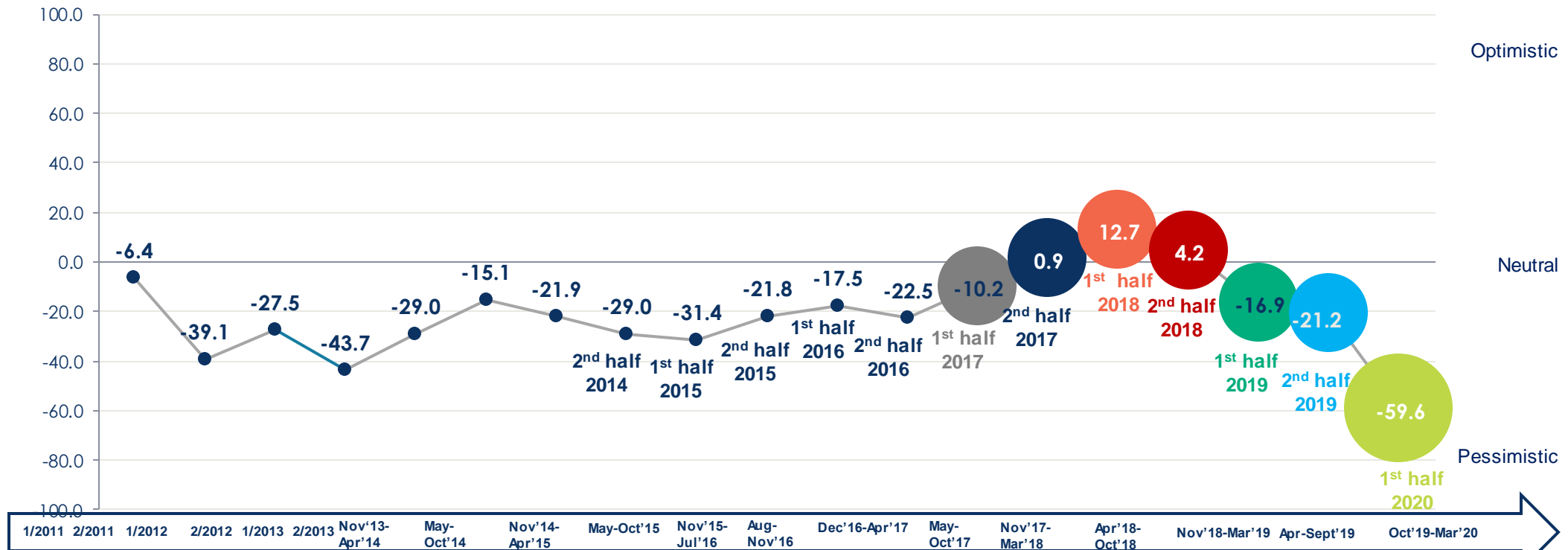
Base: All respondents n=1014

Primary directorship business sector(s)	%
Health and Community Services	22 (22)
Finance and Insurance	15 (14)
Property and Business Services	9 (9)
Education	8 (10)
Agriculture, Forestry and Fishing	8 (5)
Mining	5 (5)
Manufacturing	5 (5)
Construction	5 (5)
Energy	4 (4)
Personal and Other Services	3 (4)
Cultural and Entertainment industry	3 (4)
Government Administration and Defence	3 (3)
Transport and Storage	3 (3)
Wholesale Trade	3 (2)
Retail Trade	3 (3)
Accommodation, Cafes and Restaurants	2 (2)
Communication Services	2 (3)

# Director Sentiment Index

# Overall Director Sentiment Index

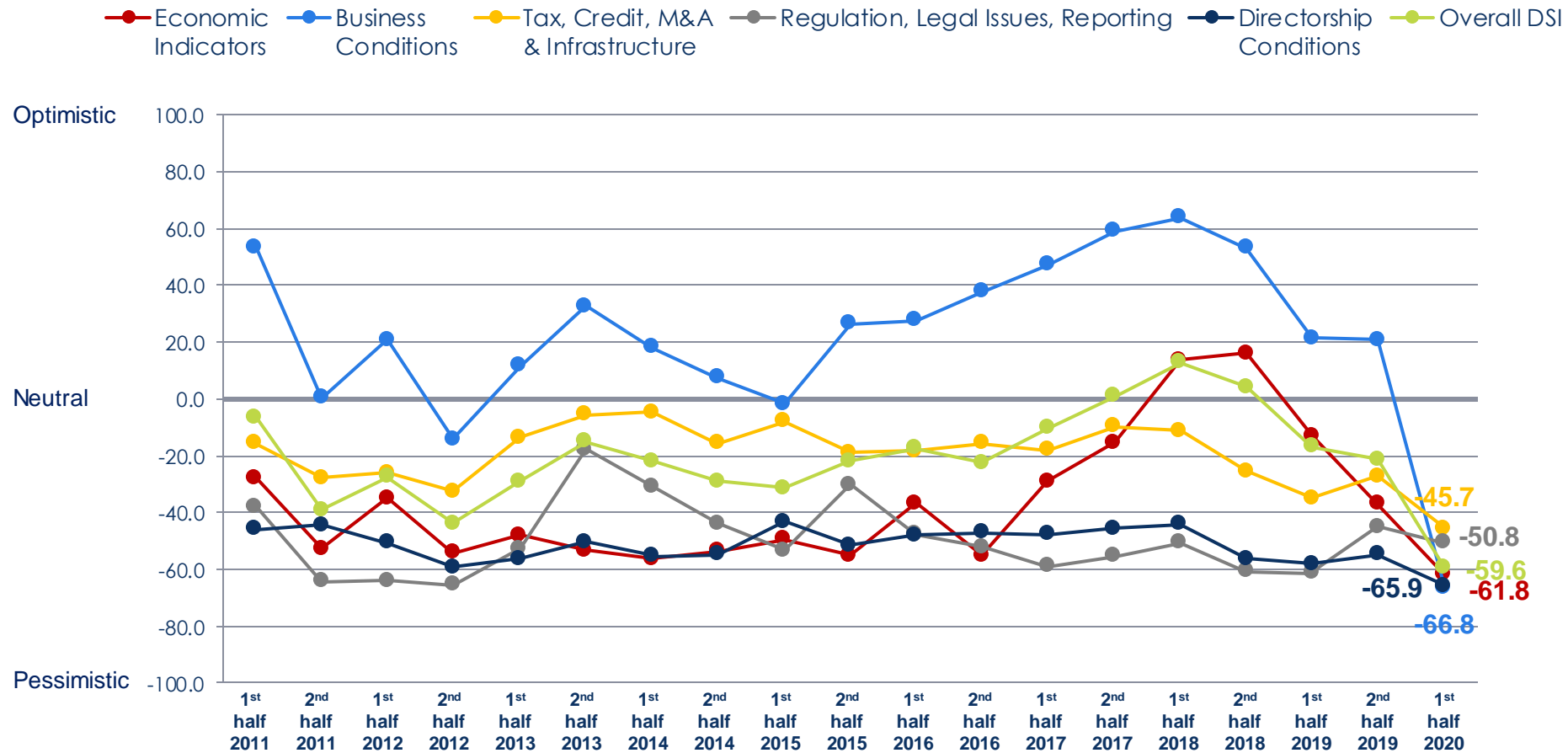
With the impact of COVID-19 still uncertain, the overall sentiment in the first half of 2020 is pessimistic. The Director Sentiment Index score is the lowest recorded since the inception of the tracker.



RESEARCH FINDINGS FIRST HALF 2020

# Overall Director Sentiment Index by segment

Sentiment is in negative territory across all Indicators.



# Executive Summary

## EXECUTIVE SUMMARY

# Economic and Market Outlook

## Health of economies

- The impact of COVID-19 has negatively affected directors' views of the health of global economies in the next 12 months. Directors' outlook for the health of the European economy is lowest, followed by the Australian economy.
- Directors' outlook for the health of the Australian and Asian economies are at their lowest point since the inception of the tracker.
- Directors across all States/Territories view their economies negatively over the next 12 months.

## Economic indicators

- 71% of directors expect an increase in the unemployment rate while 62% expect the cash interest rate to be lower in the next 12 months.
- Expectations regarding the ASX All Ordinaries index remains

negative, with 65% of directors expecting the index to fall in the next 12 months.

## Economic challenges

- Covid-19 is the main economic challenge currently facing Australian business, mentioned by nearly nine in ten directors. This is followed by global economic uncertainty, climate change and China's outlook.



## EXECUTIVE SUMMARY

# Business Forecast

**Business growth**

- Sentiment regarding the growth of directors' primary business is negative, with 59% of directors expecting their business to weaken in the coming year.

**Profits**

- Expectations of profits for the current six months (Jan-Jun'20) compared to profits for the previous six months (Jul-Dec'19) and the budget forecast for the current six months (Jan-Jun'20) are in negative territory.
- Expectations of actual profits for the first half of this financial year (Jul-Dec'20) are in negative territory compared to profits for the current six months (Jan-Jun'20) and for the budget forecast (Jul-Dec'20).

**Business outlook**

- 73% of directors are pessimistic about the general business outlook and 54% are pessimistic about the business outlook for their own sectors.

## EXECUTIVE SUMMARY

## Government Policy

## Budgetary

- The top priorities the Federal Government should address in the short term are climate change, energy policy, health and infrastructure.
- Consistent with the second half of 2019, directors rate climate change as the top long term priority the federal government should address, followed by energy policy and infrastructure.
- Opinion regarding the level of government spending on infrastructure remains in negative territory, with 72% of directors perceiving that government spending on infrastructure is low.
- Directors rate renewable energy sources as the top area of importance for infrastructure investment, with a significantly higher proportion of directors nominating this area compared to the second half of 2019. This is followed by regional infrastructure and water supply.

## Taxation

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

## Regulation

- 31% of directors continue to expect the level of 'red-tape' to increase in the next 12 months. However, compared to the second half of 2019, expectations regarding the level of 'red-tape' have significantly improved albeit remaining in negative territory.
- 75% 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. This is followed by a greater focus on fostering innovation, more infrastructure spending and better standards of education.

## Credit availability

- Expectations of credit availability in the future are negative compared to the second half of 2019. 47% of directors expect credit for investment purposes will be constrained in the next twelve months, 47% expect the same regarding credit for working capital purposes and 45% expect the same regarding asset purchases.

## EXECUTIVE SUMMARY

## Government Policy (cont.)

**Public policy**

- 81% of directors believe the current quality of public policy debate is poor.

**Performance & business understanding**

- Compared to the second half of 2019, directors are significantly more negative overall about the effect of the Federal Government's current performance on consumer confidence and business decision making.
- Compared to the second half of 2019, directors are negative about the Federal Government's understanding of business, with 43% disagreeing with the statement that the current Federal Government understands business.

**Director liability**

- Directors continue to feel negative about the impact of legislation on director liability in the first half of 2020. 39% of directors feel that it has negatively affected their business decision making, 45% on their willingness to continue on a board and 55% on their willingness to accept new board appointments.
- 74% of directors agree there is a risk-averse decision-making

culture on Australian boards. The main reason for this is the excessive focus on compliance over performance.

**board diversity**

- 79% of directors state their business is actively seeking to improve skills diversity and 61% are actively trying to increase gender diversity in their boardroom.
- Directors are polarised when asked their view of whether their boards 'allocate sufficient time and focus on innovation' with a slightly higher proportion agreeing (44%) compared to those who disagree (36%).
- 44% of directors state their organisations are engaging with external parties and/or specialists at board-level to lift the digital literacy of their boards. The same proportion purport their organisations are pursuing education and up-skilling opportunities for individual directors.

**Corporate culture**

- 91% of directors believe their board is trying to effect cultural change in their organisation.

# Topical Issues

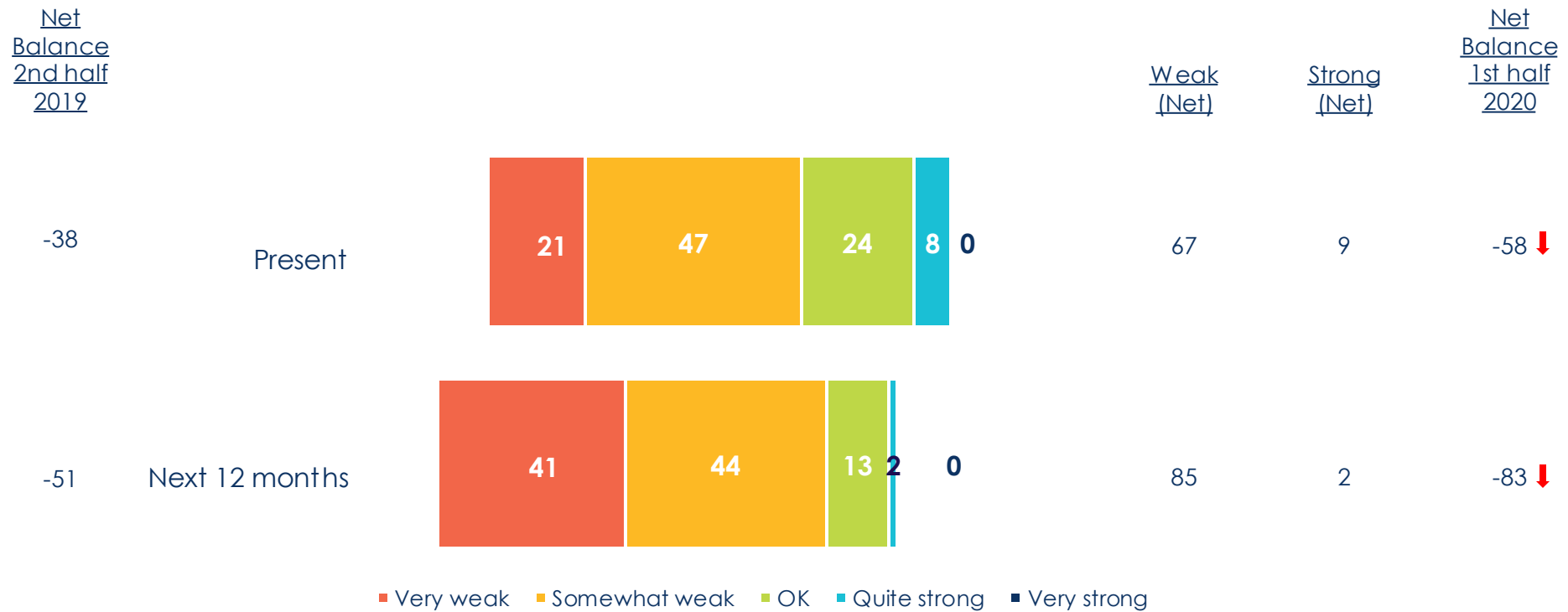
- Sustainability and long-term growth prospects continues to be the main issue that keeps directors “awake at night”. Global economic conditions, legal and regulatory compliance, cyber crime and structural change/changing business models are mentioned by at least one in five directors.
- 64% of directors 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 second half of 2019, the assessment of the Australian economy is significantly more negative. At present, 67% of directors perceive the economy as weak. Directors continue to be negative about the Australian economy in the next 12 months, with 85% expecting it to be weak.

Assessment of the health of the Australian economy (%)

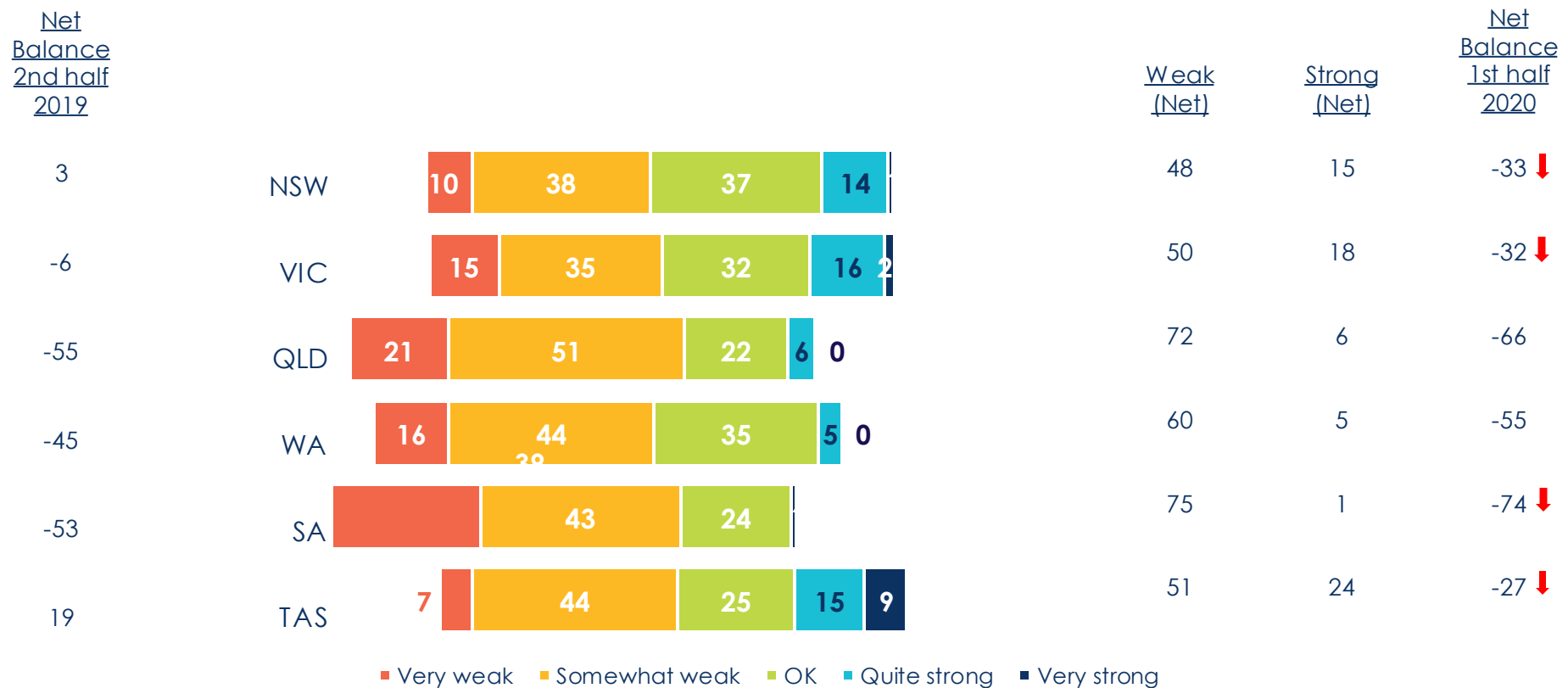


1. What is your assessment of the health of the Australian economy?  
Base: All respondents n=1014

# Health of the State/Territory economies - now

Director views of the health of their state/territory economy at present is in negative territory. Compared to the second half of 2019, directors in NSW, VIC, SA and TAS have significantly lowered their assessment of the economies.

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

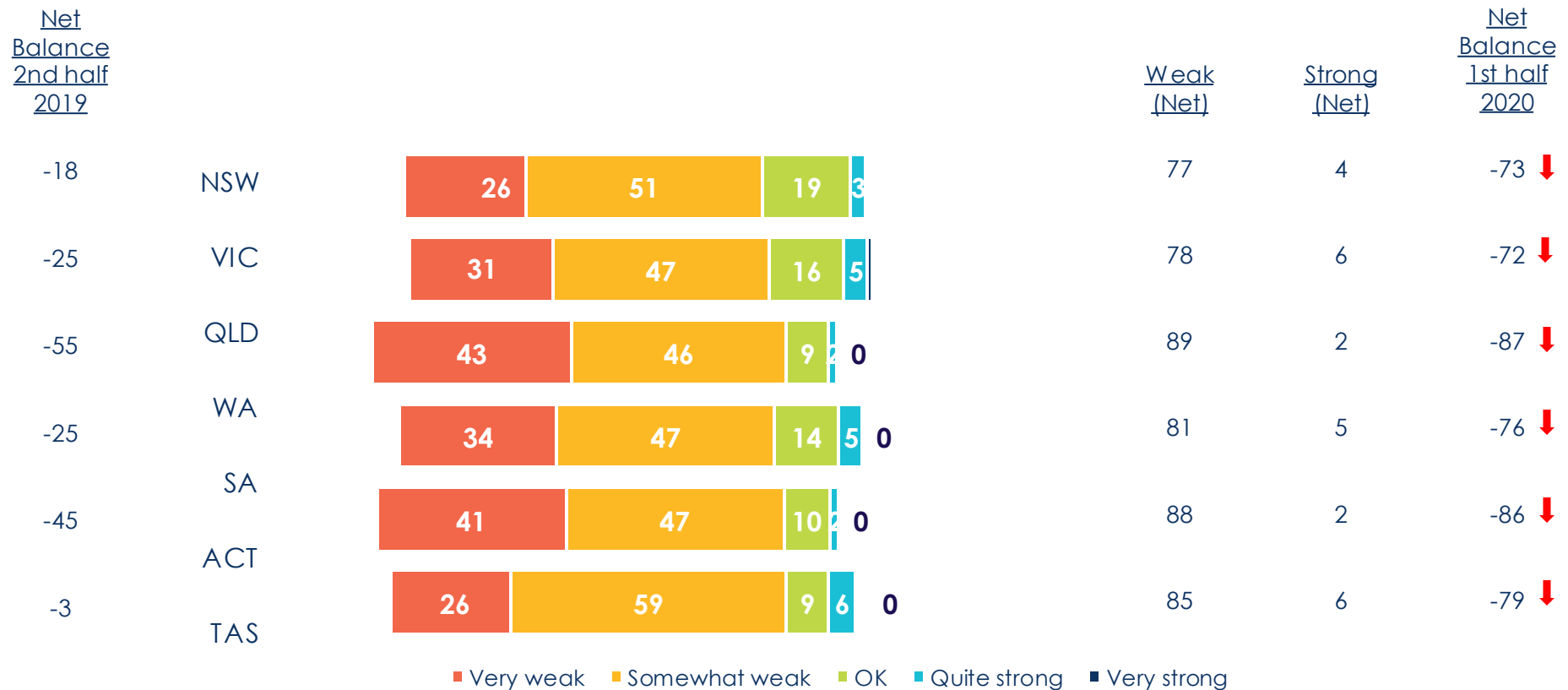


2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?  
Base: NSW/VIC/QLD/WA/SA/ACT/TAS n=328/271/160/99/60/32

# 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 (%)



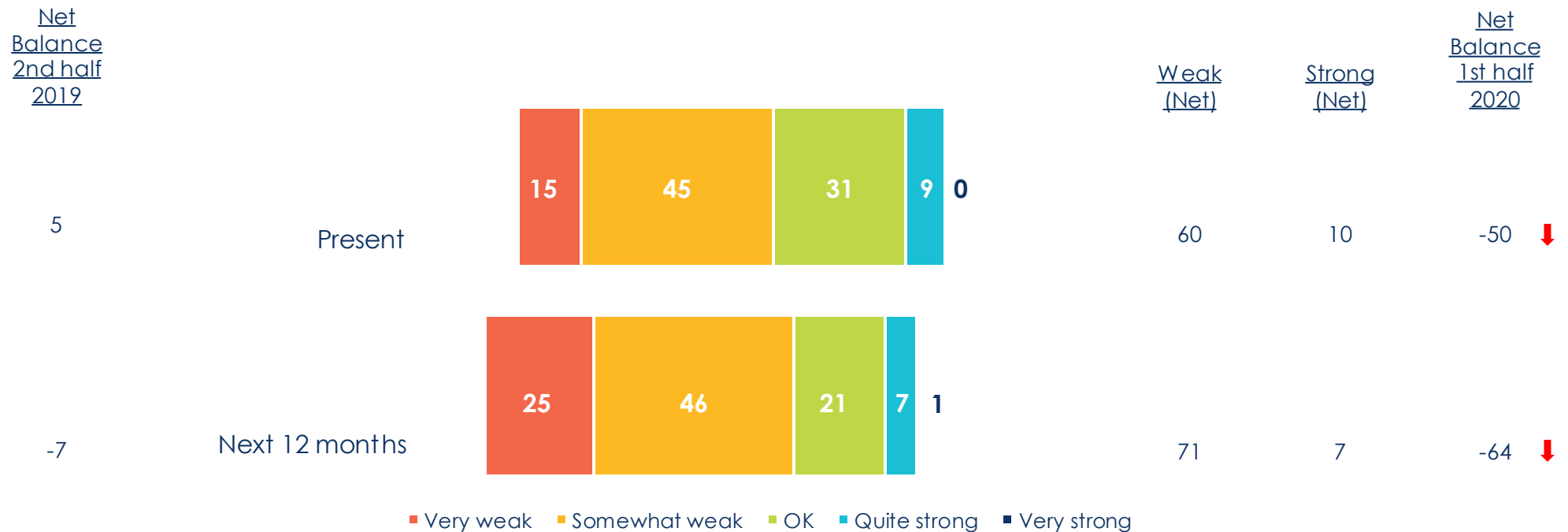
2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?  
Base: NSW/VIC/QLD/WA/SA/ACT/TAS n= 328/271/160/99/60/28/32



# Health of the Asian economy

The assessment of the health of the Asian economy at present is negative, with 60% of directors perceiving the Asian economy as currently weak. The sentiment is also negative for the coming 12 months.

Assessment of the health of the Asian economy (%)

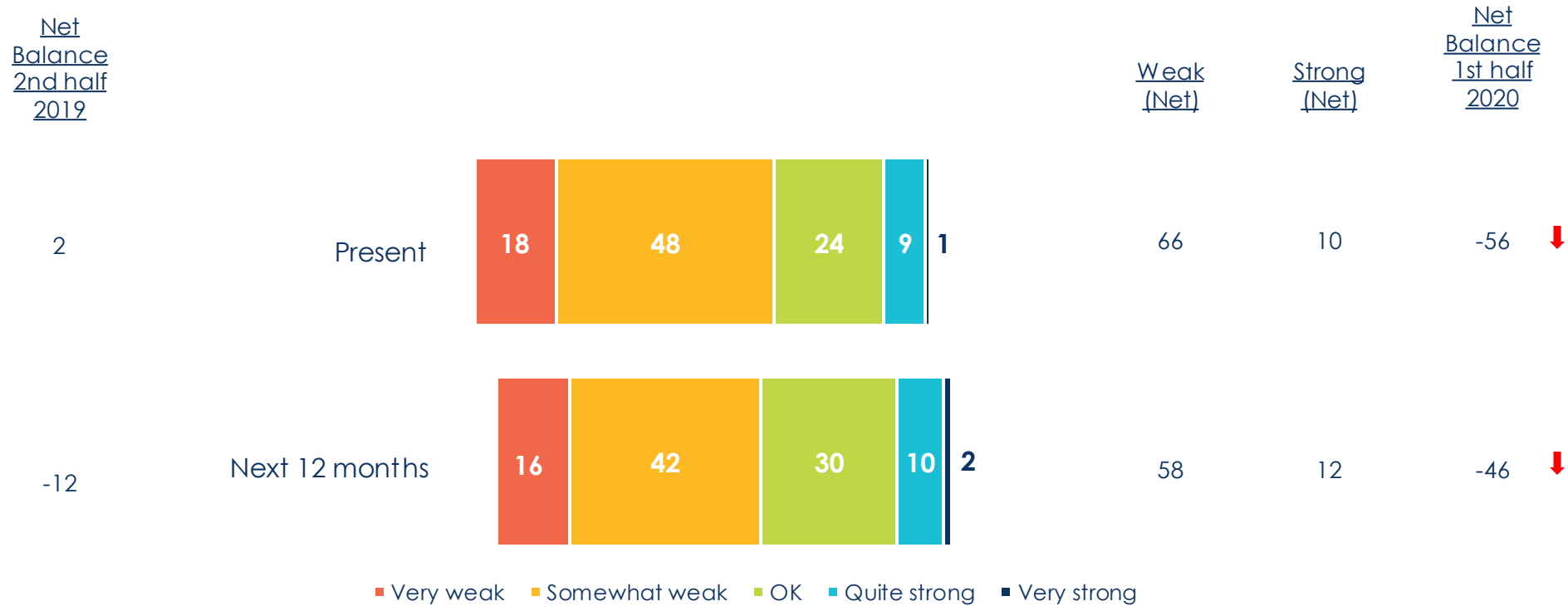


3. What is your assessment of the health of the Asian economy?  
Base: All respondents n=1014

# Health of the Chinese economy

The assessment of the health of the Chinese economy has significantly declined compared to the second half of 2019. 66% of directors perceive the Chinese economy as currently weak. Sentiment at the present time and for the next 12 months is negative.

Assessment of the health of the Chinese economy (%)

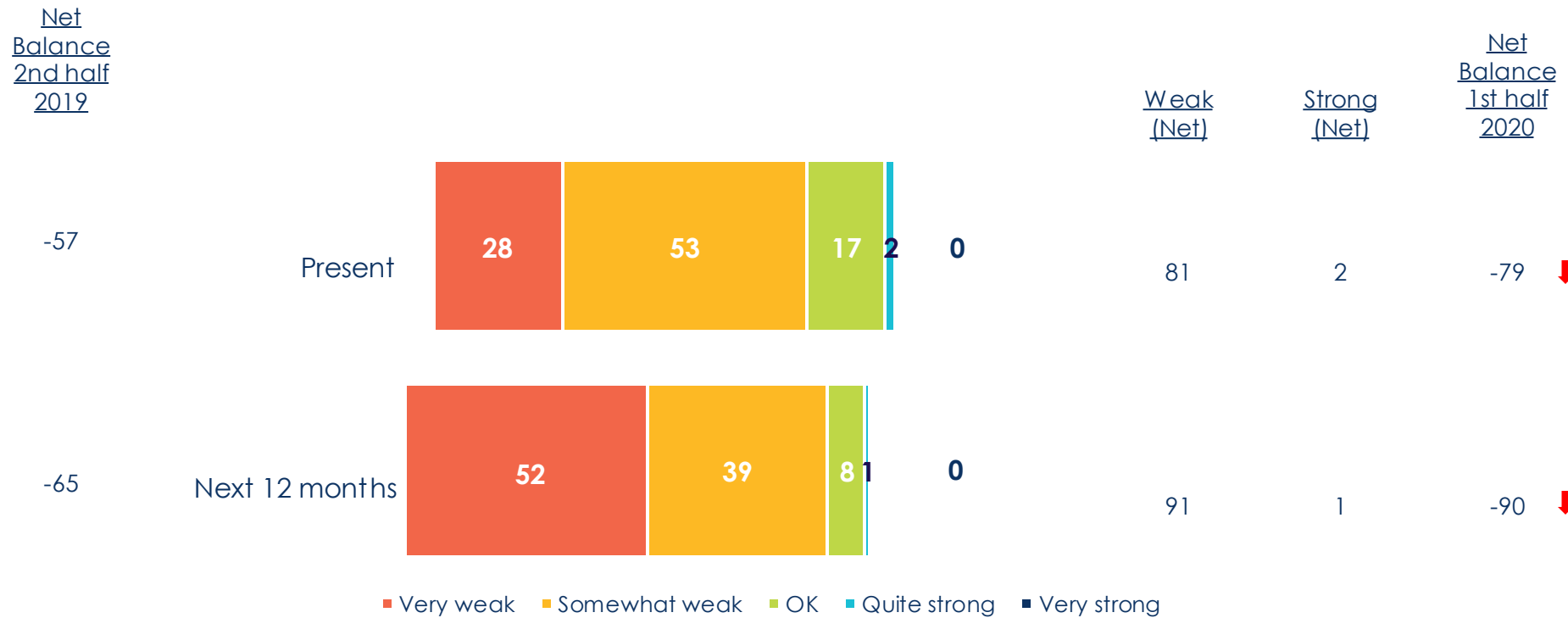


4. What is your assessment of the health of the Chinese economy?  
Base: All respondents n= 1014

# Health of the European economy

The assessment of the European economy at present and in the next 12 months is negative. 81% of directors perceive the European economy as weak at present, and 91% expect it to be weak in the next 12 months.

Assessment of the health of the European economy (%)

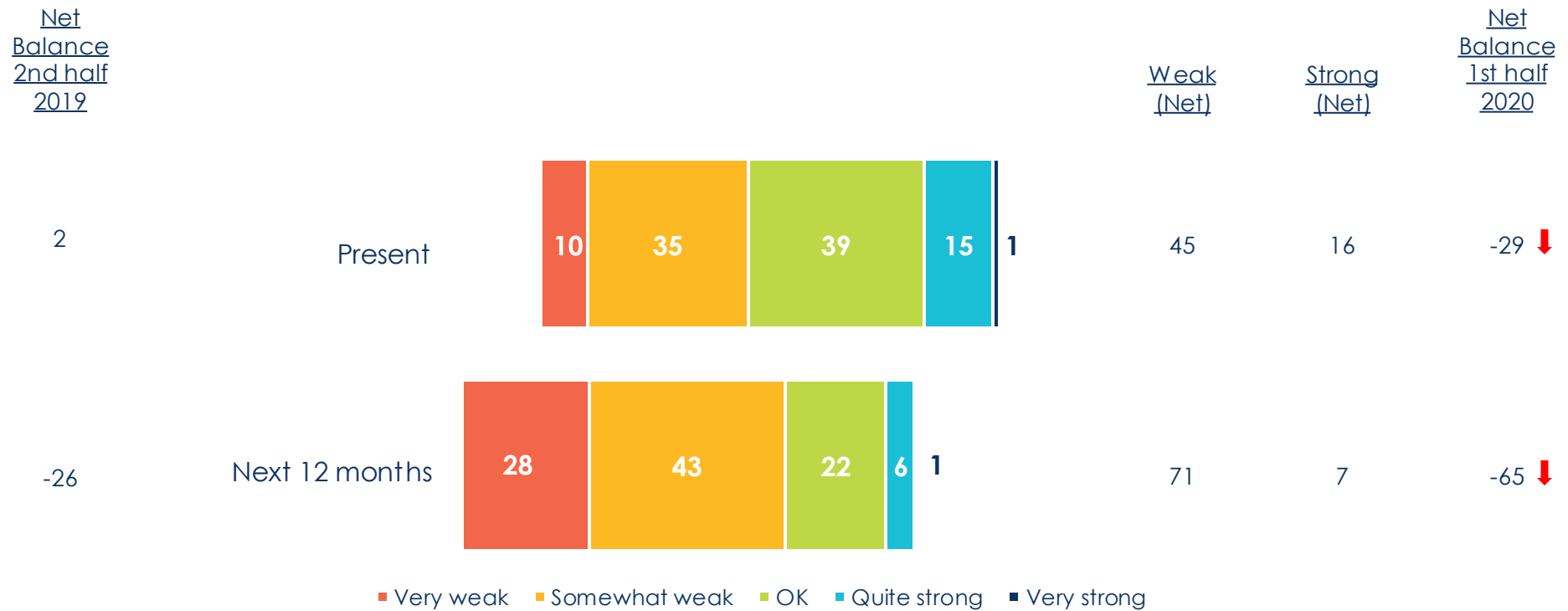


5. What is your assessment of the health of the European economy?  
Base: All respondents n= 1014

# Health of the US economy

The assessment of the US economy at present and in the next 12 months is negative. 45% of directors perceive the US economy as presently weak and 71% expect it to be weak in the coming year.

Assessment of the health of the US economy (%)

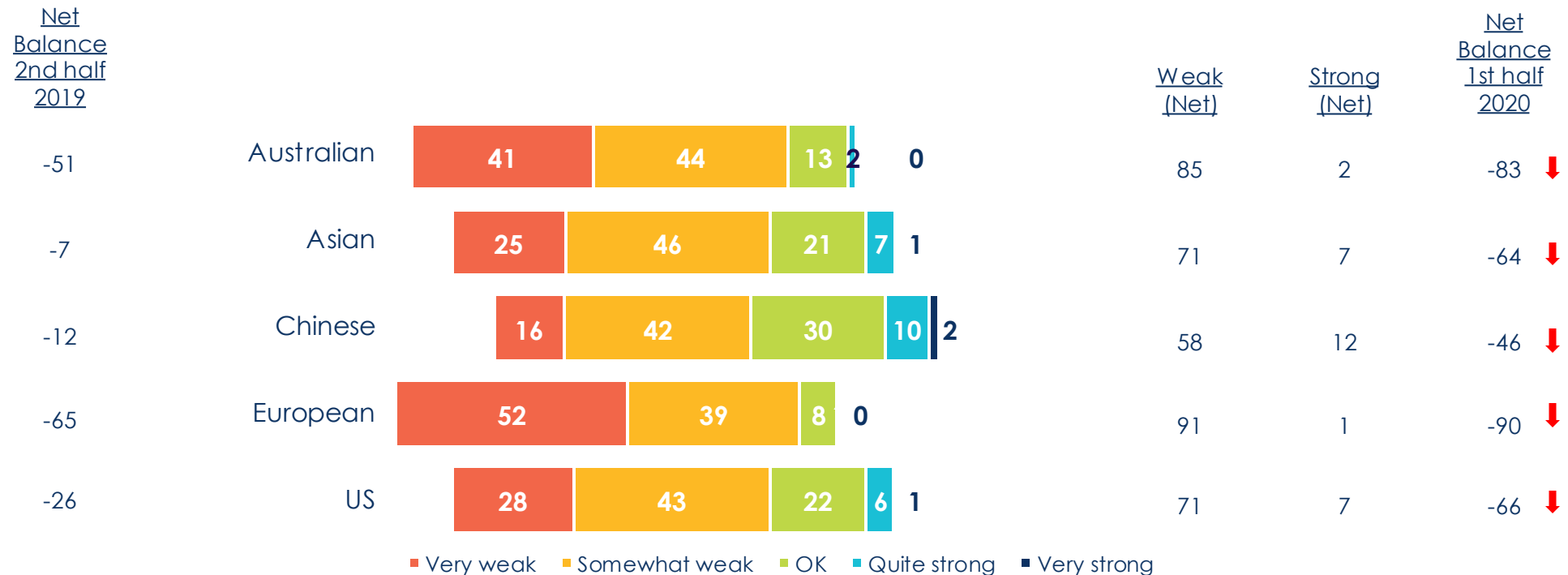


6. What is your assessment of the health of the US economy?  
Base: All respondents n= 1014

# Next 12 months health of economies - summary

Compared to the second half of 2019, directors have become more negative about the future health of global economies. All global economies are in negative territory. Directors' outlook for the health of the European economy is lowest, followed by the Australian economy.

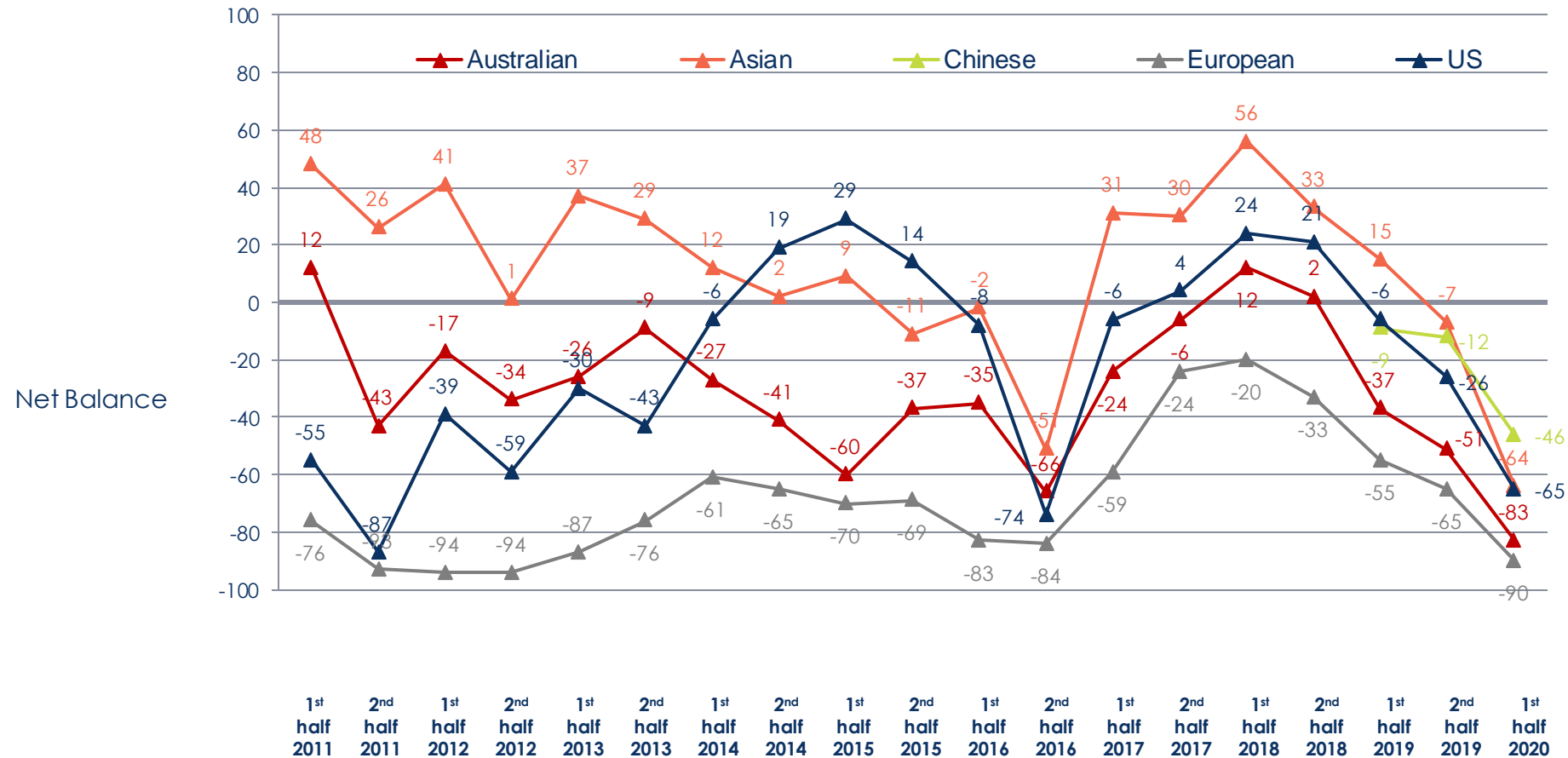
Next 12 months health of economies (%)



Base: All respondents n= 1014

# Next 12 months health of economies – semi-annual trend

Sentiment regarding all world economies is pessimistic. Directors' outlook for the health of the Australian and Asian economies are at their lowest point since the inception of the tracker.



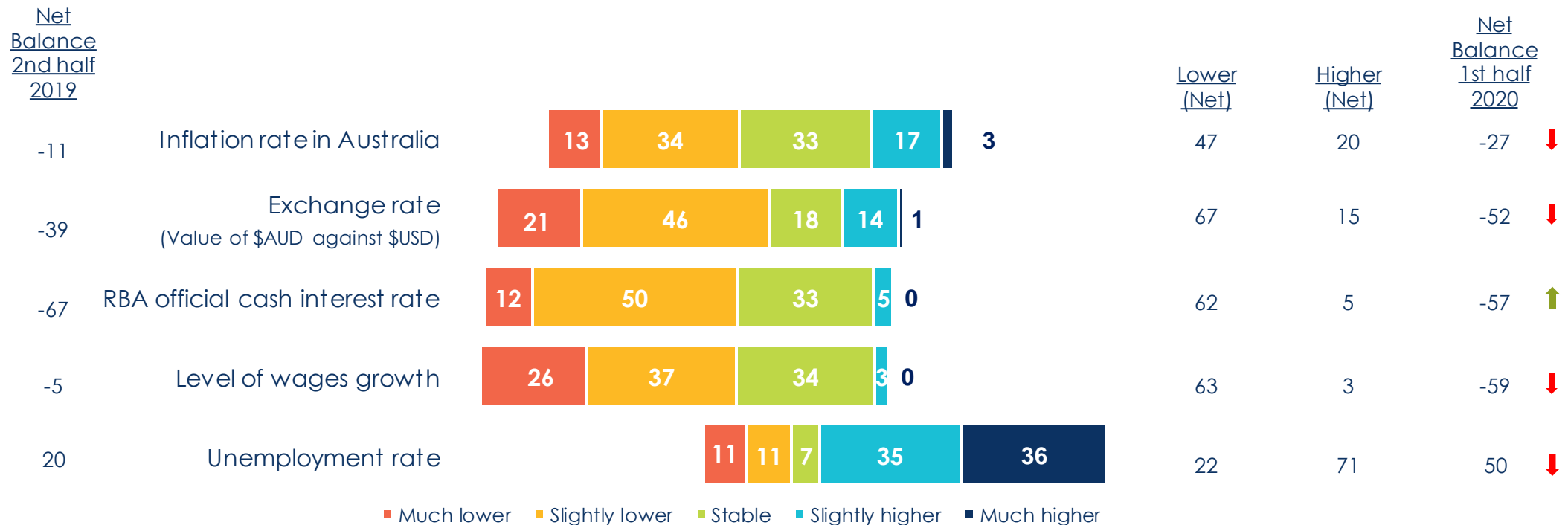
Source: 1,3-6

Base: All respondents; W 1 2011 n=511; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=540; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252; W 1 2019 n=927; W 2 2019 n=1489; W 1 2020 n=1014

# Economic indicators (Australia) – expectations in next 12 months

Compared to the second half of 2019, directors expect a significant decrease in inflation, the exchange rate and level of wages growth. 71% of directors expect an increase in the unemployment rate while 62% expect the cash interest rate to be lower in the next 12 months.

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



7. What is your expectation of ... ?  
Base: All respondents n=1014

# Expected change to ASX ALL Ordinaries index – next 12 months

Expectations regarding the ASX All Ordinaries index remains negative, with 65% of directors expecting the index to fall in the next 12 months.

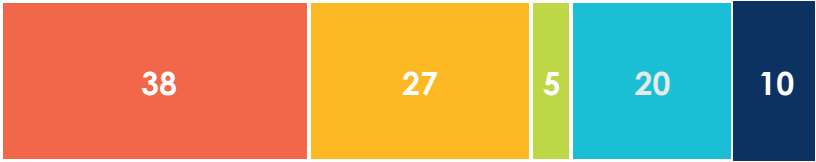
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Expected change to ASX All Ordinaries index – next 12 months (%)

Net  
Balance  
2nd half  
2019

-11



■ Likely to fall strongly ■ Fall a little ■ Remain stable ■ Rise a little ■ Likely to rise strongly

Fall  
(Net)

65

Rise  
(Net)

30

Net  
Balance  
1st half  
2020

-35

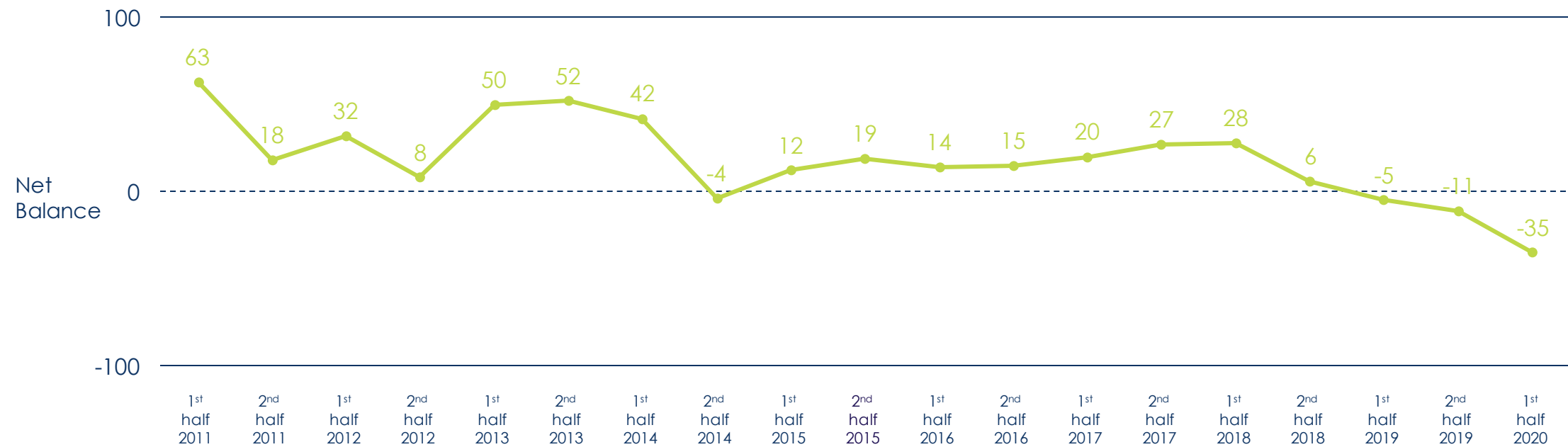


19. What is your expectation of change to the ASX All Ordinaries index over the next 12 months?  
Base: All respondents n=1014



# 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 third consecutive period.



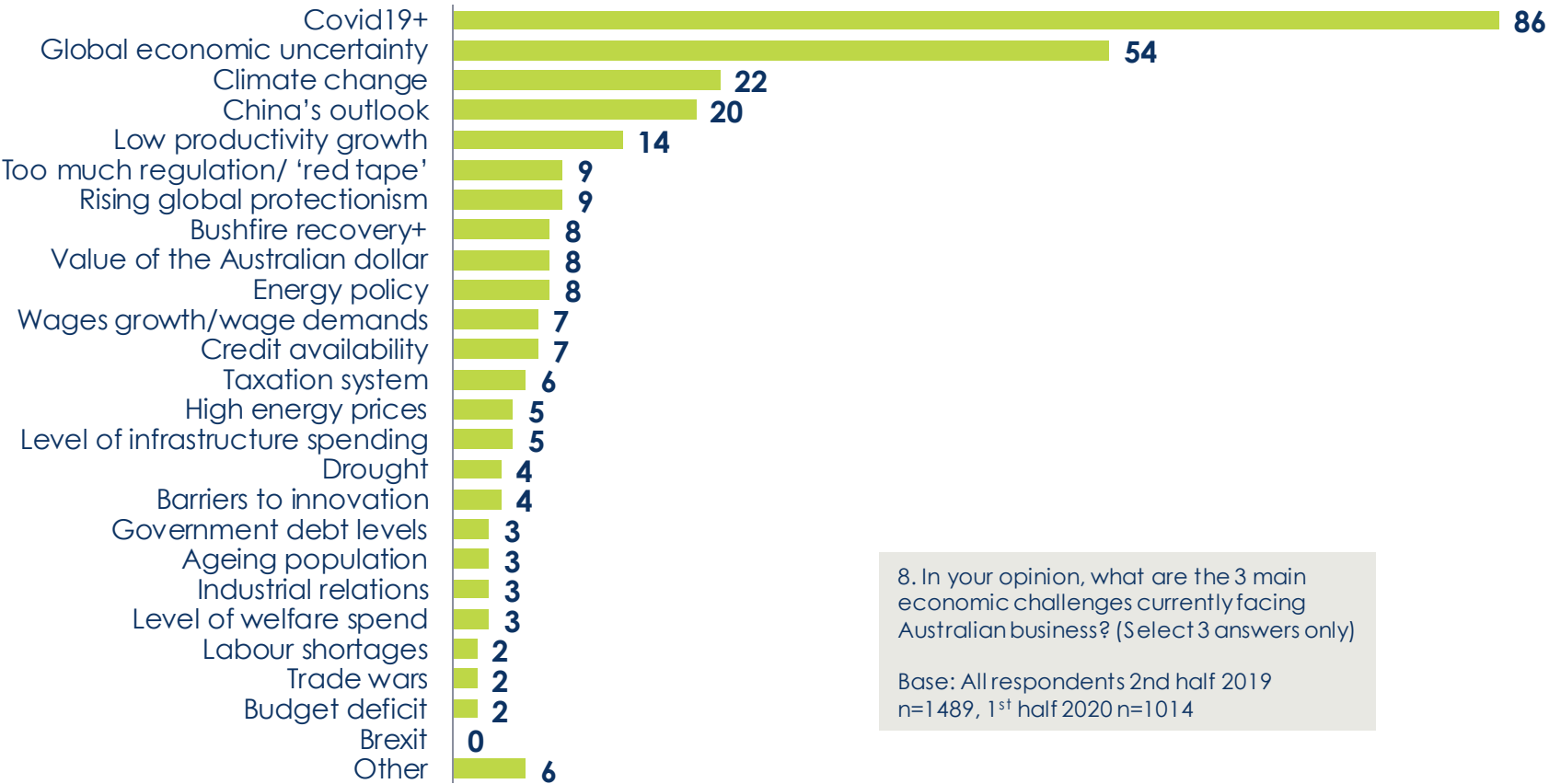
Source: I9

Base: All respondents; W 1 2011 n=511; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=521; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252, W 1 2019 n=927, W 2 2019 n=1489 W 1 2020 n=1014

# Main current economic challenges (Top 3)

Covid-19 is the main economic challenge currently facing Australian business, mentioned by nearly nine in ten directors. This is followed by global economic uncertainty, climate change and China's outlook.

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 2nd half 2019  
n=1 489, 1<sup>st</sup> half 2020 n=1014

Total 2nd half 2019	Total 1st half 2020
N/A	86
37	54 <span>↑</span>
21	22
21	20
23	14 <span>↓</span>
20	9 <span>↓</span>
15	9 <span>↓</span>
N/A	8
6	8
17	8 <span>↓</span>
13	7 <span>↓</span>
8	7
11	6
17	5 <span>↓</span>
12	5 <span>↓</span>
17	4 <span>↓</span>
8	4
3	3
9	3 <span>↓</span>
7	3
4	3
7	2
18	2
1	2
2	0
5	6

+ New codes in H1'20

# Business Forecast

# Growth of the business (primary directorship company)

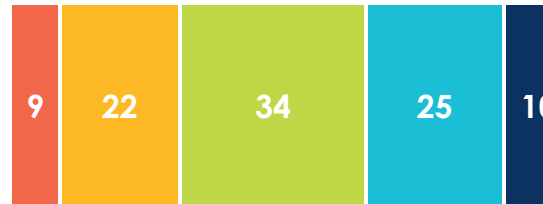
Directors are in negative territory regarding the growth of their business, with 59% of directors expecting their business to weaken in the coming year.

Growth of the business – past and future (%)

Net  
Balance  
2nd half  
2019

3

Jul-Dec'19



Weaken(ed)  
(Net)

Expand(ed)  
(Net)

Net  
Balance  
1st half  
2020

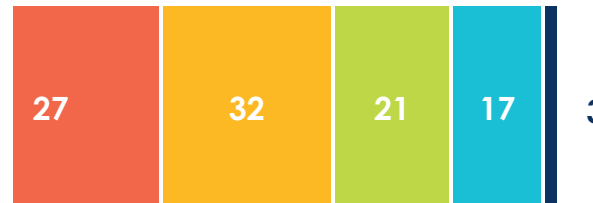
31

35

4

23

Coming year  
(to Dec'20)



59

20

-39 ↓

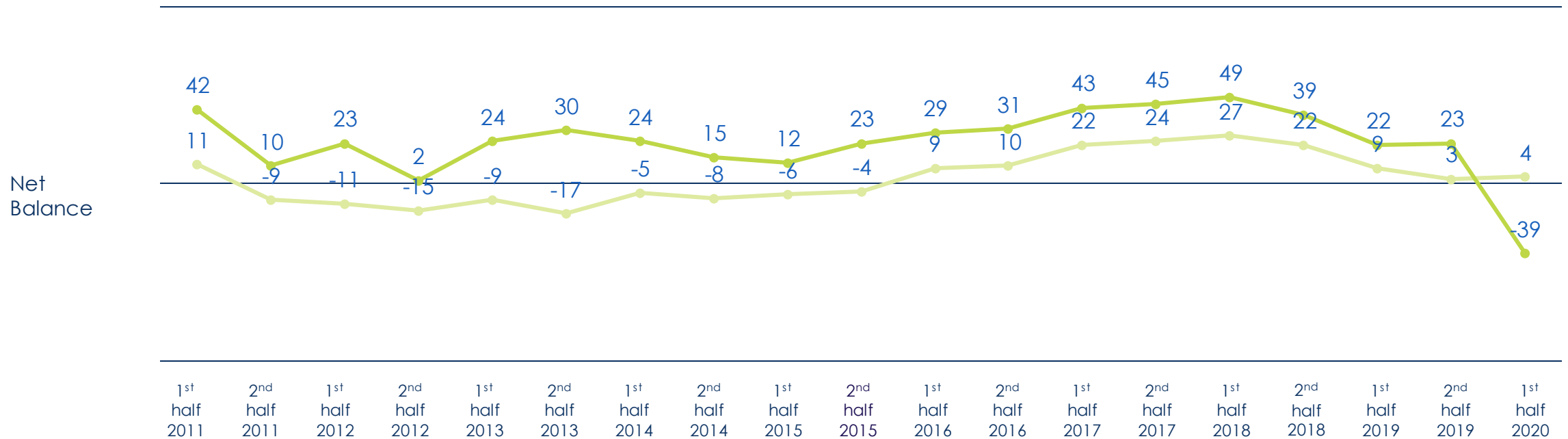
■ Weaken(ed) a lot ■ Weaken(ed) a little ■ Remain(ed) stable ■ Expand(ed) a little ■ Expand(ed) a lot

9. Which best describes the growth or otherwise of the business over the period July to December 2019?  
10. What is your expectation of the growth or otherwise of the business over the coming year (to December 2020)?  
Base: All respondents n=1014

# Past and future growth of business – semi-annual trend

Directors' overall views regarding past business growth remains in positive territory. However, directors' views regarding future business growth shifts from positive to negative territory.

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

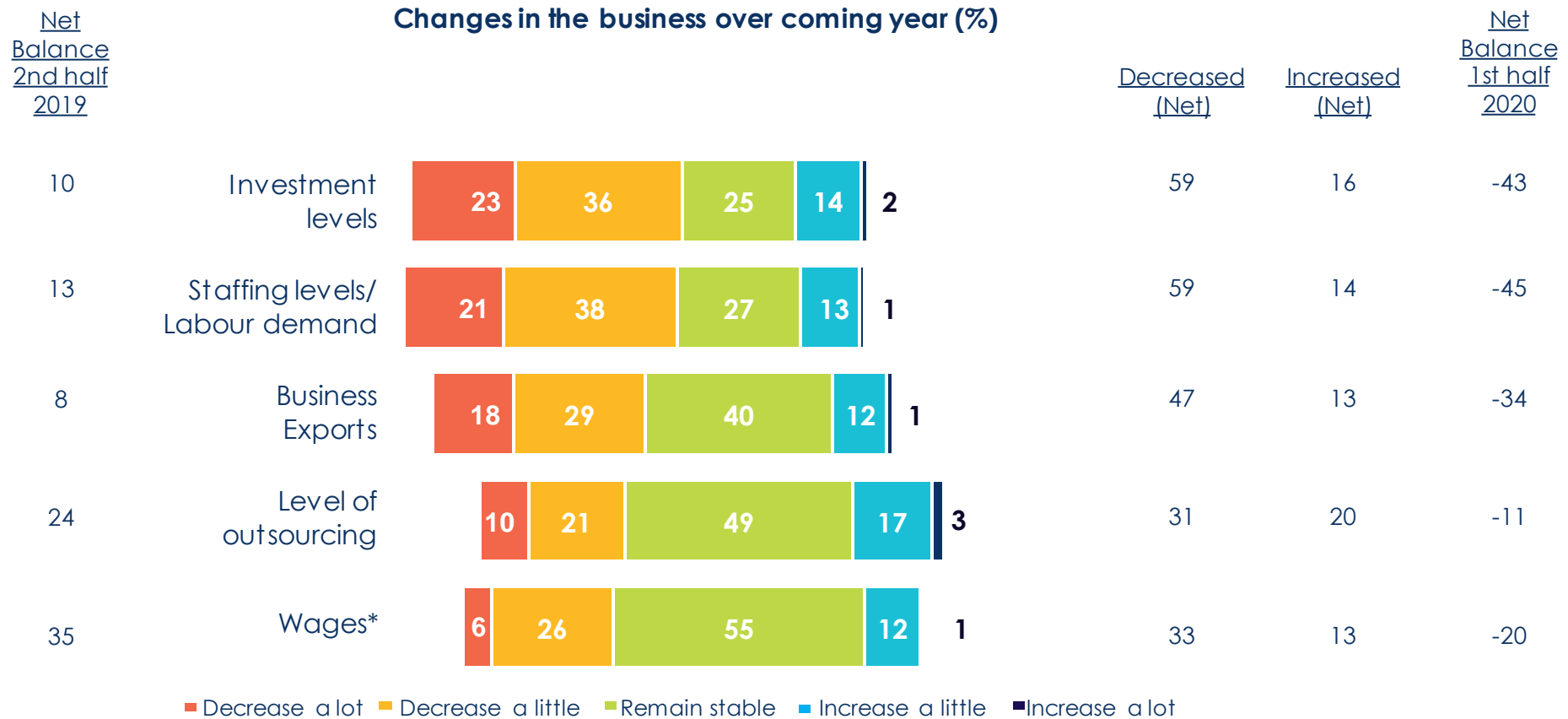


Source: 8 – 9

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; W1 2020 n=1014

# Changes in business – coming year

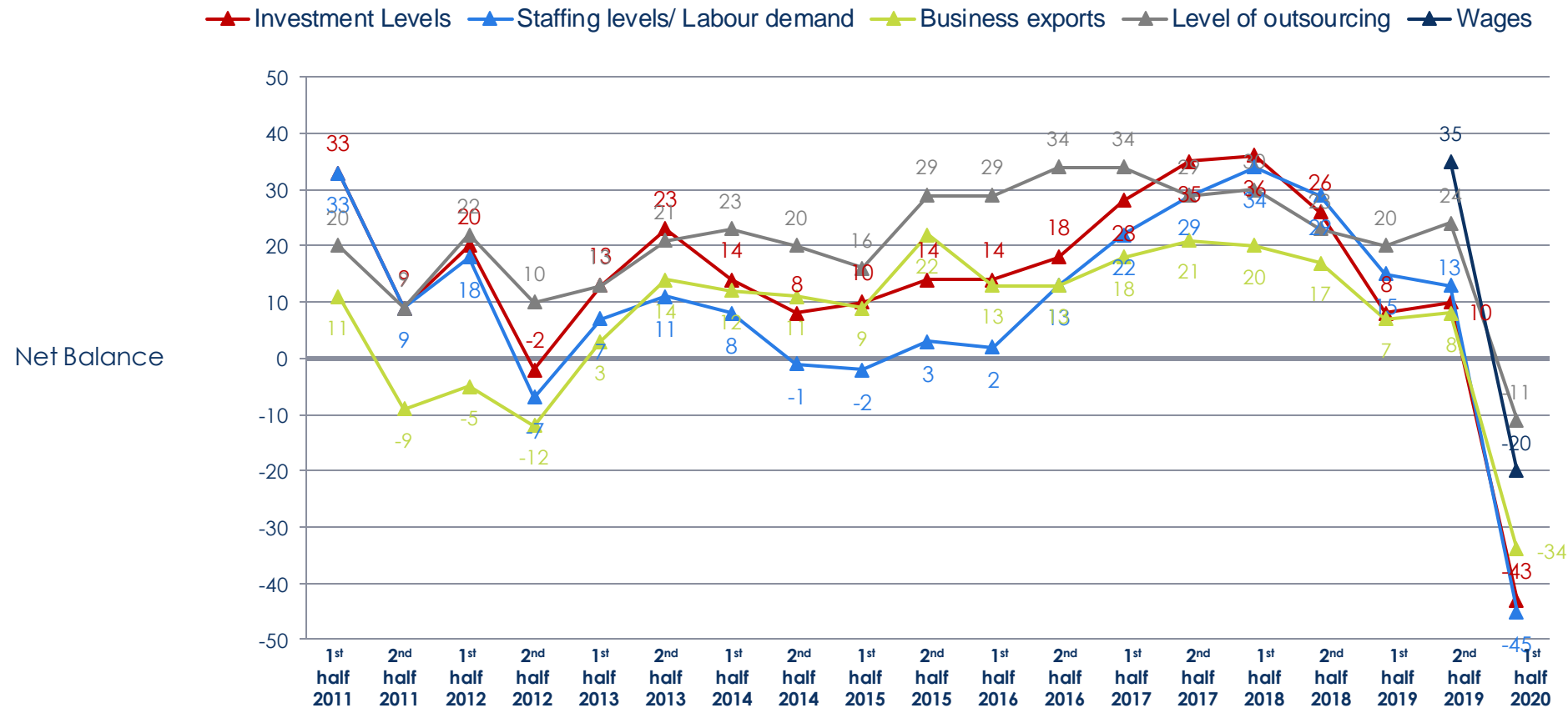
Three in five directors expect staffing levels/labour demand and investment levels to decrease over the coming year.



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=1014

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

The expectation of changes in the business have seen significant falls in investment levels, outsourcing levels, business exports, labour demand and wages in the first half of 2020, all in negative territory.



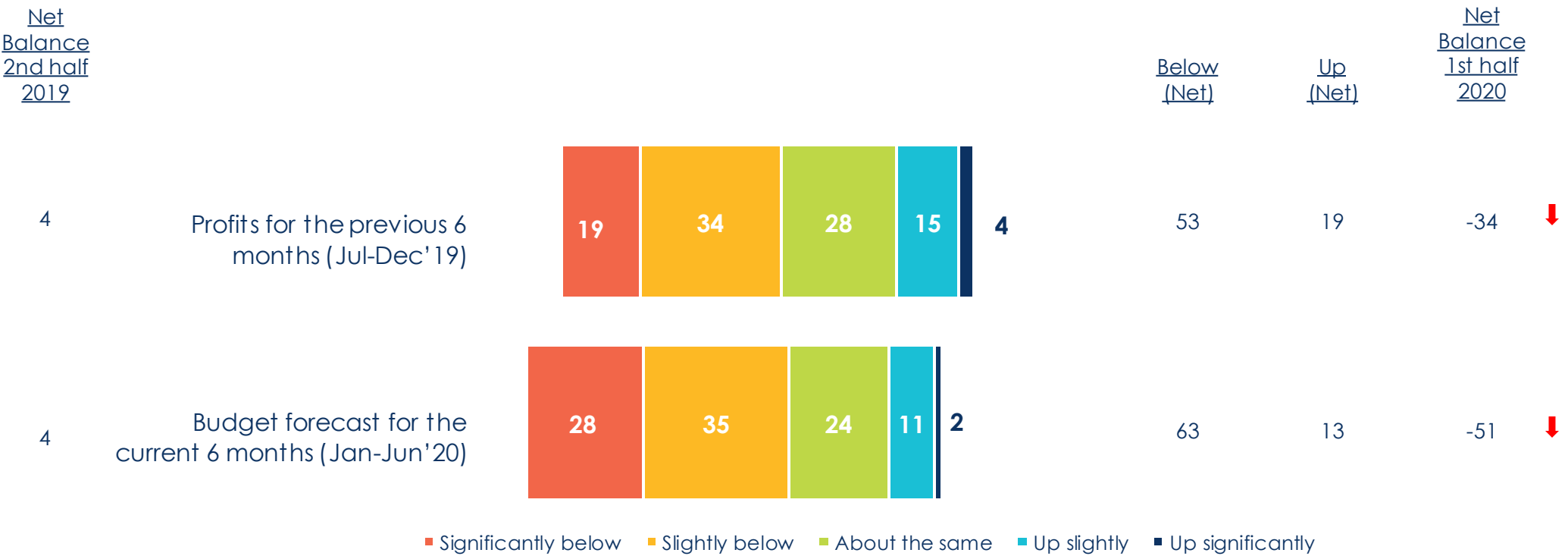
Source: I1

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=1489; W1 2020 n=1014. \*Wages added in H2'19

# Profits for current six months compared to ...

53% of directors expect a decrease in profits compared to the previous six months and 63% expect a decrease in profits compared to the budget forecast for the current six months.

Actual profits for current six months (Jan-Jun'20) compared to ... (%)



12. How do you expect your actual profits for the current 6 months, January to June 2020, to compare to ... ?  
Base: All respondents n=1014

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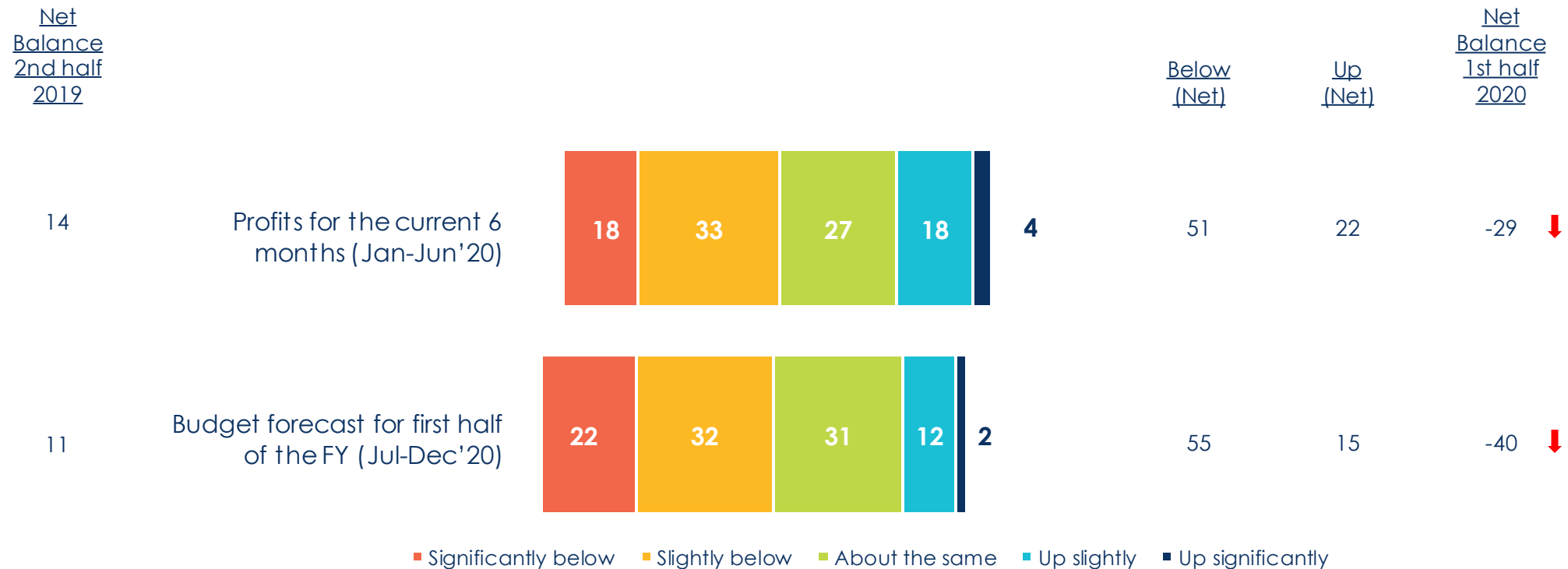
RESEARCH FINDINGS FIRST HALF 2020



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

51% of directors are expecting a decrease in profits compared to profits for the current 6 months (Jan-Jun-20) and 55% of directors are expecting a decrease in profits compared to the budget forecast for Jul-Dec'20.

## Actual profits for first half of this financial year (Jul-Dec'20) compared to ... (%)



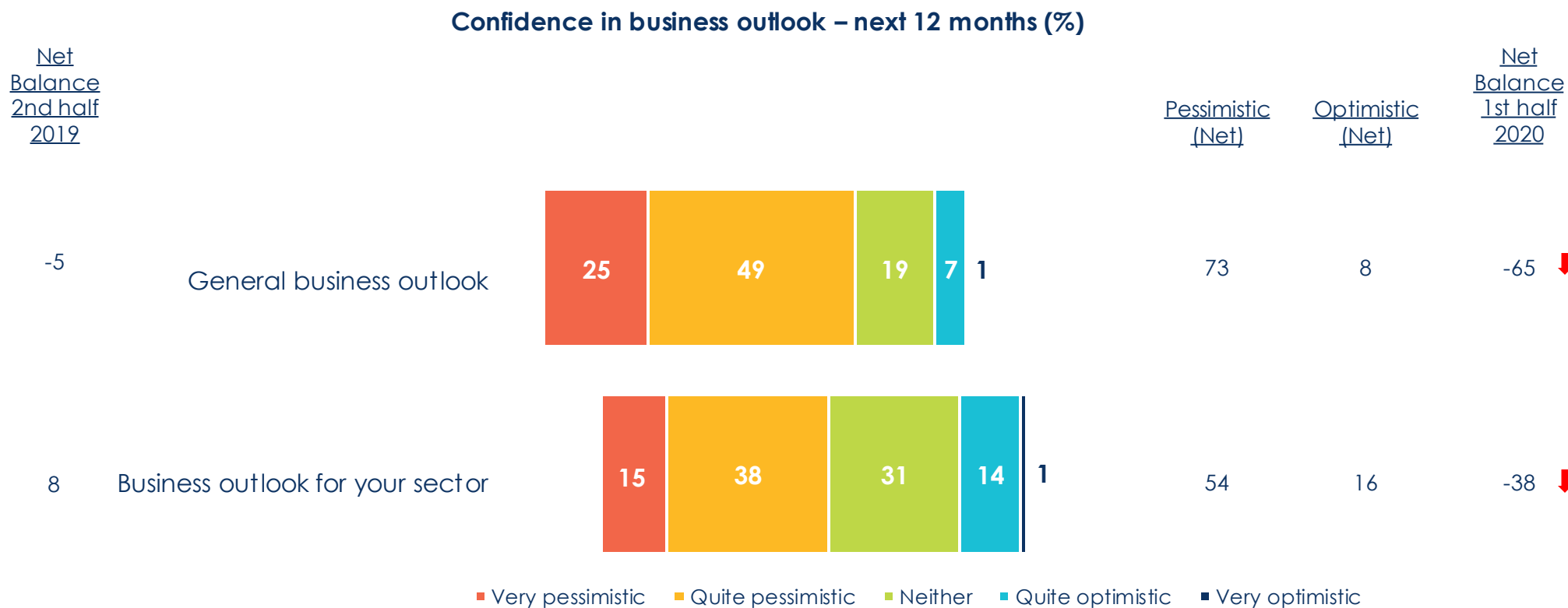
13. How do you expect your actual profits for the first half of this financial year, July to December 2020, to compare to ... ?  
Base: All respondents n= 1014

# Confidence in business outlook – next 12 months

Directors' confidence regarding the business outlook in the next 12 months is negative. 73% of directors indicate they are pessimistic about the general business outlook and 54% are pessimistic with regards to the business outlook for their own sectors.

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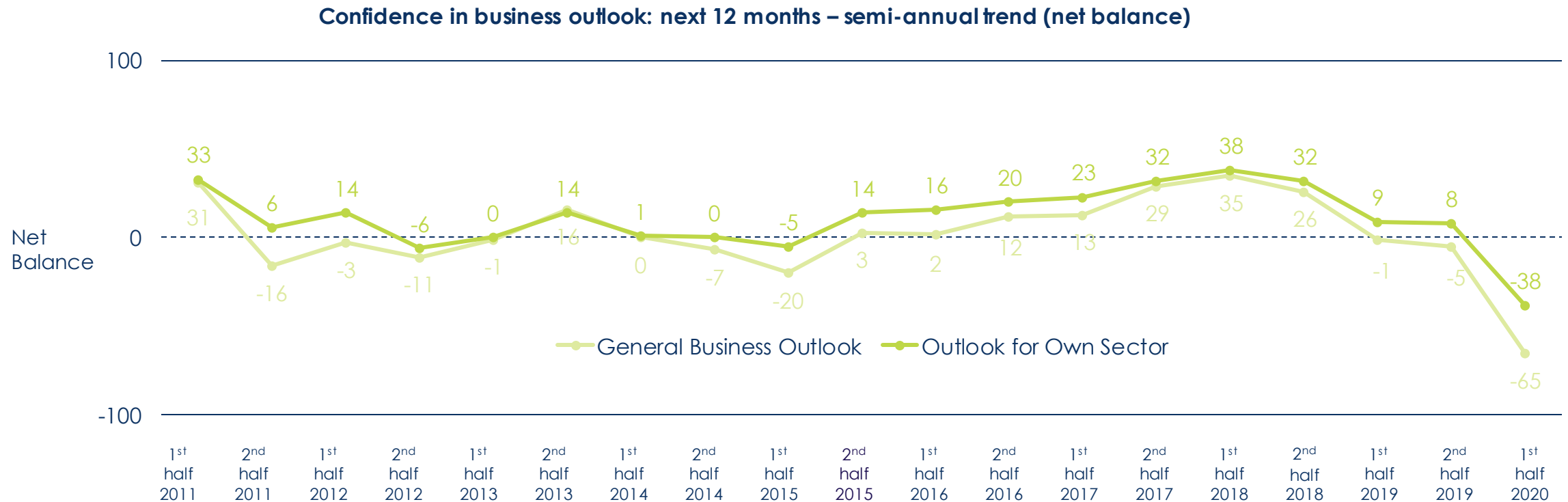
DIRECTOR SENTIMENT INDEX



14. Overall, how confident or otherwise are you about....?  
Base: All respondents n= 1014

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

The first half of 2020 has seen a downward movement in directors' confidence regarding the general business outlook and outlook for their own sectors into negative territory. Results are the lowest seen since the inception of the tracker.

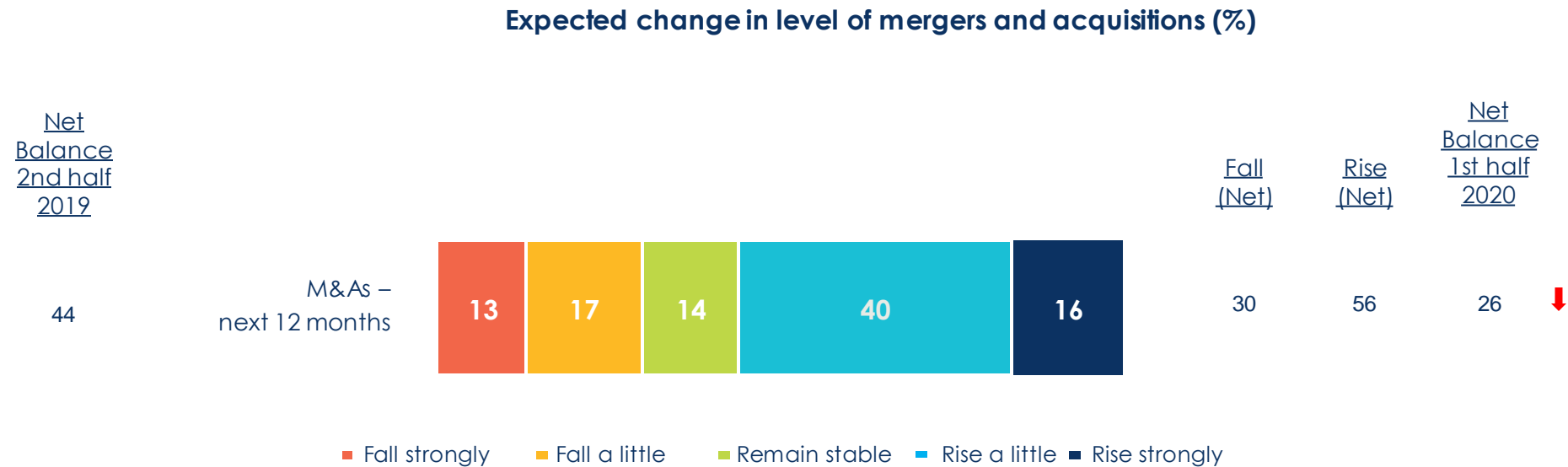


14. Overall, how confident or otherwise are you about ... ?

Base: All respondents; W 1 2011 n=511; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=540; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252, W 1 2019 n=927, W 2 2019 n=1489, W 1 2020 n=1014

# 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.



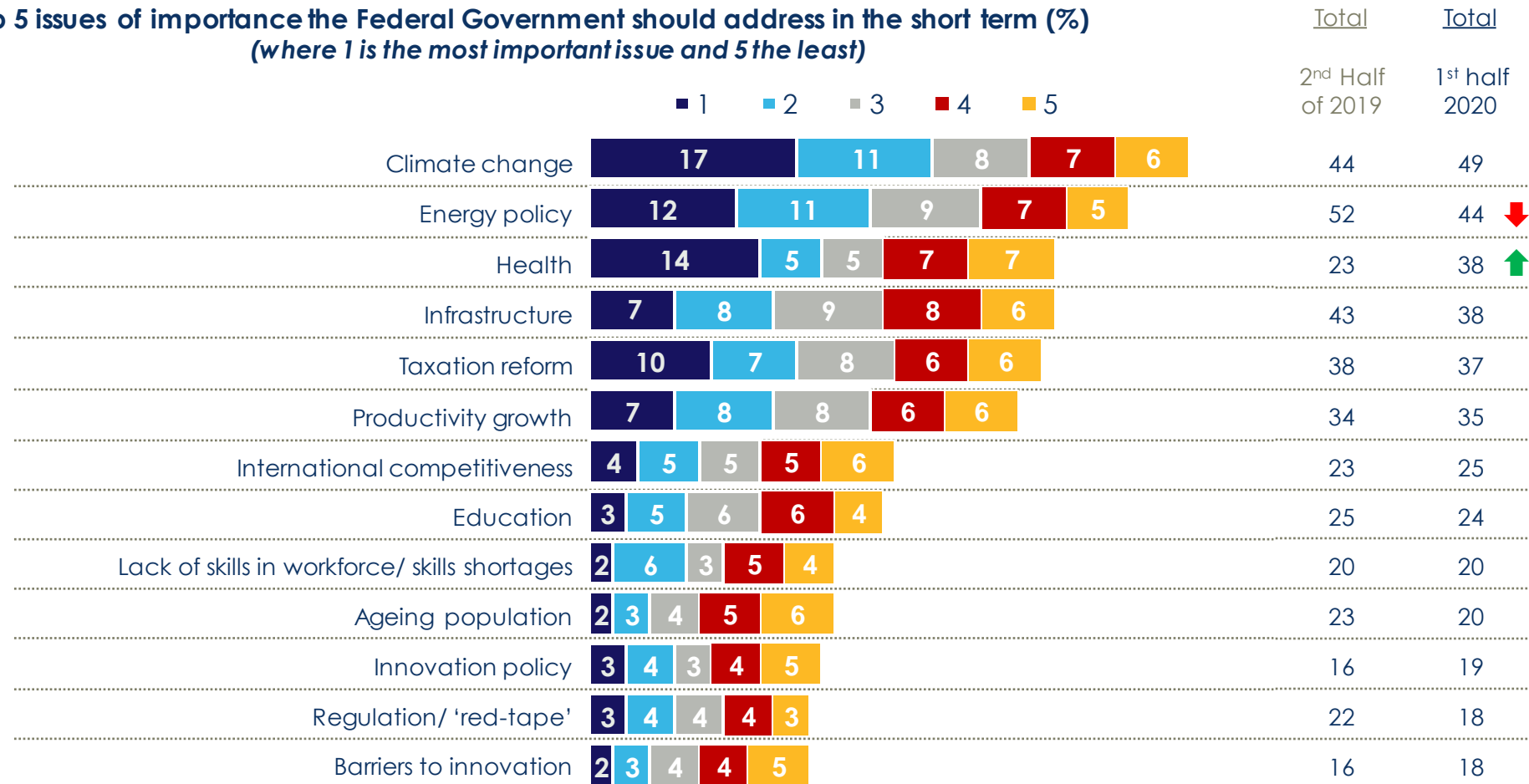
19. What is your expectation of changes in the level of mergers and acquisitions activity over the next 12 months?  
Base: All respondents n= 1014

# Government Policy Budgetary

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

Directors rate climate change, energy policy, health and infrastructure as the top priorities for the Federal Government to address in the short term. Health is selected significantly more often compared to second half of 2019, not unexpected, given the current COVID-19 pandemic.

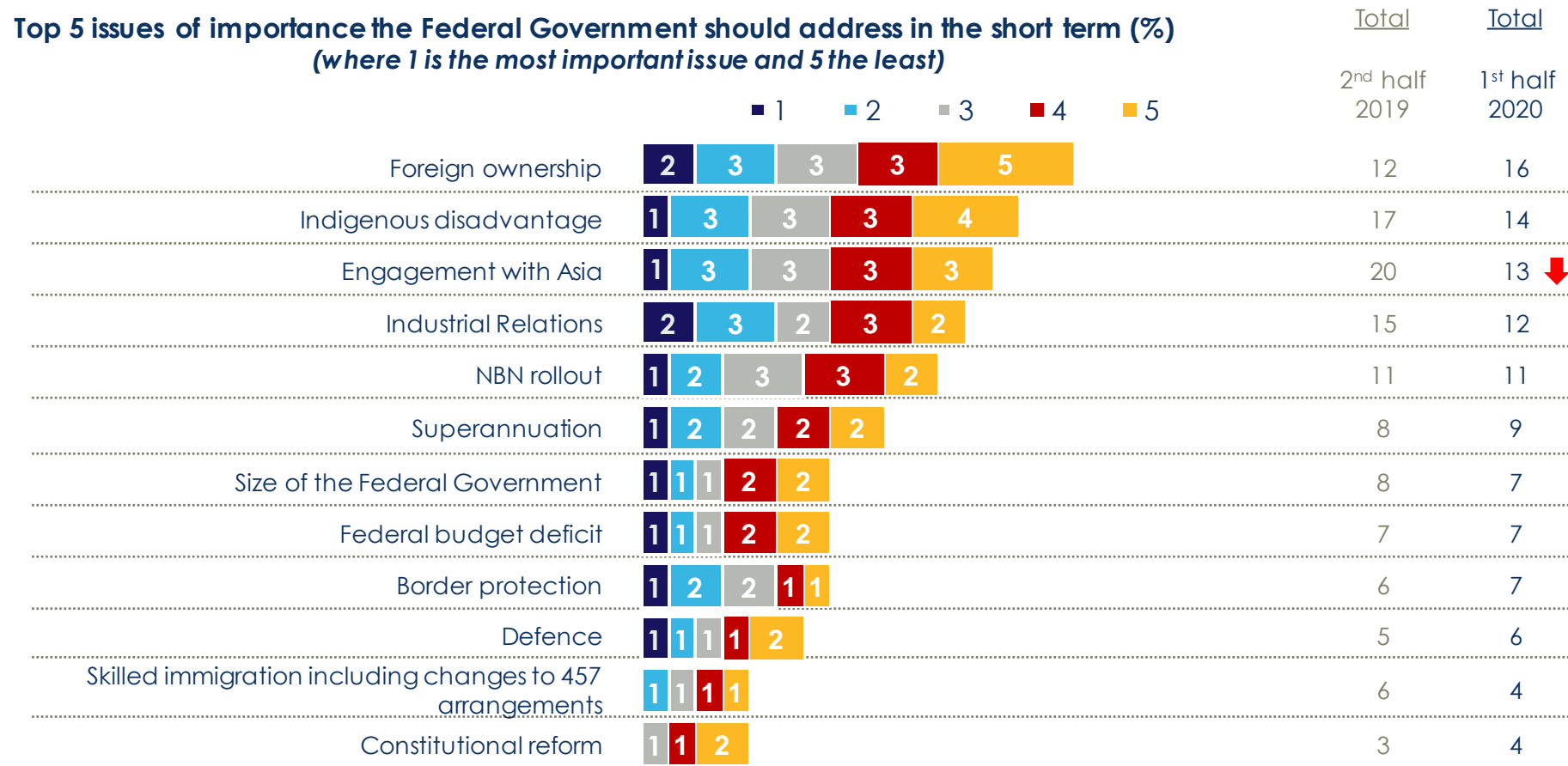
**Top 5 issues of importance the Federal Government should address in the short term (%)**  
(where 1 is the most important issue and 5 the least)



26. 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, 2<sup>nd</sup> half 2019 n=1489, 1<sup>st</sup> half 2020 n=1014

# 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)

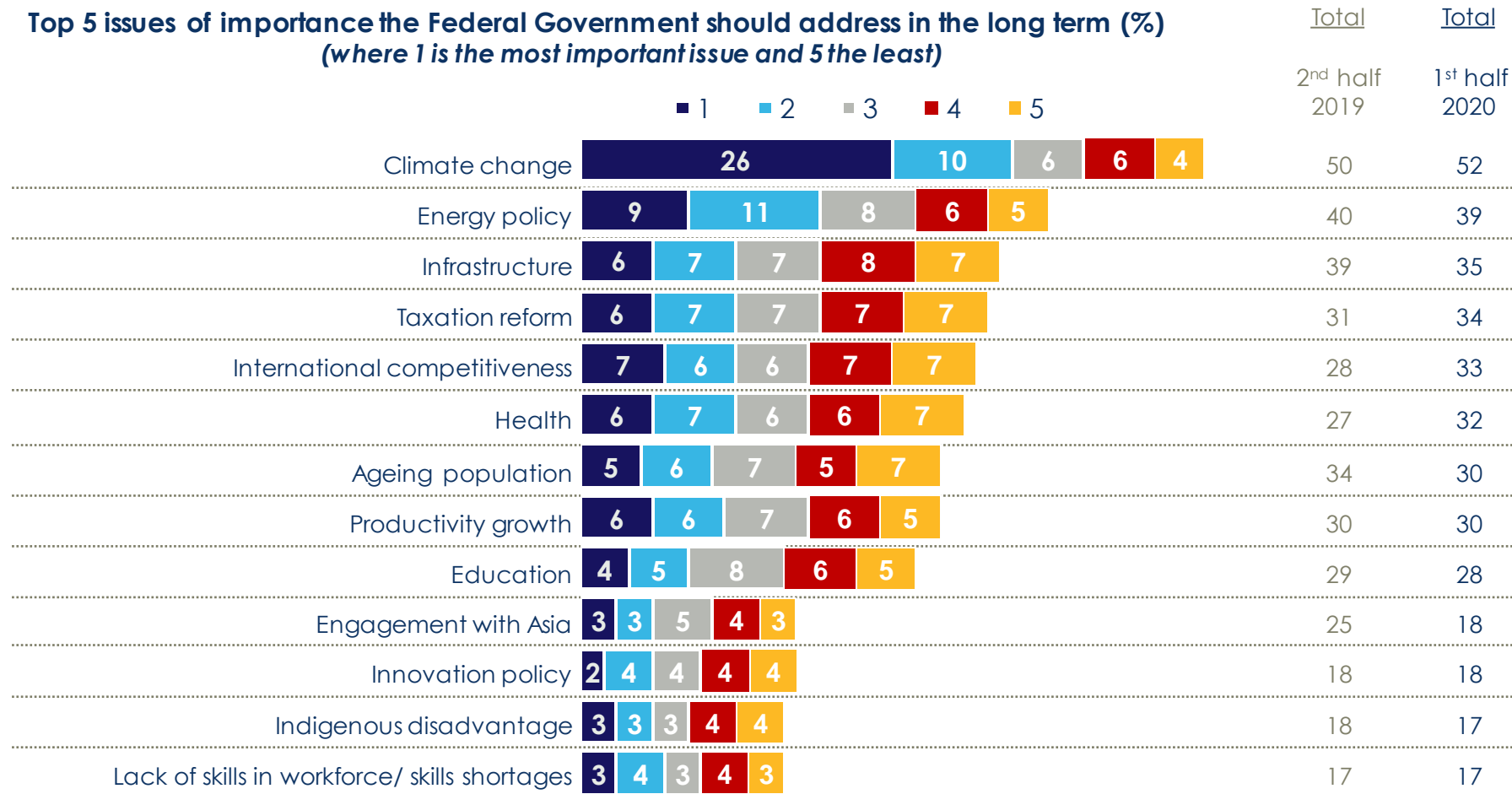


25. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the short term (i.e. in the next 3 years), where 1 is the most important issue and 5 is the least important  
Base: All respondents, 2<sup>nd</sup> half 2019 n=1489, 1<sup>st</sup> half of 2020 n=1014

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

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

**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, 2<sup>nd</sup> half 2019 n=1489, 1st half of 2020 n= 1014



# 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 2nd half 2019	Total 1st half 2020
Barriers to innovation	2	3	3	4	4	15	16
Regulation/ 'red-tape'	1	3	3	3	4	14	14
Foreign ownership	2	3	2	3	4	13	14
Industrial Relations	1	2	3	2	4	12	12
Federal budget deficit	2	2	2	3	3	11	12
Defence	2	1	2	2	2	8	9
Superannuation	1	2	2	2	2	9	9
Constitutional reform	1	2	1	2	2	7	8
Size of the Federal Government	1	1	2	1	2	9	7
Border protection	1	1	2	1		6	5
NBN rollout	1	1	1	1		4	4
Childcare policies	1	1	1	1		3	4
Skilled immigration including changes to 457 arrangements	1					3	1

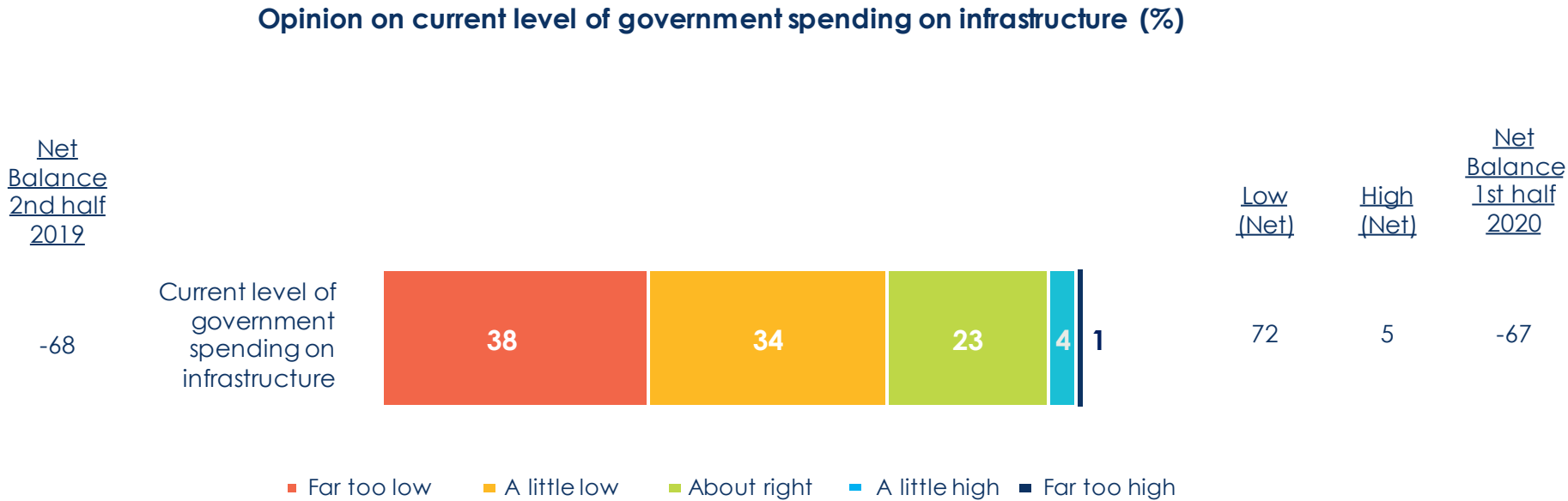
26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important  
Base: All respondents 2<sup>nd</sup> half 2019 n=1489, 1st half of 2020 n = 1014

# Current level of government spending on infrastructure

Opinion regarding the level of government spending on infrastructure remains in negative territory, with 72% of directors perceiving that government spending on infrastructure is low.

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RESEARCH FINDINGS FIRST HALF 2020

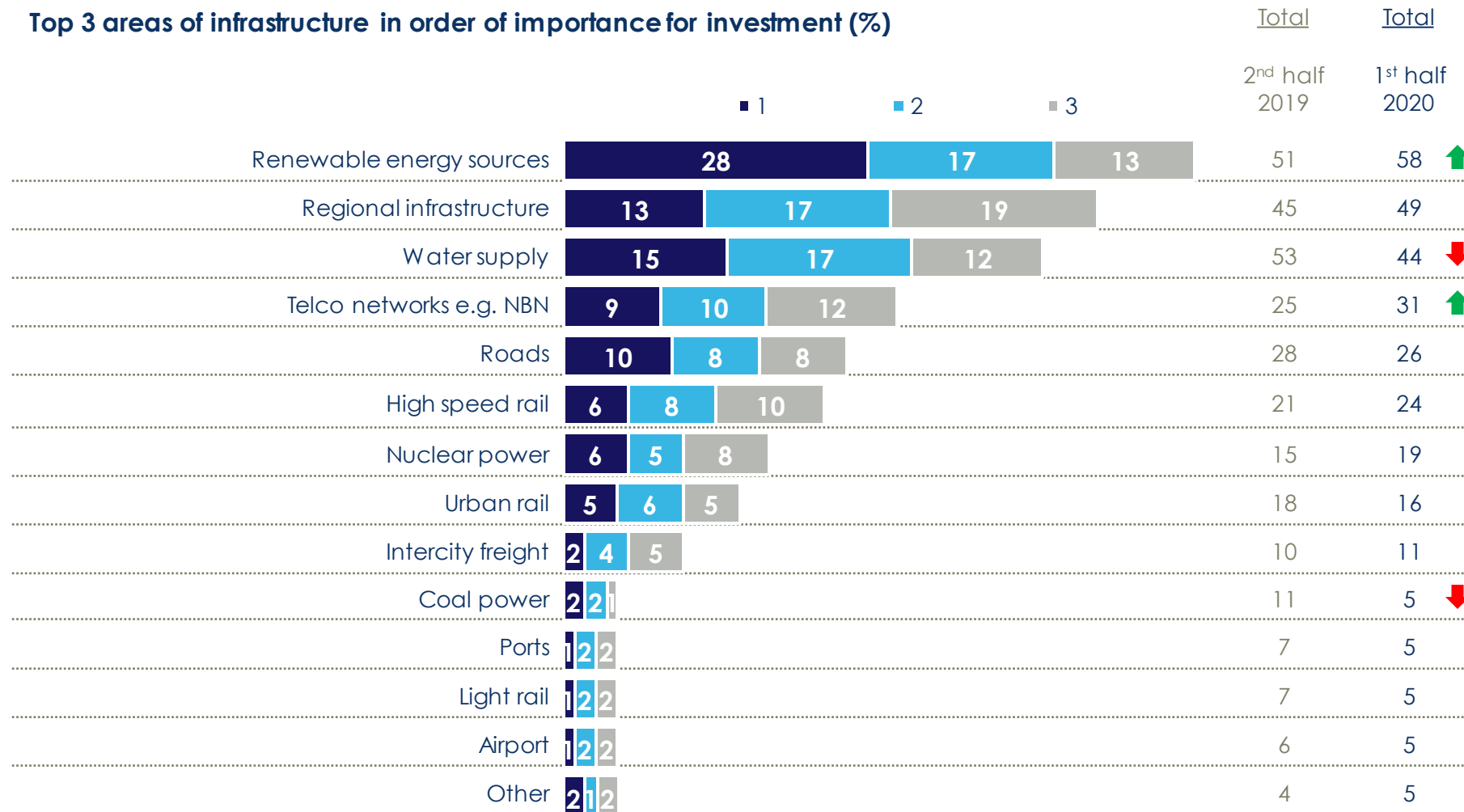


20. In your opinion, is the current level of government spending on infrastructure...?  
Base: All respondents n= 1014

# Investment in Infrastructure (Top 3)

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

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



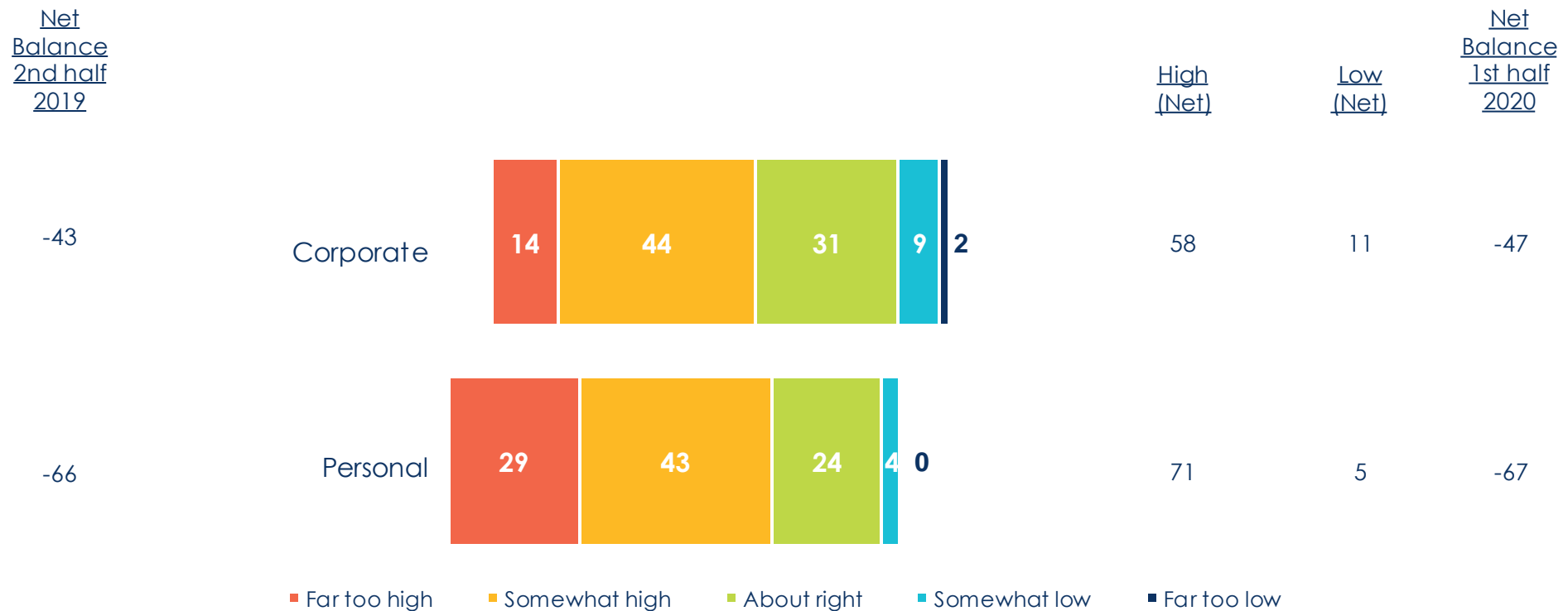
21. Please nominate the top three areas of infrastructure in order of importance for investment, in your opinion (Select three answers only)  
Base: All respondents 2nd half 2019 n=1489, 1st half 2020 n=1014

# Government Policy Taxation

# Level of taxation in Australia

Directors continue to view the level of taxation in Australia as high. 71% believe that personal taxation is high and 58% view corporate taxation is high.

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

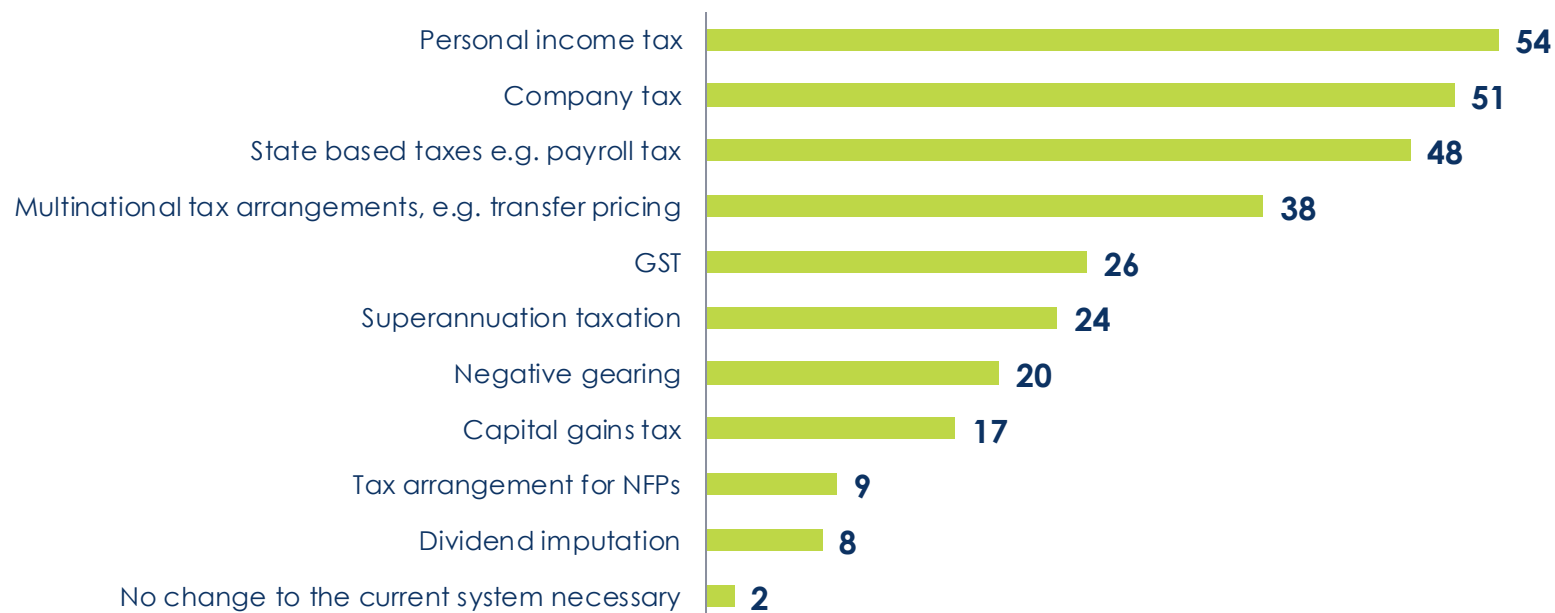


15. What is your view on the level of...?  
Base: All respondents n= 1014

# Reform of taxation system

The top priorities nominated for taxation reform remain consistent with results for the second half of 2019. Directors rate personal income tax, followed by company tax and state based taxes 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 2nd half 2019	Total 1st half 2020
Personal income tax	56	54
Company tax	46	51
State based taxes e.g. payroll tax	50	48
Multinational tax arrangements, e.g. transfer pricing	38	38
GST	28	26
Superannuation taxation	26	24
Negative gearing	18	20
Capital gains tax	16	17
Tax arrangement for NFPs	9	9
Dividend imputation	9	8
No change to the current system necessary	N/A	2

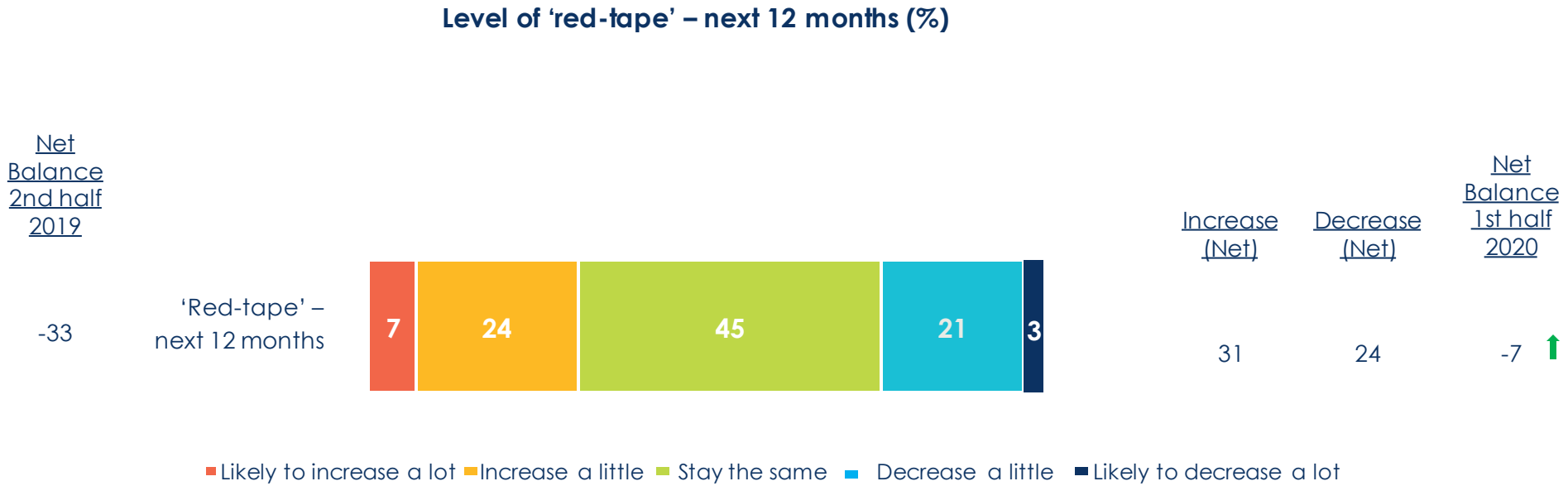
15. Please nominate the top 3 priorities for tax reform, in your opinion, in any future comprehensive review of the current taxation system.  
Base: All respondents 2nd half 2019 n=1489, 1st half of 2020 n=1014

# Government Policy Regulation

# Level of ‘red-tape’ in next 12 months

31% of directors continue to expect the level of ‘red-tape’ to increase in the next 12 months. However, compared to the second half of 2019, expectations regarding the level of ‘red-tape’ have significantly improved albeit remaining in negative territory.

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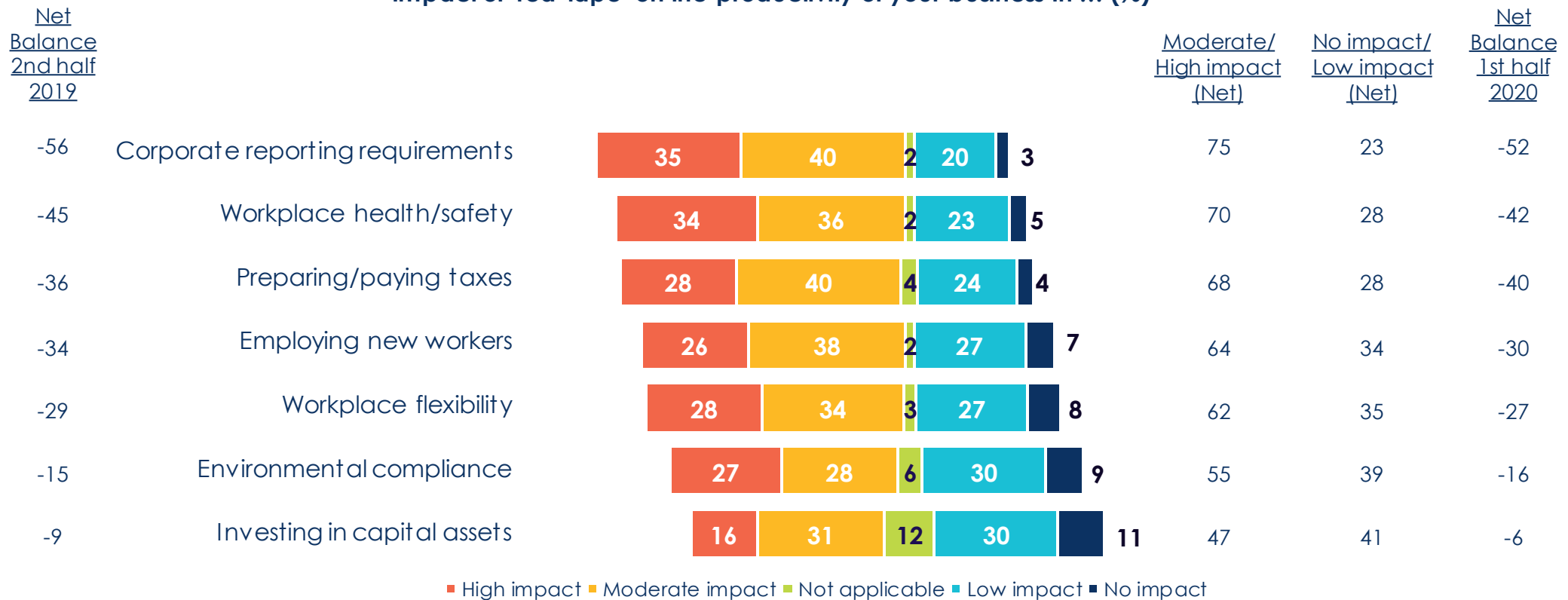
22. What is your expectation of changes in the level of “red-tape” over the next 12 months?  
Base: All respondents n= 1014



# Impact of 'red-tape' on business productivity

75% 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 ... (%)

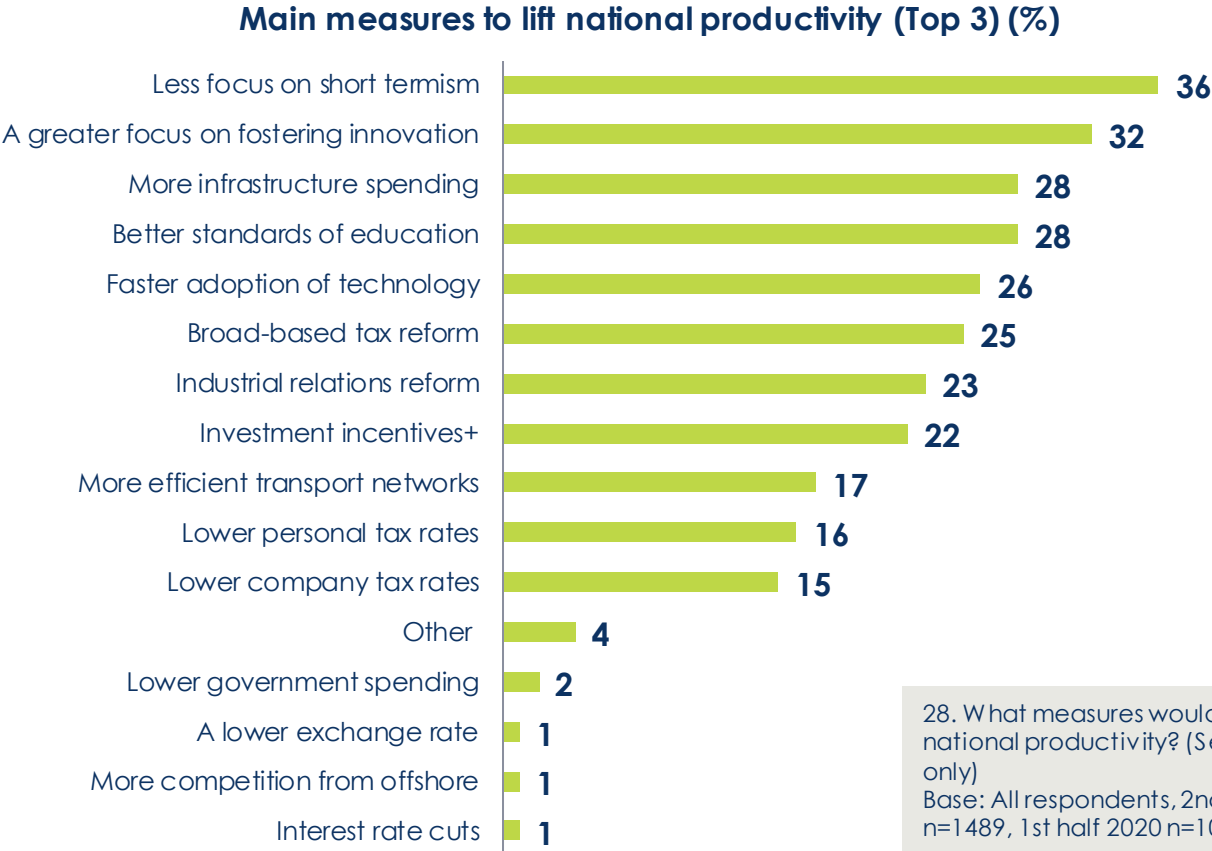


23. What impact (cost/time) does 'red-tape' have on the productivity of your business in the following areas?  
Base: All respondents n= 1014

# Main measure to lift national productivity

Directors continue to nominate less focus on short termism as the top measure for lifting national productivity. This is followed by a greater focus on fostering innovation, more infrastructure spending and better standards of education.

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28. What measures would do most to lift national productivity? (Select 3 answers only)  
Base: All respondents, 2nd half 2019 n=1489, 1st half 2020 n=1014

Total 2nd half 2019	Total 1st half 2020
39	36
30	32
33	28
23	28
23	26
24	25
20	23
19	22
17	17
15	16
16	15
4	4
3	2
2	1
2	1
1	1

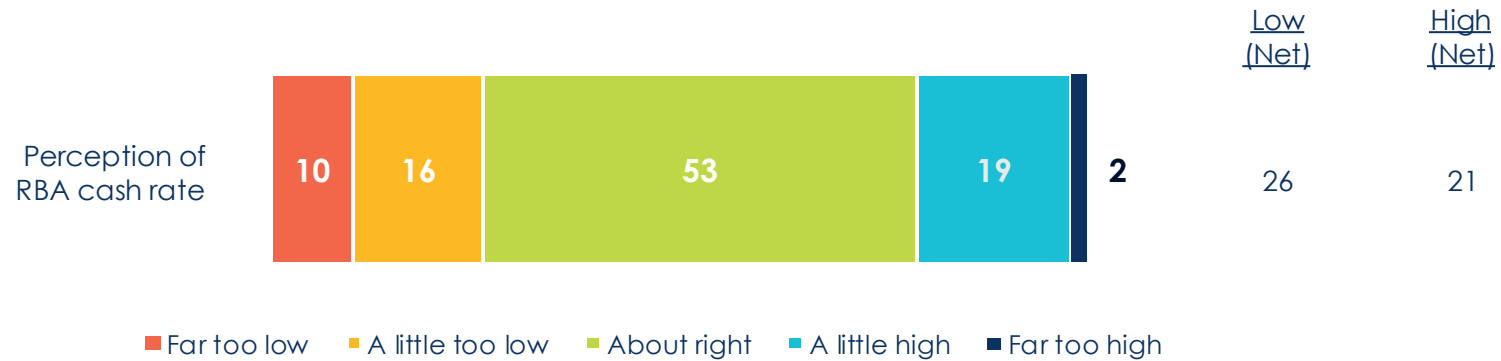
RESEARCH FINDINGS FIRST HALF 2020

# Government Policy Credit Availability

# RBA cash rate

Given the economic conditions, the majority of directors think the current cash right is 'about right'.

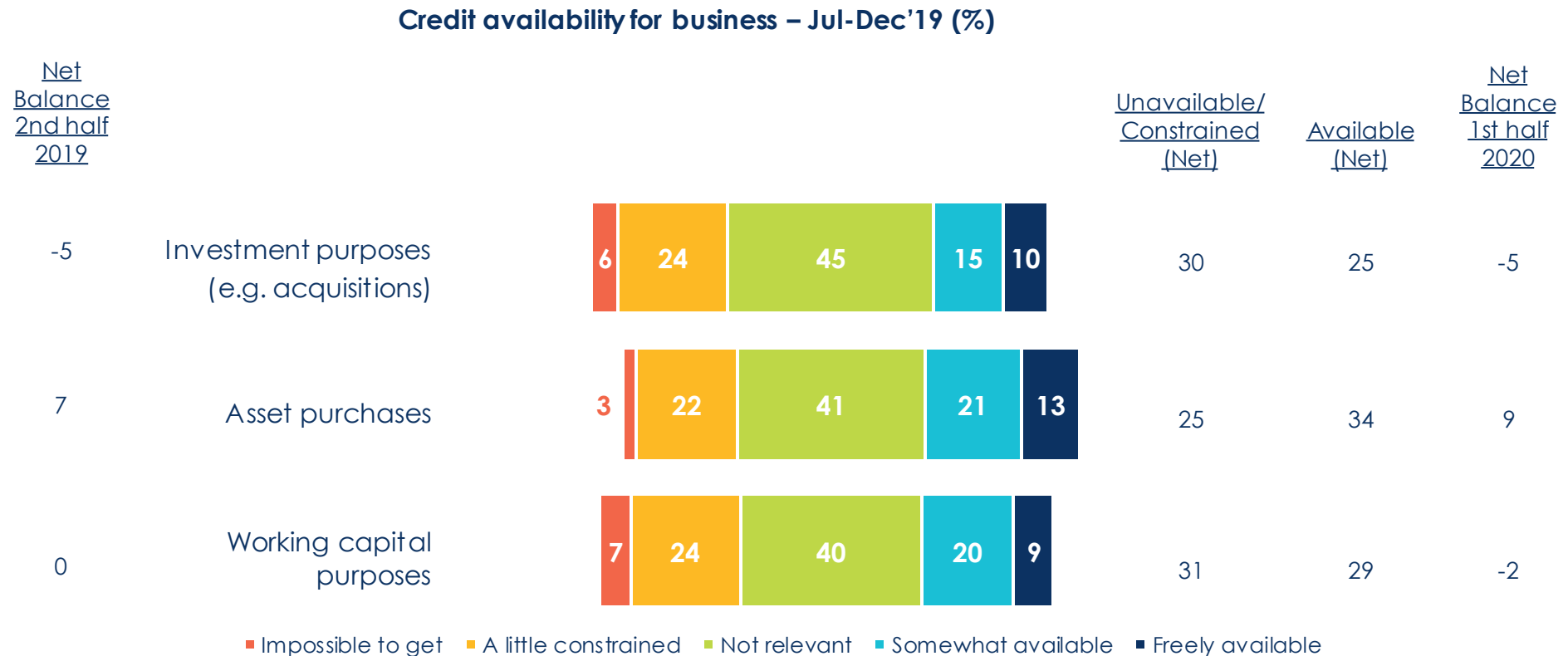
## Given current economic conditions, perception of the current RBA cash rate (%)



New question H1 '20  
C4. The current level of the RBA cash rate is 0.50 per cent. In your opinion, given current economic conditions, is this level of the cash rate...? \*At the time the survey was conducted  
Base: All respondents n= 1014

# Credit availability for business – Jul-Dec'19

Experience around credit availability for businesses over the past six months has remained steady compared to the second half of 2019.

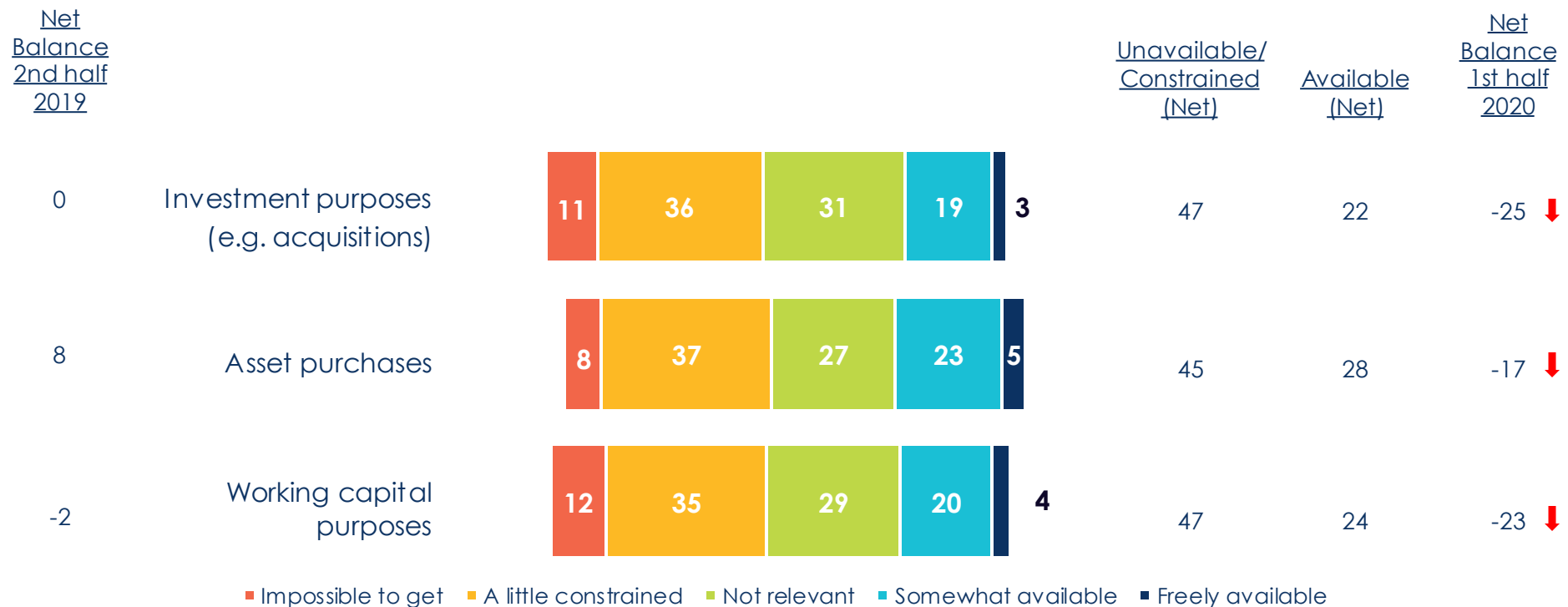


16. For the business, what has been the experience over the period July to December 2019 relating to...?  
Base: All respondents n=1014

# Credit availability for business – next 12 months

Expectations of credit availability in the future are negative compared to the second half of 2019. 47% of directors expect credit for investment purposes will be constrained in the next twelve months, 47% expect the same regarding credit for working capital purposes and 45% expect the same regarding asset purchases.

Credit availability for business – next 12 months (%)



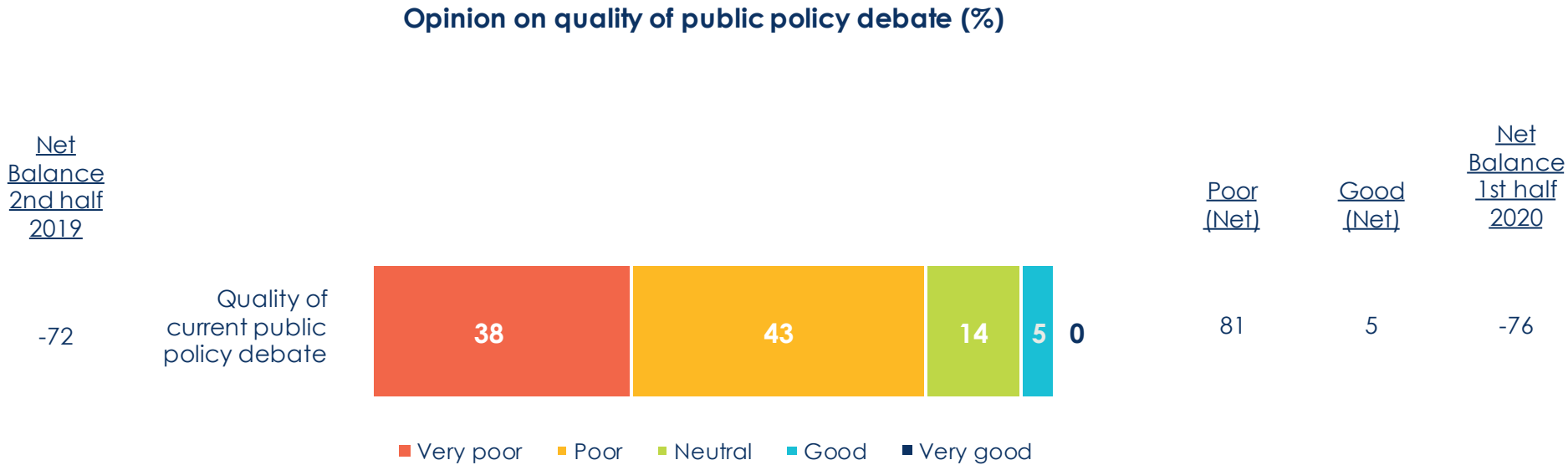
17. And what is your expectation of credit availability over the next 12 months?  
Base: All respondents n=1014

# Public Policy

# Quality of public policy debate in Australia

Compared to the second half of 2019, directors' opinions regarding the current quality of public policy debate in Australia remains steady, remaining in negative territory. 81% of directors believe the current quality of public policy debate is poor.

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47. How would you rate the current quality of public policy debate in Australia?  
Base: All respondents n= 1014



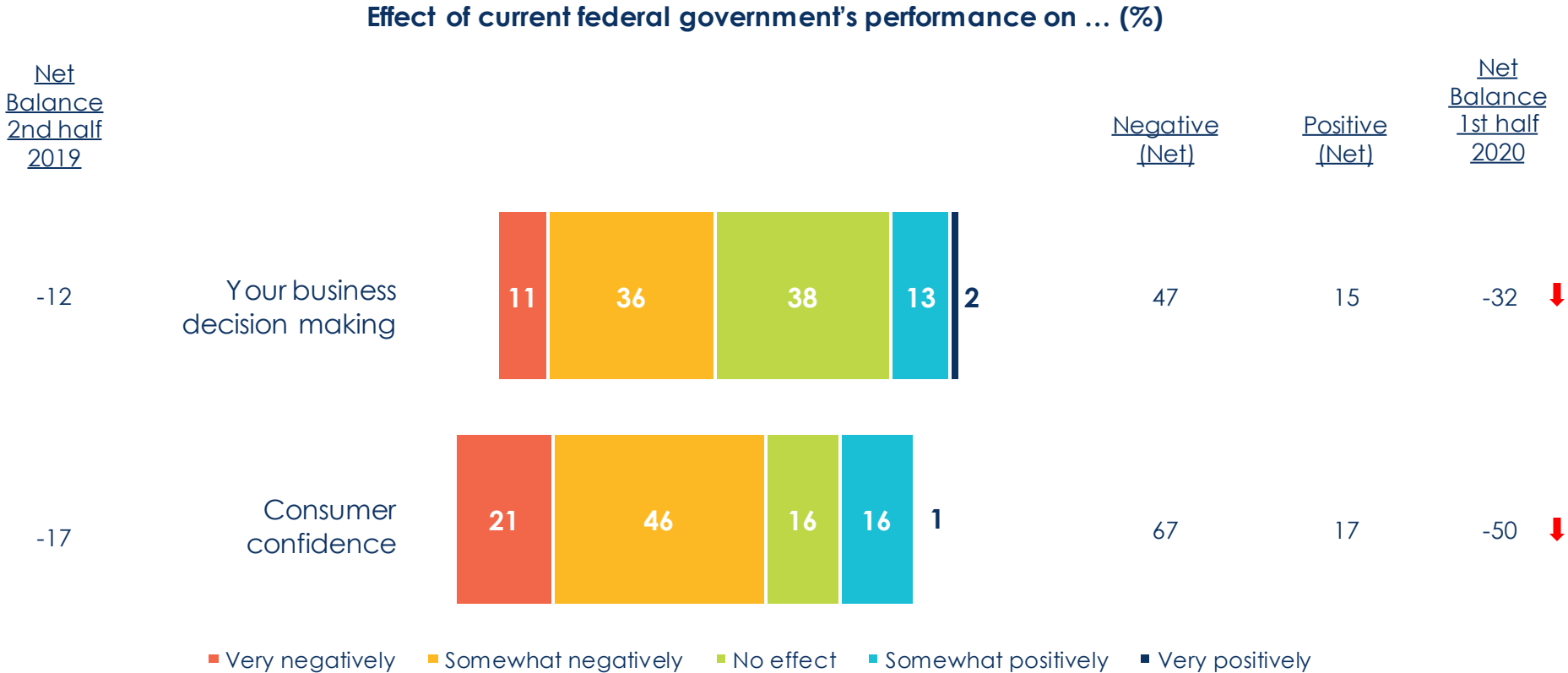


# Impact of Federal Government's performance on business

Compared to the second half of 2019, directors are significantly more negative overall about the effect of the Federal Government's current performance on consumer confidence and business decision making.

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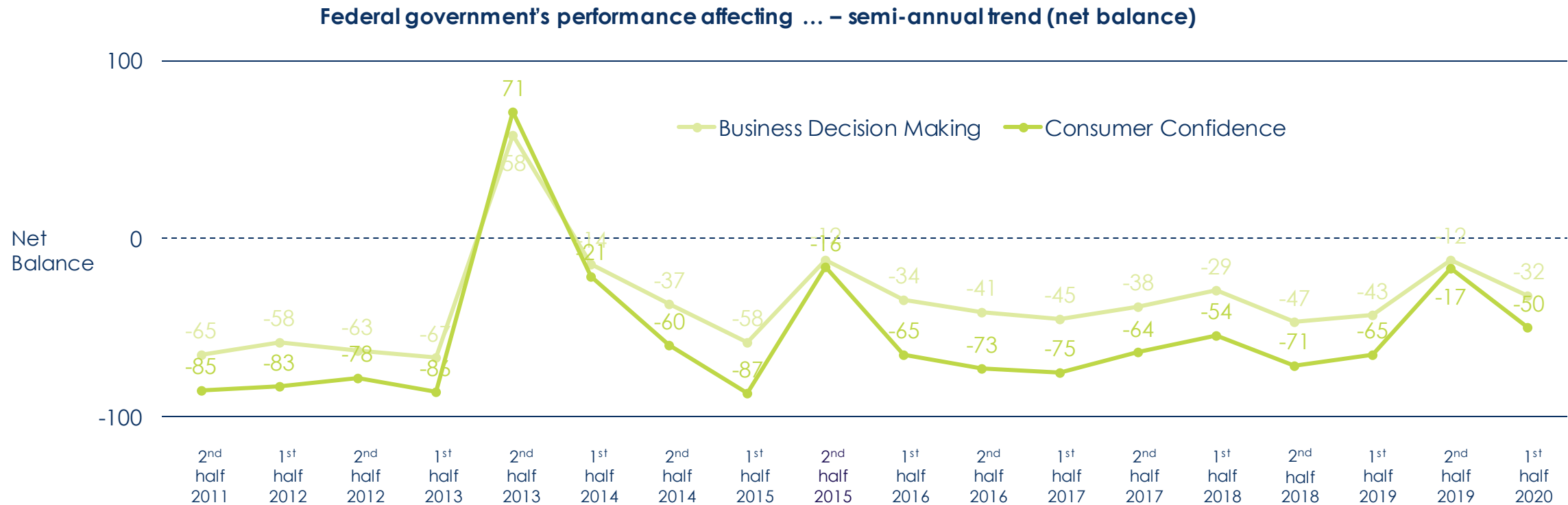


27. How is the current federal government's performance affecting ...?  
Base: All respondents n= 1014

# 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.

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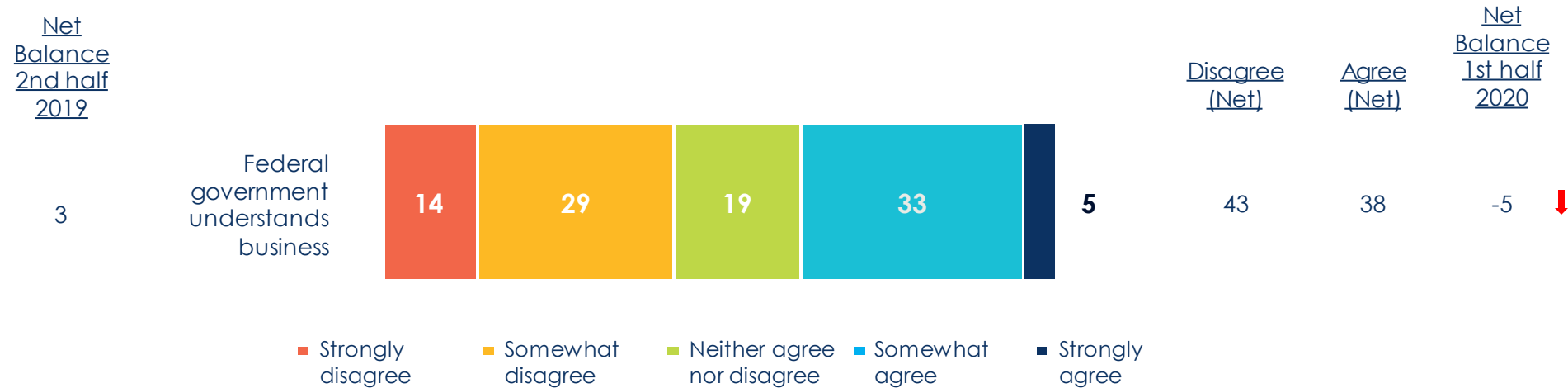
RESEARCH FINDINGS FIRST HALF 2020

Source: 27  
Base: All respondents; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=540; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252, W 1 2019 n=927, W 2 2019 n=1489, W 1 2020 n= 1014

# Federal government's understanding of business

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

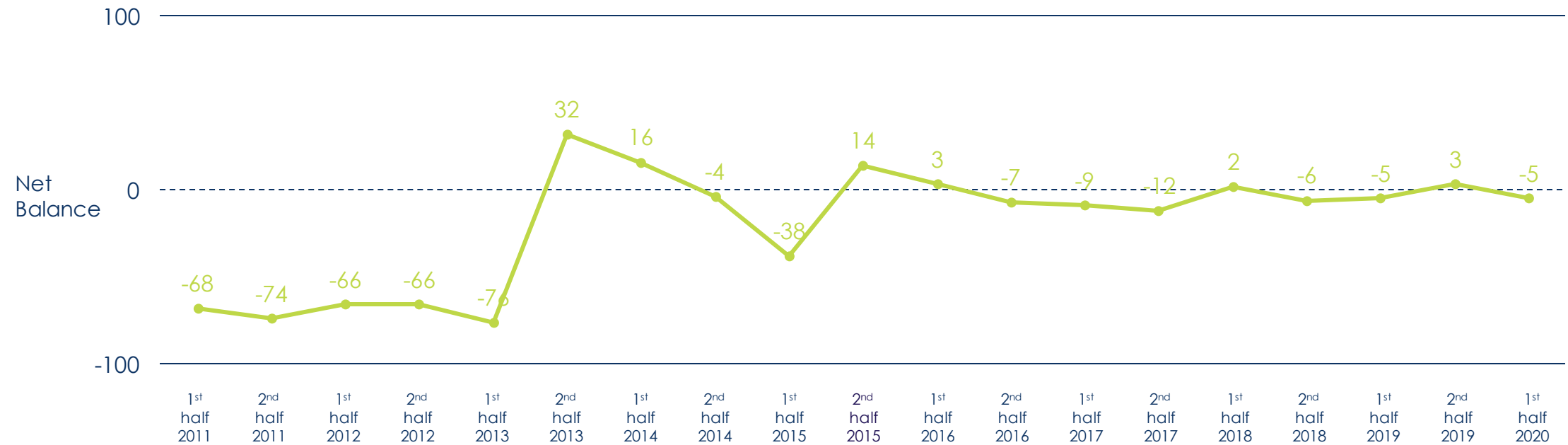
Current federal government understands business (%)



24. To what extent do you agree or disagree with the statement "The current Federal Government understands business"?  
Base: All respondents n= 1014

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

The view regarding the Federal Government's understanding of business shifts back into negative territory in the first half of 2020.



Source: 24

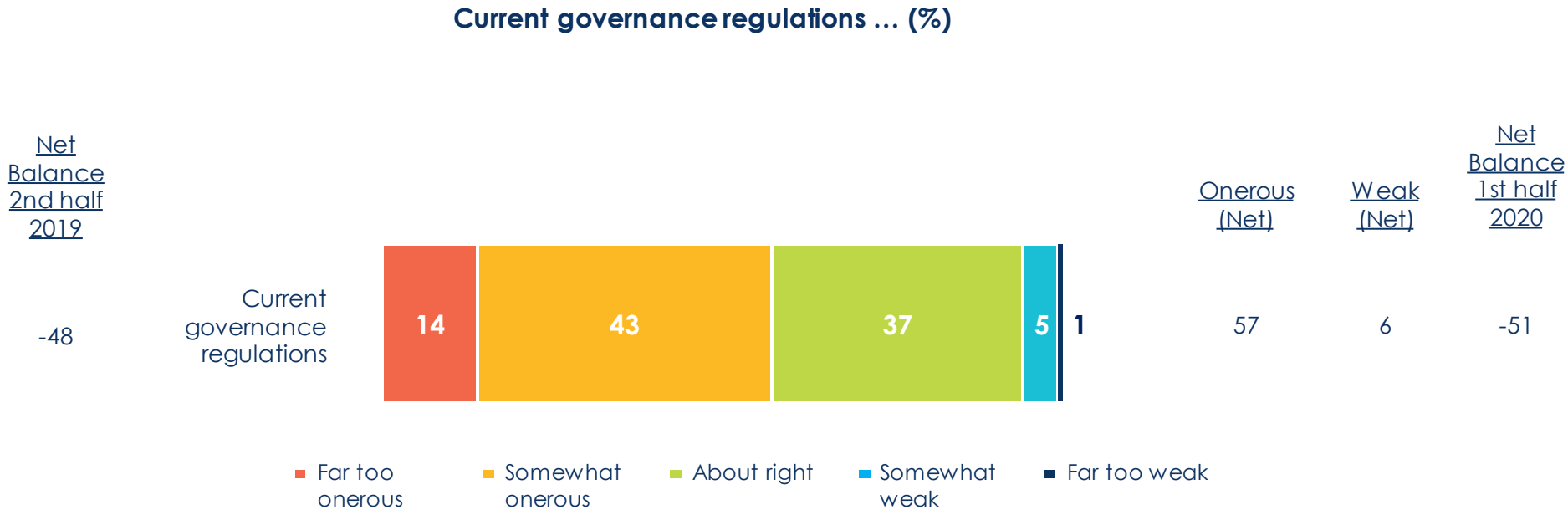
Base: All respondents; W 1 2011 n=511; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=521; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252, W 1 2019 n=927, W 2 2019 n=1489, W 1 2020 n= 1014

# Key Issues for Directors and boards

# Current governance regulations

Directors are pessimistic about current governance regulations, with 57% perceiving them to be onerous.

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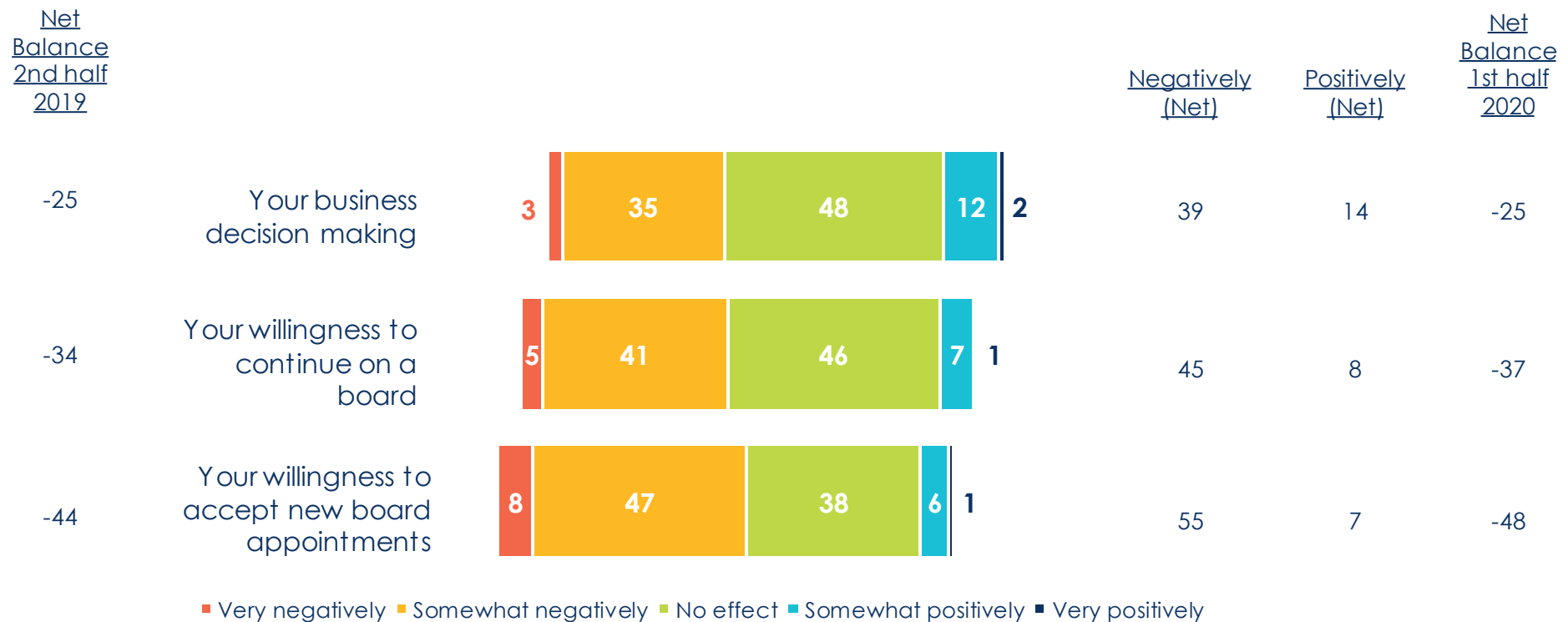
RESEARCH FINDINGS FIRST HALF 2020

29. In your opinion, are current governance regulations ...?  
Base: All respondents n= 1014

# Impact of legislation on director liability

55% of directors believe legislation on directors' liability is negatively impacting their willingness to accept new board appointments.

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



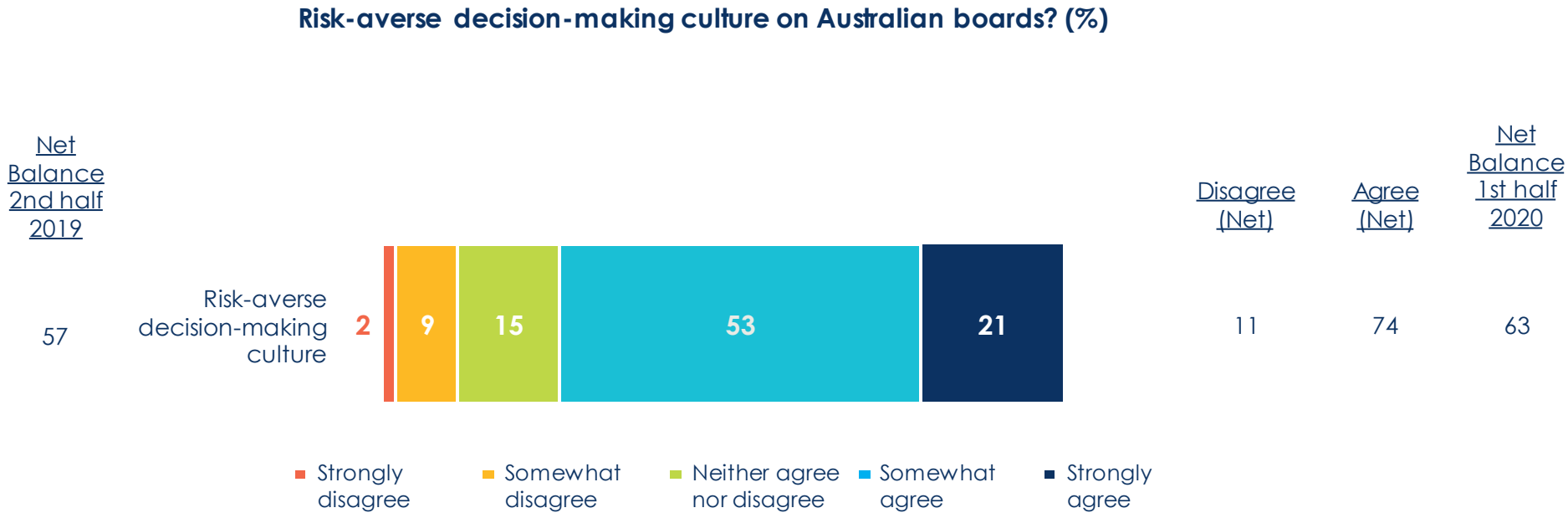
30. How does legislation on Directors' liability affect ... ?  
Base: All respondents n=1014



# Business decision making and risk aversion

74% of directors agree there is a risk-averse decision-making culture on Australian boards.

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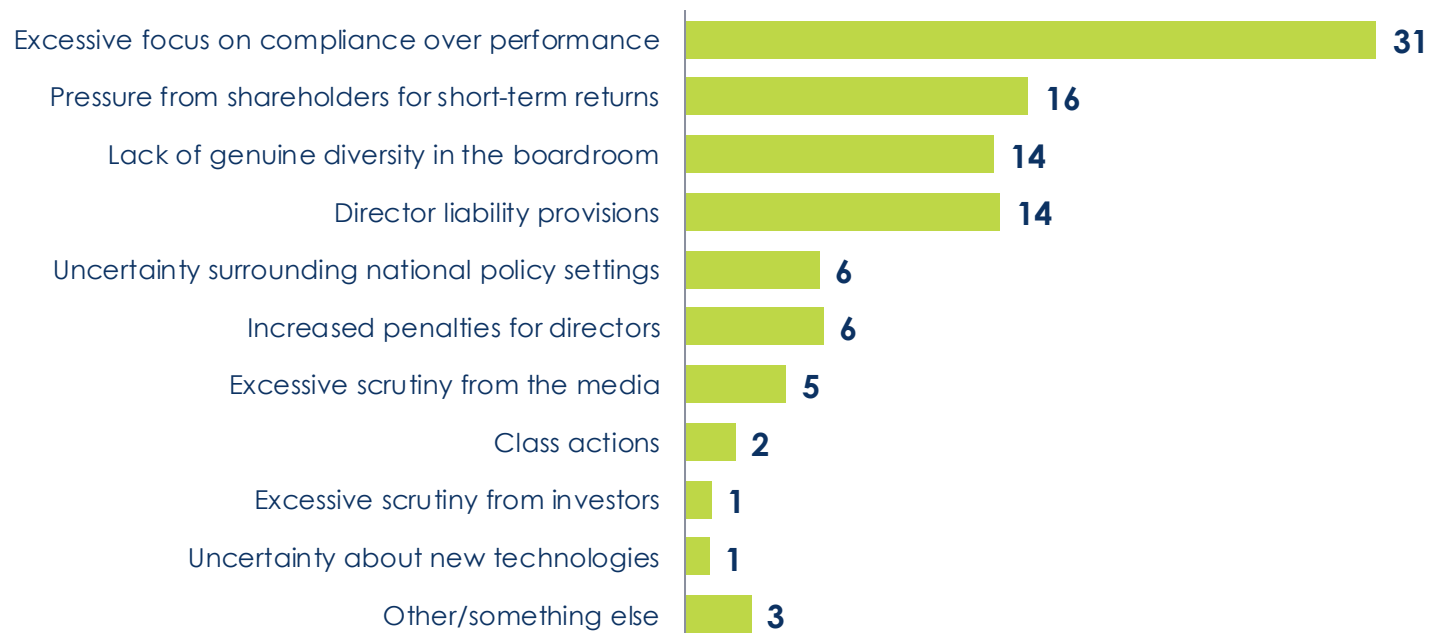
RESEARCH FINDINGS FIRST HALF 2020

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=1014

# Reason for risk-averse decision making culture

31% 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.

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

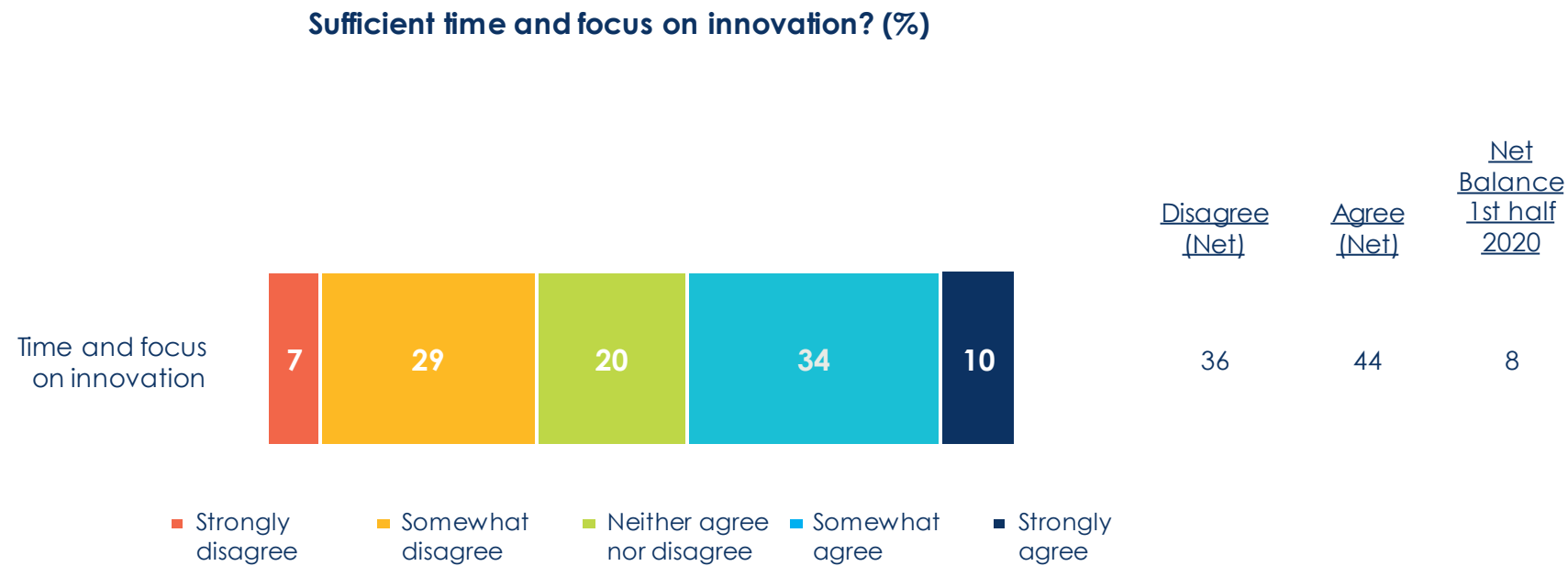


Total 2nd half 2019	Total 1st half 2020
34	31
17	16
14	14
11	14
7	6
6	6
3	5
2	2
1	1
1	1
3	3

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 of 2020 n=750

# Allocation of sufficient time and focus on innovation

Directors are polarised when asked their view of whether their boards 'allocate sufficient time and focus on innovation' with a slightly higher proportion who agree (44%) compared to those who disagree (36%).

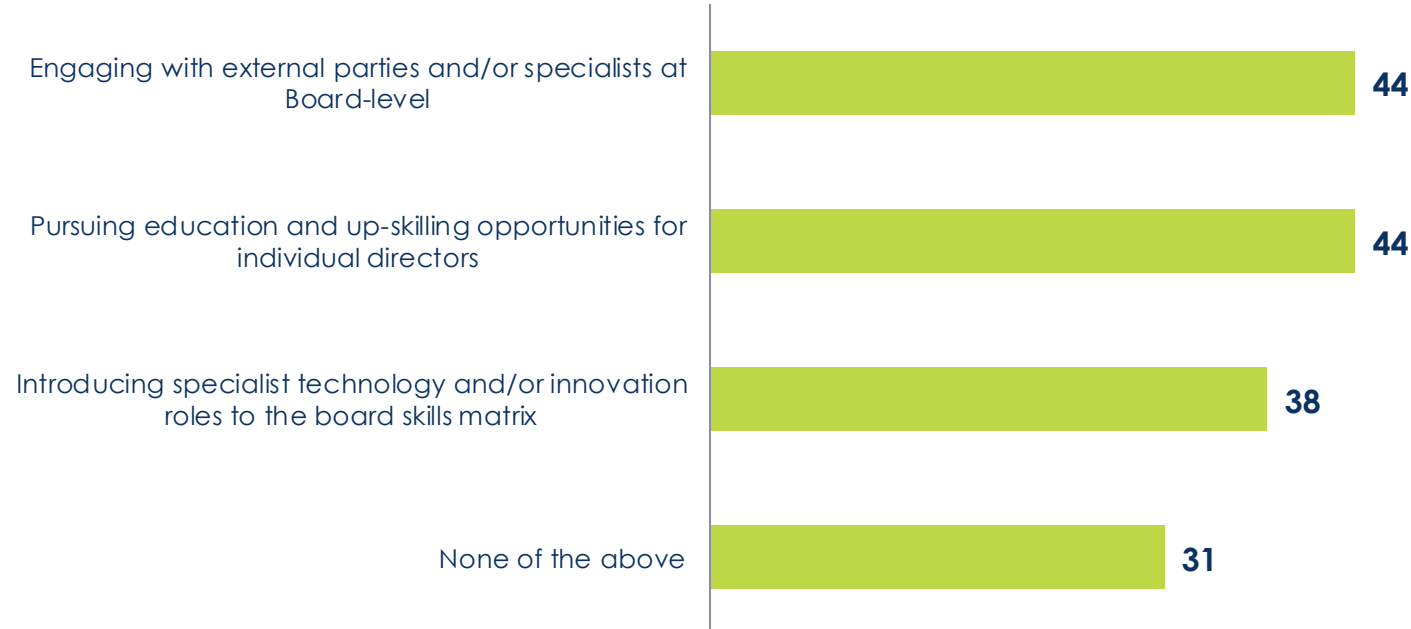


BD9. To what extent do you agree or disagree that 'Our board allocates sufficient time and focus on innovation'? \*New question H1 '20  
Base: All respondents n=1014

# Lifting digital literacy of board

44% of directors state their organisations are engaging with external parties and/or specialists at board-level to lift the digital literacy of their boards. The same proportion purport their organisations are pursuing education and up-skilling opportunities for individual directors while 38% are introducing specialist technology and/or innovation roles to the boards skills matrix.

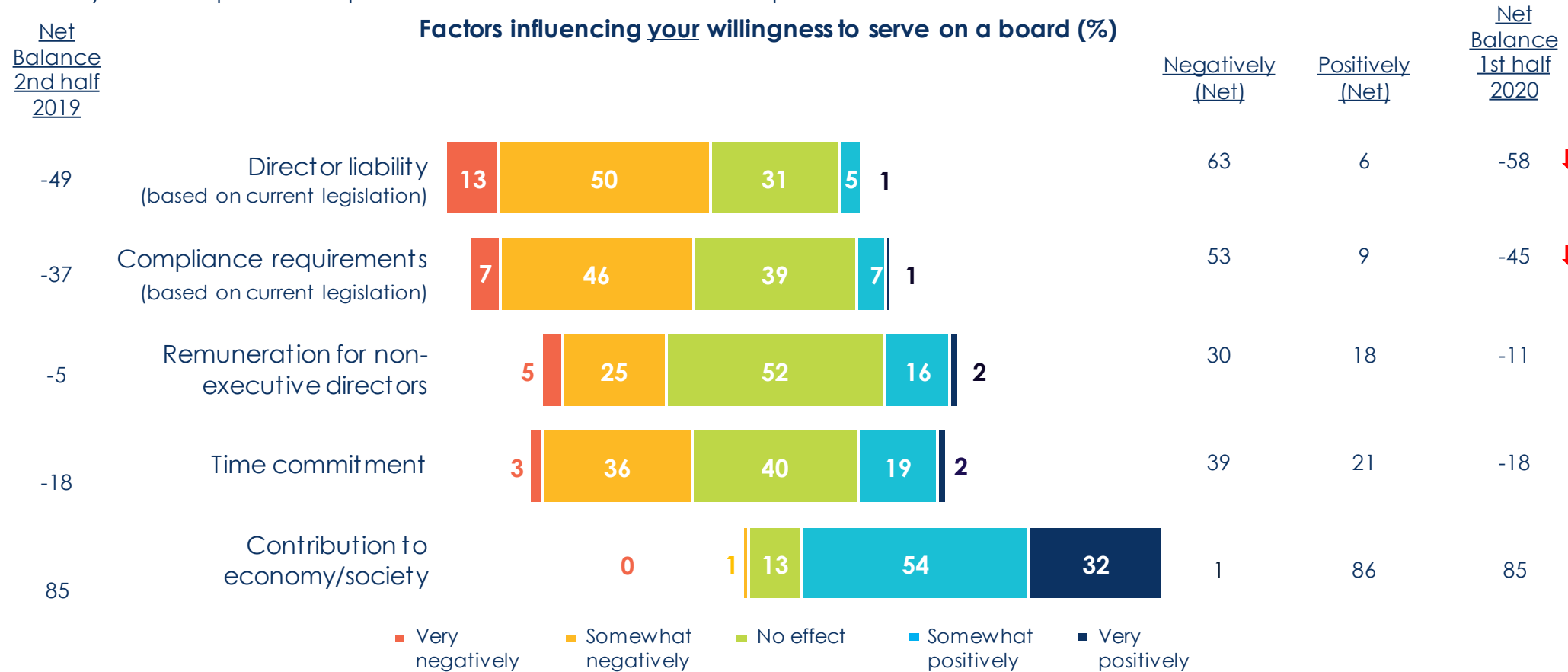
## Best description of the approach your organisation is taking to lifting the digital literacy of your board (%)



BD10. Which best describes the approach your organisation is taking to lifting the digital literacy of your board? (NB: Multiple responses allowed). \*New question H1 '20  
Base: All respondents n=1014

# Factors influencing your willingness to serve on a board

Consistent with the second 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 63% believe that director liability negatively impacts their willingness to serve on a board. The negative effect of director liability and compliance requirements has declined further compared to second half of 2019.

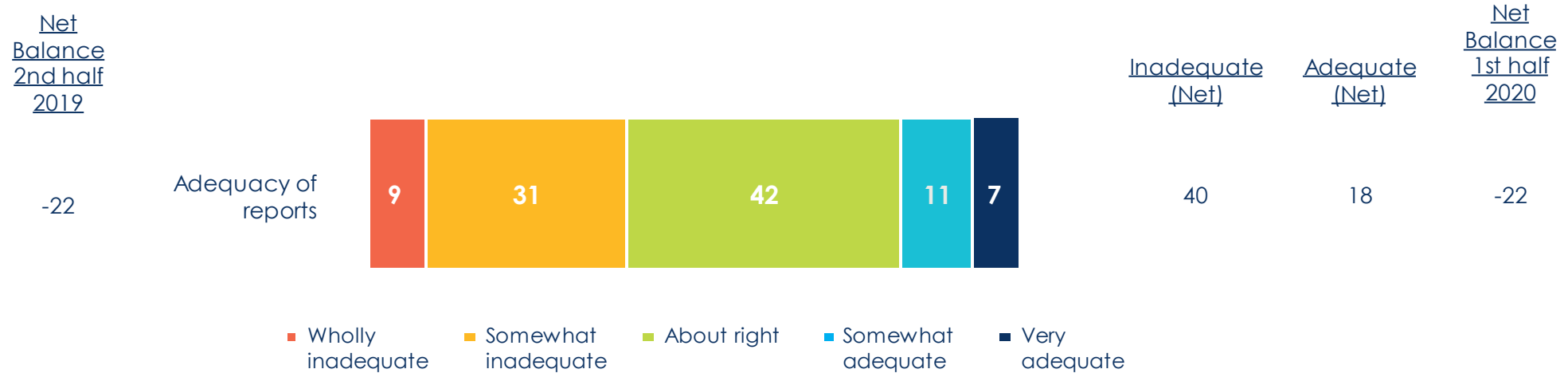


37. How do the following things influence your willingness to serve on a board?  
Base: All respondents n=1014

# Adequacy of public company remuneration reports

Consistent with the second half of 2019, directors perceptions' regarding the adequacy of public company remuneration reports remain in negative territory. 40% of directors perceive public company remuneration reports to be inadequate.

Adequacy of public company remuneration reports (%)



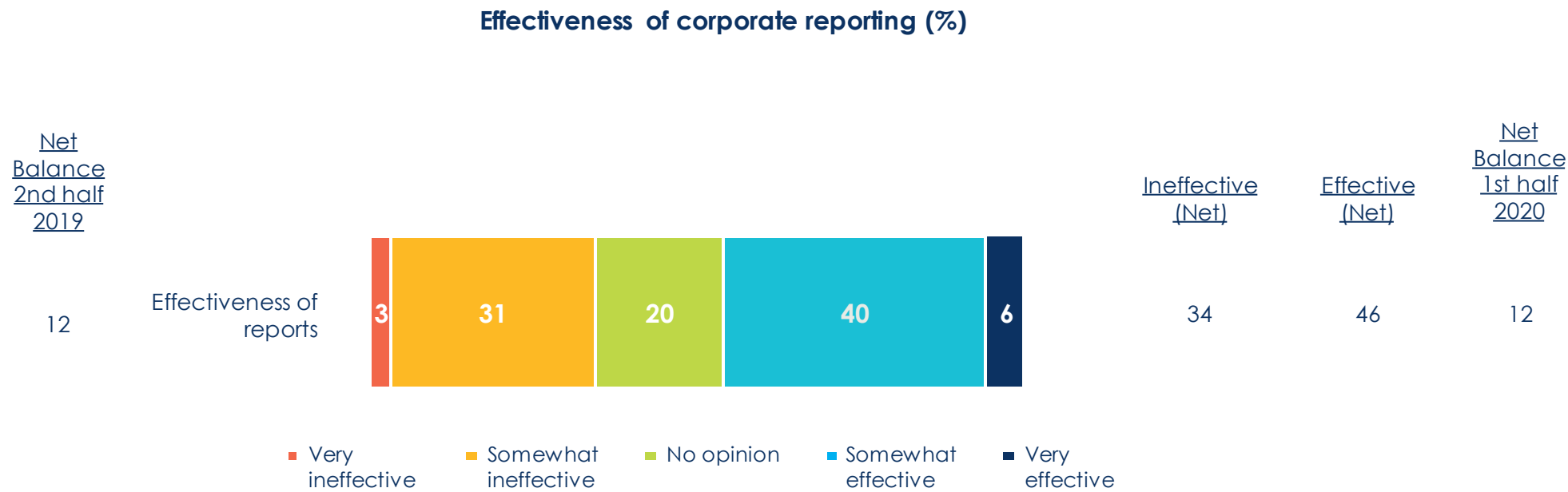
33. What is your view of the adequacy of public company remuneration reports?  
Base: All respondents n=1014

# Effectiveness of corporate reporting

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

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RESEARCH FINDINGS FIRST HALF 2020



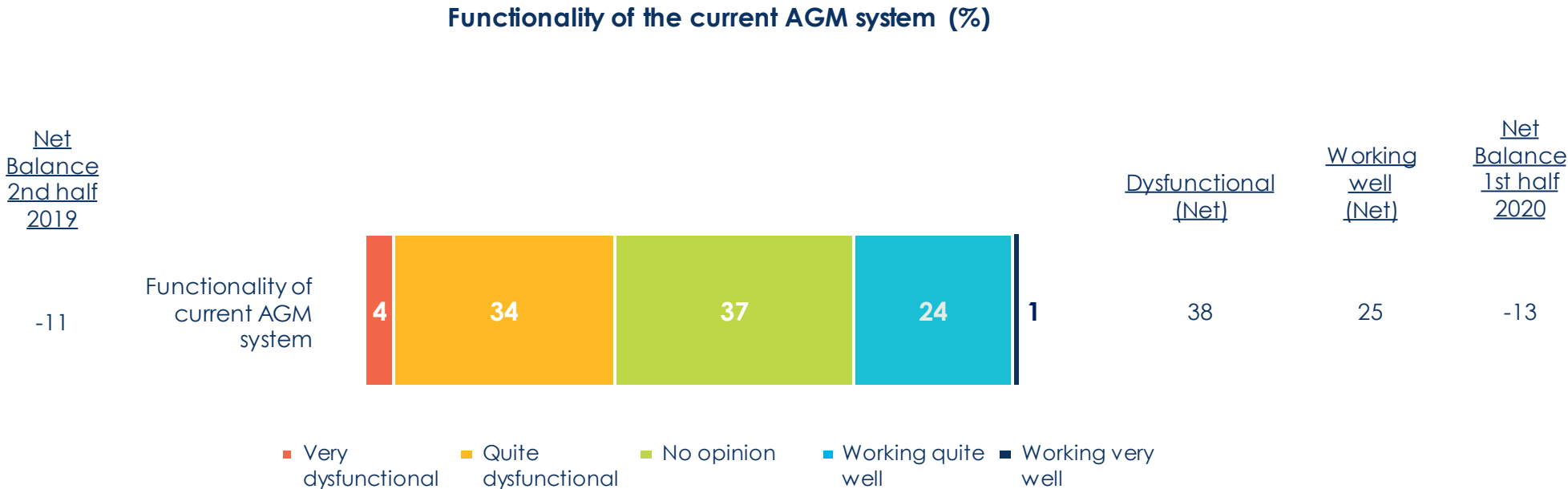
34. In your opinion, how would you rate the effectiveness of corporate reporting in Australia?  
Base: All respondents n=1014

# Current AGM system

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

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RESEARCH FINDINGS FIRST HALF 2020



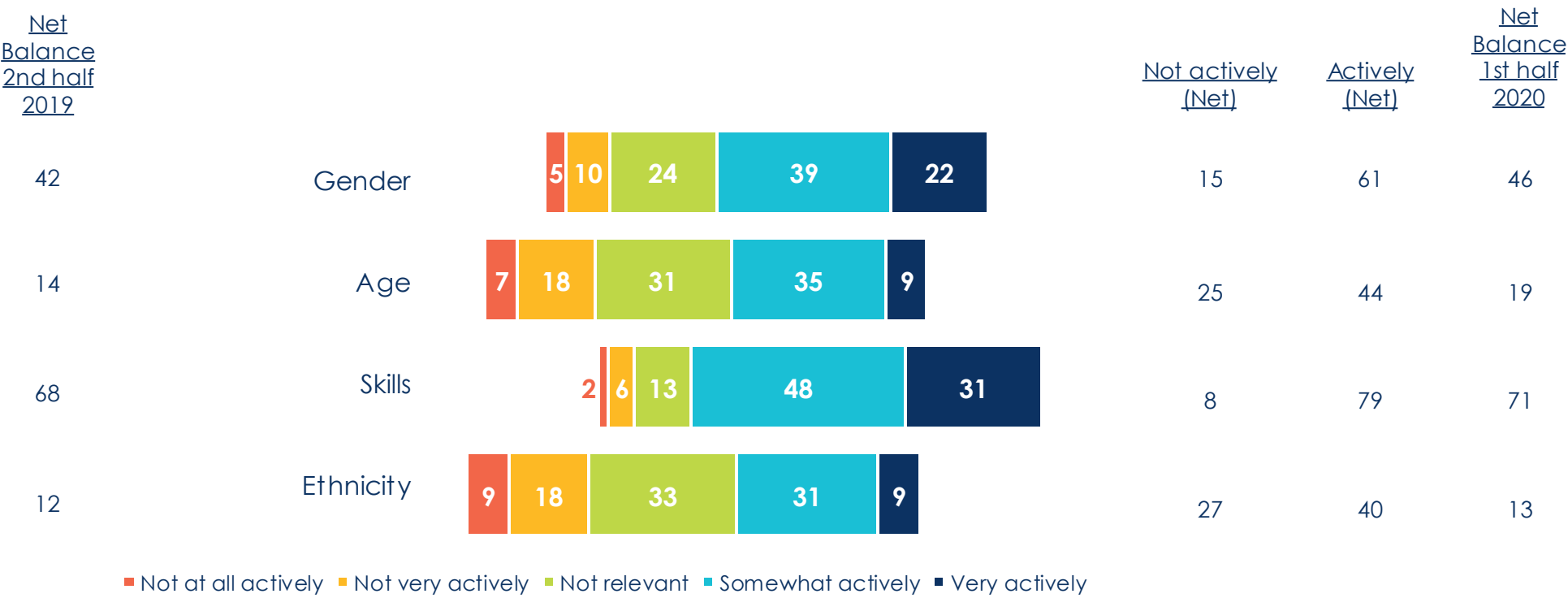
35. In your opinion, is the current AGM system ... ?  
Base: All respondents n= 1014



# board diversity: policy and efforts to increase

79% of directors state their business is actively seeking to improve skills diversity and 61% are actively trying to increase gender diversity of their board.

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=1014

# Extent board is trying to effect change in culture

91% 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=1014

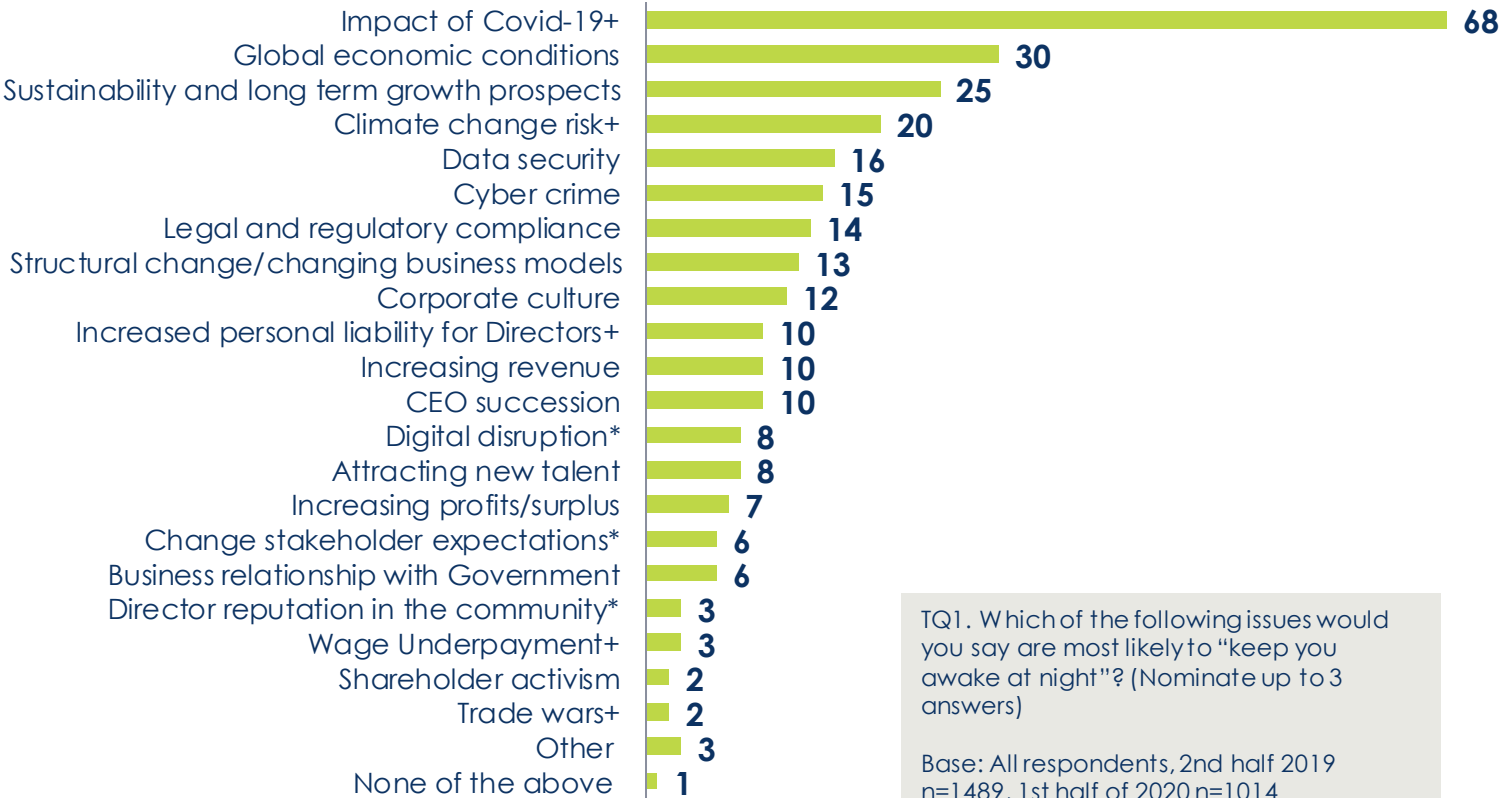
# Topical Issues

# Main issues “keeping you awake at night”

The impact of COVID-19 is the main issue that keeps two in three directors “awake at night”. Global economic conditions and sustainability, long-term growth prospects and climate change risk are mentioned by at least one in five directors.

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



TQ1. 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, 2nd half 2019 n=1489, 1st half of 2020 n=1014

Total 2nd half 2019	Total 1st half 2020
N/A	68
23	30 <span>↑</span>
33	25 <span>↓</span>
N/A	20
19	16
21	15 <span>↓</span>
22	14 <span>↓</span>
20	13 <span>↓</span>
19	12 <span>↓</span>
N/A	10
13	10
13	10
12	8
12	8
13	7 <span>↓</span>
N/A	6
9	6
N/A	3
N/A	3
4	2
9	2 <span>↓</span>
7	3
N/A	1

RESEARCH FINDINGS FIRST HALF 2020

\*Revised in H1'20  
+ New codes in H1'20

# Effect of climate change

54% of directors agree that 'climate change is a material risk' for their organisations.

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BD9. To what extent do you agree or disagree that 'Climate change is a material risk for my organisation'?  
Base: All respondents n=1014

# Summary of Key Indicators

# Summary of key indicators (1/6)

Indicator (expected change in coming 12 months)	Scale	1 <sup>st</sup> half 2020 net balance	2 <sup>nd</sup> half 2019 net balance
<b>Economic conditions</b>			
Health of the Australian economy	Weak/strong	-83 ↓	-51
Health of the Asian economy	Weak/strong	-64 ↓	-7
Health of the Chinese economy	Weak/strong	-46 ↓	-12
Health of the European economy	Weak/strong	-90 ↓	-65
Health of the US economy	Weak/strong	-65 ↓	-26
Inflation rate (Australia)	Lower/higher	-27 ↓	-11
Exchange rate (value of AUD versus USD)	Lower/higher	-52 ↓	-39
RBA cash rate	Lower/higher	-57 ↑	-67
Level of wages growth	Lower/higher	-59 ↓	-5
Unemployment rate	Lower/higher	50 ↓	20
Expected change in ASX All Ordinaries index	Fall/rise	-35 ↓	-11

↑ Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 ↓ Significantly lower vs. 2<sup>nd</sup> half 2019 @ 95% confidence level


# Summary of key indicators (2/6)



Indicator (expected change in coming 12 months with the exception of *)	Scale	1st half 2020 net balance	2nd half 2019 net balance
<b>Economic conditions</b>			
Growth of primary directorship business	Weak/strong	-39 ↓	23
Change in business investment levels	Decrease/increase	-43 ↓	10
Change in business staffing levels/labour demand	Decrease/increase	-45 ↓	13
Change in level of business exports	Decrease/increase	-34 ↓	8
Change in level of outsourcing	Decrease/increase	-11 ↓	24
Expectations of profits for Jan-Jun 2020 actual versus forecast*	Below/up	-51 ↓	4
Expectations of profits for Jul-Dec 2020 actual versus forecast*	Below/up	-40 ↓	11
Confidence in general business outlook*	Pessimistic/opt	-65 ↓	-5
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	-38 ↓	8
Expected change in level of mergers and acquisitions	Fall/rise	26 ↓	44
<b>Infrastructure</b>			
Perception of level of government spending on infrastructure*	Low/high	-67	-68

↑ Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 ↓ Significantly lower vs. 2<sup>nd</sup> half 2019 @ 95% confidence level





# Summary of key indicators (3/6)

Indicator	Scale	1st half 2020 net balance	2nd half 2019 net balance
<b>Taxation</b>			
Perception of current level of corporate taxation	High/low	-47	-43
Perception of current level of personal taxation	High/low	-67	-66
Expected change in level of 'red-tape' in coming 12 months	Increase/decrease	-7 	-33
Impact of 'red-tape' on preparing/ paying taxes	High impact/low impact	-40	-36
Impact of 'red-tape' on workplace health/safety	High impact/low impact	-42	-45
Impact of 'red-tape' on workplace flexibility	High impact/low impact	-27	-29
Impact of 'red-tape' on employing new workers	High impact/low impact	-30	-34
Impact of 'red-tape' on corporate reporting requirements	High impact/low impact	-52	-56
Impact of 'red-tape' on environmental compliance	High impact/low impact	-16	-15
Impact of 'red-tape' on investing in capital assets	High impact/low impact	-6	-9


 Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 Significantly lower vs. 2<sup>nd</sup> half 2019 @ 95% confidence level



# Summary of key indicators (4/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	1st half 2020 net balance	2nd half 2019 net balance
<b>Tax, credit, M&amp;A</b>			
Credit availability for investment purposes	Constrained/available	-25 ↓	0
Credit availability for asset purchases	Constrained/available	-17 ↓	8
Credit availability for working capital	Constrained/available	-23 ↓	-2
<b>Public Policy</b>			
Quality of current Public Policy debate in Australia*	Poor/good	-76	-72
<b>Regulation, legal issues, reporting</b>			
Agreement with 'Federal Government understands business'*	Disagree/agree	-5 ↓	3
<b>Regulation, legal issues</b>			
How is the current Federal Government's performance affecting your business decision making?*	Negatively/positively	-32 ↓	-12
How is the current Federal Government's performance affecting consumer confidence?*	Negatively/positively	-50 ↓	-17

 Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 Significantly lower vs. 2<sup>nd</sup> half 2019 @ 95% confidence level



# Summary of key indicators (5/6)

Indicator	Scale	1st half 2020 net balance	2nd half 2019 net balance
<b>Regulation, legal issues</b>			
Perception of governance regulations	Onerous/weak	-51	-48
Extent legislation on directors affect your business decision-making	Negatively/positively	-25	-25
Extent legislation on directors affect your willingness to continue on a board	Negatively/positively	-37	-34
Extent legislation on directors affect your willingness to accept new board appointments	Negatively/positively	-48	-44
Risk-averse decision-making culture on Australian boards	Disagree/agree	63 	57
Adequacy of public company remuneration reports	Inadequate/adequate	-22	-22
Effectiveness of corporate reporting	Ineffective/effective	12	12
Functionality of current AGM system	Dysfunctional/functional	-13	-11

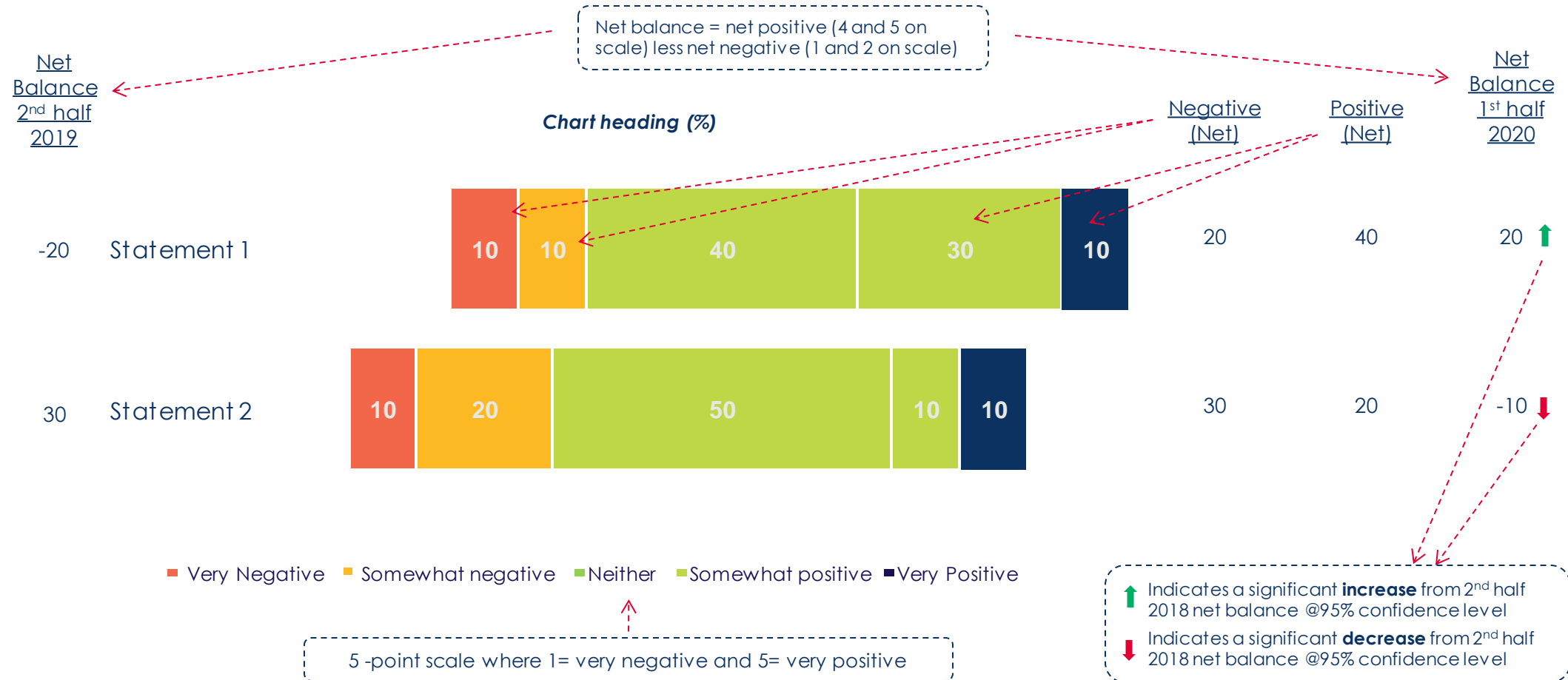
 Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 Significantly lower vs. 2<sup>nd</sup> half 2019 @ 95% confidence level

# Summary of key indicators (6/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	1st half 2020 net balance	2nd half 2019 net balance
<b>board diversity</b>			
board actively seeking to increase diversity of gender on board	Not actively/actively	46	42
board actively seeking to increase diversity of age on board	Not actively/actively	19	14
board actively seeking to increase diversity of skills on board	Not actively/actively	71	68
board actively seeking to increase diversity of ethnicity on board	Not actively/actively	13	12
Impact of directors' liability on willingness to serve on a board	Negatively/positively	-58	-49
Impact of compliance requirements on willingness to serve on a board	Negatively/positively	-45	-37
Impact of remuneration on willingness to serve on a board	Negatively/positively	-11	-5
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	-18

 Significantly higher vs. 2<sup>nd</sup> half 2019 @ 95% confidence level  
 Significantly lower vs. 2<sup>nd</sup> 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



# QUESTIONS



**THANK YOU**