



Director Sentiment Index: Research Findings Second Half 2020

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Second half 2020 sample profile

Members of the Australian Institute of Company Directors were invited to take part in the survey between 15 -29 September 2020. A total of 1,777 members responded. Results were weighted by gender to reflect the profile of the AICD member base.

No. of current directorships	%
1	34 (33)
2	29 (30)
3 or more	36 (36)
Prefer not to say	1 (1)

Positions held on board(s)	%
Executive Director	37 (37)
Non-Executive Director	65 (64)
Chairman	33 (33)
Other	7 (7)
Prefer not to say	2 (2)

Gender	%
Male	70 (70)
Female	30 (30)
Other	0
Prefer not to say	1 (0)

Primary directorship company	%
Publicly listed Australian entity	9 (10)
Private/non-listed Australian entity	44 (45)
Not-for profit entity	34 (31)
Public sector/ government body	7 (9)
Overseas entity	3 (3)

Primary directorship based	%
NSW	28 (32)
VIC	30 (27)
QLD	15 (16)
WA	8 (10)
SA/NT	7 (6)
TAS	3 (3)
ACT	3 (3)
Overseas	5 (3)

(x) = 1st half 2020 results (16-22 March 2020)

S1 - S5, S8

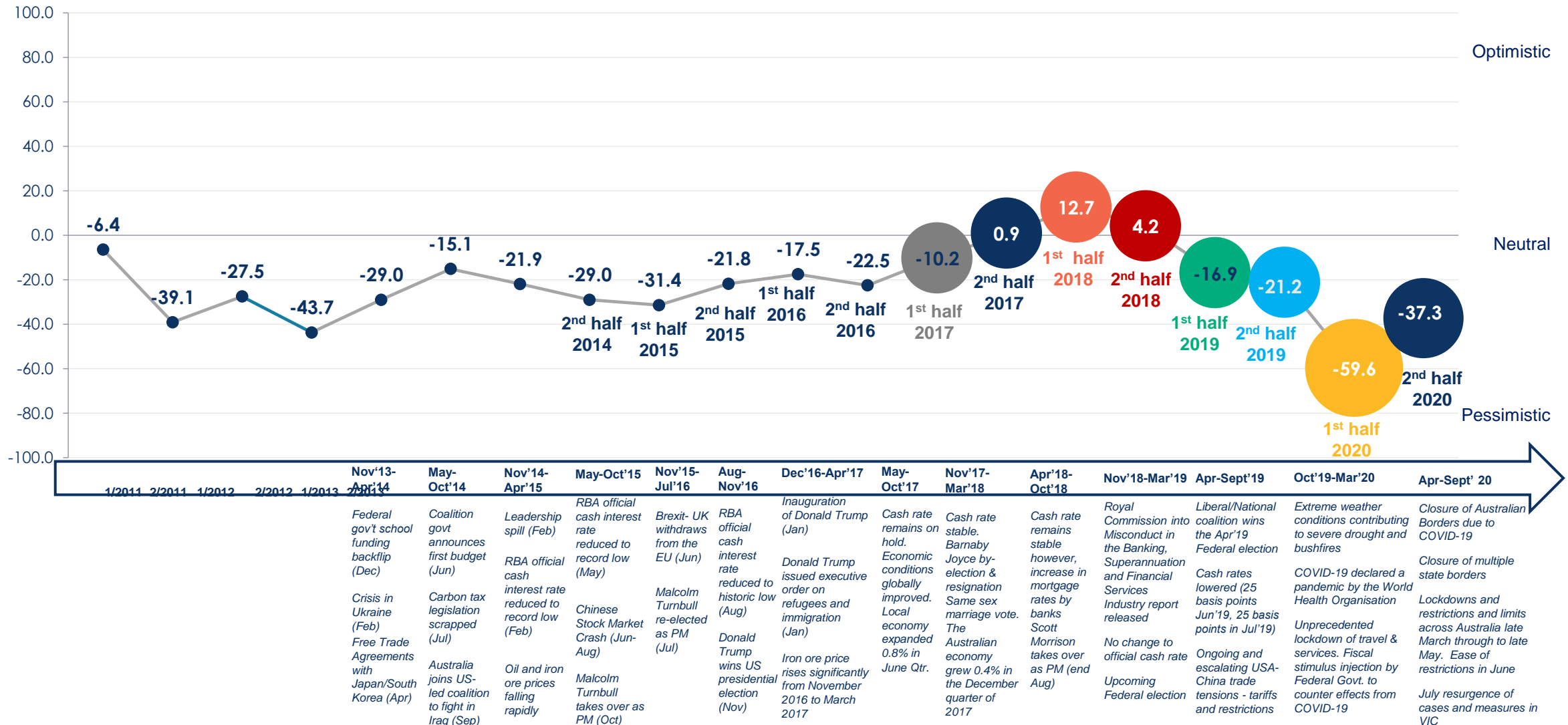
Base: All respondents n=1777

Primary directorship business sector(s)	%
Health and Community Services	23 (22)
Finance and Insurance	14 (15)
Property and Business Services	8 (9)
Education	10 (8)
Agriculture, Forestry and Fishing	4 (8)
Mining	5 (5)
Manufacturing	6 (5)
Construction	4 (5)
Energy	3 (4)
Personal and Other Services	2 (3)
Cultural and Entertainment industry	3 (3)
Government Administration and Defence	3 (3)
Transport and Storage	3 (3)
Wholesale Trade	2 (3)
Retail Trade	2 (3)
Accommodation, Cafes and Restaurants	2 (2)
Communication Services	3 (2)

Director Sentiment Index

Overall Director Sentiment Index

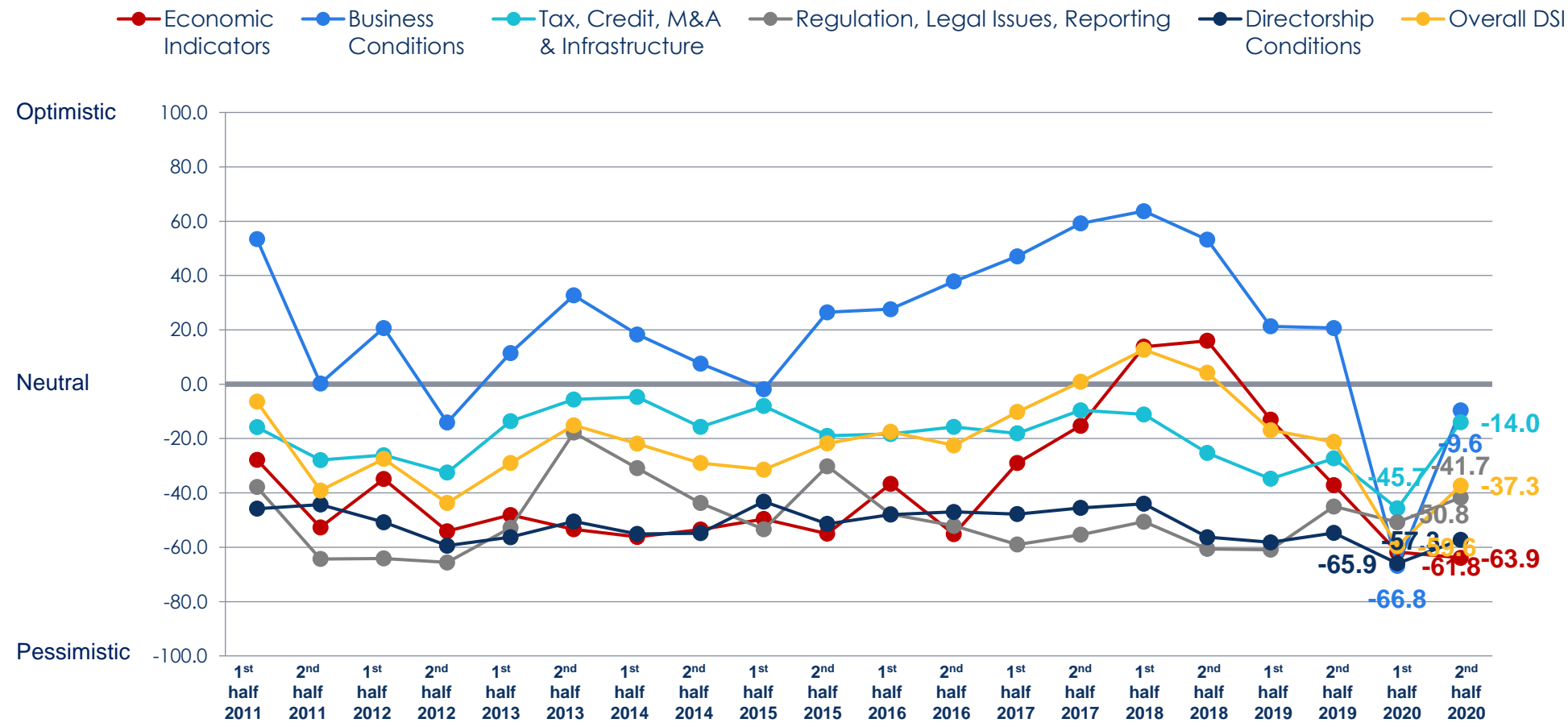
With the continued impact of COVID-19 throughout 2020 both on local and global economies, the overall Director Sentiment index score remains pessimistic, with scores well below levels seen from 2017 through 2019. However, sentiment shows signs of recovery relative to the first half of this year.



Overall Director Sentiment Index by segment

Sentiment remains negative across all indicators with Business Conditions and Tax, Credit, M&A & Infrastructure showing most positive scores. There has however been improvements since the first half of this year.

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS SECOND HALF 2020

Executive Summary

EXECUTIVE SUMMARY

Economic and Market Outlook

Health of economies

- The impact of COVID-19 continues to negatively affect director's views of global economies in the next 12 months, however expectations of global economies have improved vs. first half of 2020 when COVID-19 first started to impact global economies.
- Director's outlook for the health of the European economy is the lowest, followed by the Australian economy. Outlook for the US economy is third, and this is the only economy not to see improved assessment vs. first half of 2020.
- The Chinese economy over the next 12 months is the only economy to have a net positive expectation.
- Directors in WA are the only group to rate their state economy positively over the next 12 months, with directors in all other States/Territories viewing their economic outlook for the next 12 months negatively. All States/ Territories rate their outlook more positively than the first half of 2020, with the exception of Victoria.

Economic indicators

- Compared to the first half of 2020, economic indicators have moved in a positive direction, but still remain in negative territory reflecting tough economic challenges.
- 50% of directors expect an increase in the unemployment rate, a decrease vs. first half of 2020.
- Expectations regarding the ASX All Ordinaries index remains negative, with 43% of directors expecting the index to fall in the next 12 months, however this has eased vs. first half of 2020.

Economic challenges

- Covid-19 remains the main economic challenge currently facing Australian business, with two-thirds of directors listing this topic, followed by global economic uncertainty. Both remain leading issues but see some softening in intensity relative to first half of 2020. Climate change and China's outlook remain 3rd and 4th.

Business Forecast

- Despite challenging economic circumstances directors are optimistic regarding the growth of their business, with 42% of directors expecting their business to expand in the coming year.

- Expectations of changes in business are more neutral, with nearly as many directors expecting increases in staffing levels/labour demand (and corresponding wages), investment levels, and outsourcing levels as those expecting decreases over the coming year. Business exports outlook remains negative with net expectation of decreases, however improving in outlook vs. first half 2020.

- Expectations of profits for the current six months (Jul-Dec'20) compared to profits for the previous six months (Jan-Jun'20) and the budget forecast for the current six months (Jul-Dec'20) remain in negative territory. Although 1 in 4 directors expect an increase vs. previous 6 months and budget.
- Expectations of actual profits for the second half of this financial year (Jan-Jun 21) are in neutral territory compared to profits for the current six months (Jul-Dec'20) and for the budget forecast (Jan-Jun 21), with as many directors expecting profits to be up as expecting to be down.

- Outlook for general business remains pessimistic with 45% of directors negative about the general business outlook, however only 30% are pessimistic about the business outlook for their own sectors countered by 35% of directors optimistic about their own sector.

EXECUTIVE SUMMARY

Government Policy

Budgetary

- Directors continue to feel that the top priorities the Federal Government should address in the short term are climate change, energy policy and infrastructure.
- Consistent with the first half of 2020, directors also 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 69% of directors stating that government spending on infrastructure is too low.
- Directors rate renewable energy sources as the top area of importance for infrastructure investment, consistent with the first half of 2020. This is followed by regional infrastructure, Telco networks and water supply.

Taxation

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

Regulation

- 30% of directors continue to expect the level of 'red-tape' to increase in the next 12 months, in line with levels seen for the first half of 2020.
- 70% of directors identify corporate reporting requirements as the aspect of their business most affected by 'red-tape', followed by workplace health/safety (66%) and preparing/paying taxes (60%), all consistent with the first half of 2020.

National productivity

- Less focus on short termism continues to be the top area directors identify for lifting national productivity. This is followed by a greater focus on fostering innovation. Improved outcomes between Commonwealth and State/ Territories has increased vs. first half 2020.

Credit availability

- Expectations of credit availability in the future have seen recovery and move into positive space, improving on levels seen in first half 2020.

EXECUTIVE SUMMARY

Government Policy (cont.)

Public policy

- Perception of the current quality of public policy debate remains weak, with 79% of directors thinking the current quality of public policy debate is poor.

Performance & business understanding

- Compared to the first half of 2020, directors are significantly more positive overall about the effect of the Federal Government's current performance on consumer confidence and business decision making, however this remains in neutral territory with as many directors feeling negative as positive.
- Compared to the first half of 2020, directors are more positive about the Federal Government's understanding of business, with 47% agreeing 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 second half of 2020. 39% of directors feel that it has negatively affected their business decision making and 39% on their willingness to continue on a board.
- Directors continue to see risk averse decision-making culture on Australian boards, with 73% of directors agreeing with this statement. Excessive focus on compliance over performance remains the key reason.

Board diversity

- 75% of directors state their business is actively seeking to improve skills diversity and 53% are actively trying to increase gender diversity of their board membership.

Corporate culture

- 86% of Directors feel their board is trying to effect culture change within their organisation.
- 68% feel of directors feel their board has sufficient oversight of the culture of their organisation.

EXECUTIVE SUMMARY

Topical Issues

Director issues

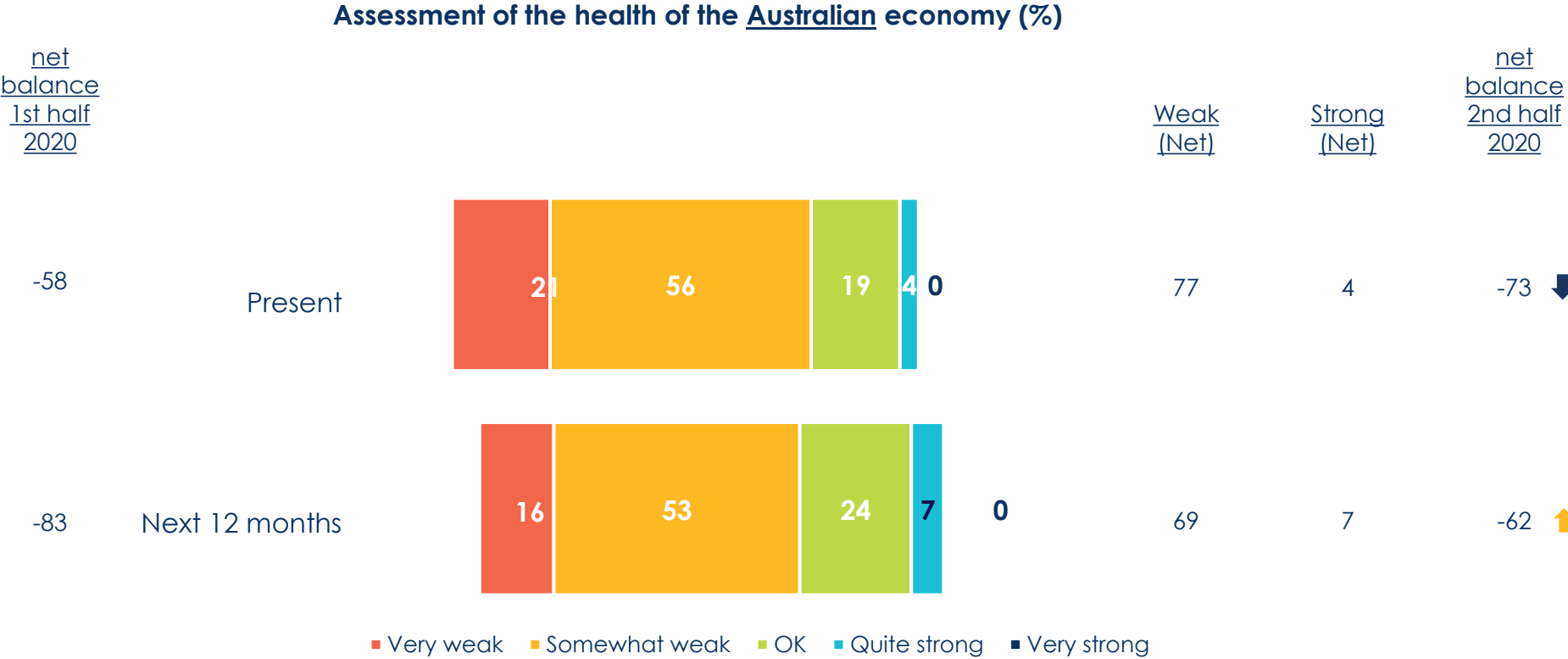
- Coronavirus/ COVID 19 continues to be the leading issue that keeps directors “awake at night. Sustainability and long-term growth prospects remains secondary core issue, followed by global economic conditions.
- 48% of Directors listed the JobKeeper subsidy scheme as the policy that has most assisted them during COVID 19.

Economic Outlook and Challenges

Health of the Australian economy

After 6 months of COVID 19, assessment of the current health of the Australian economy is negative, more so than in March. Whilst sentiment over the next 12 months remains negative, outlook sees significant improvement since the first half of this year.

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS SECOND HALF 2020

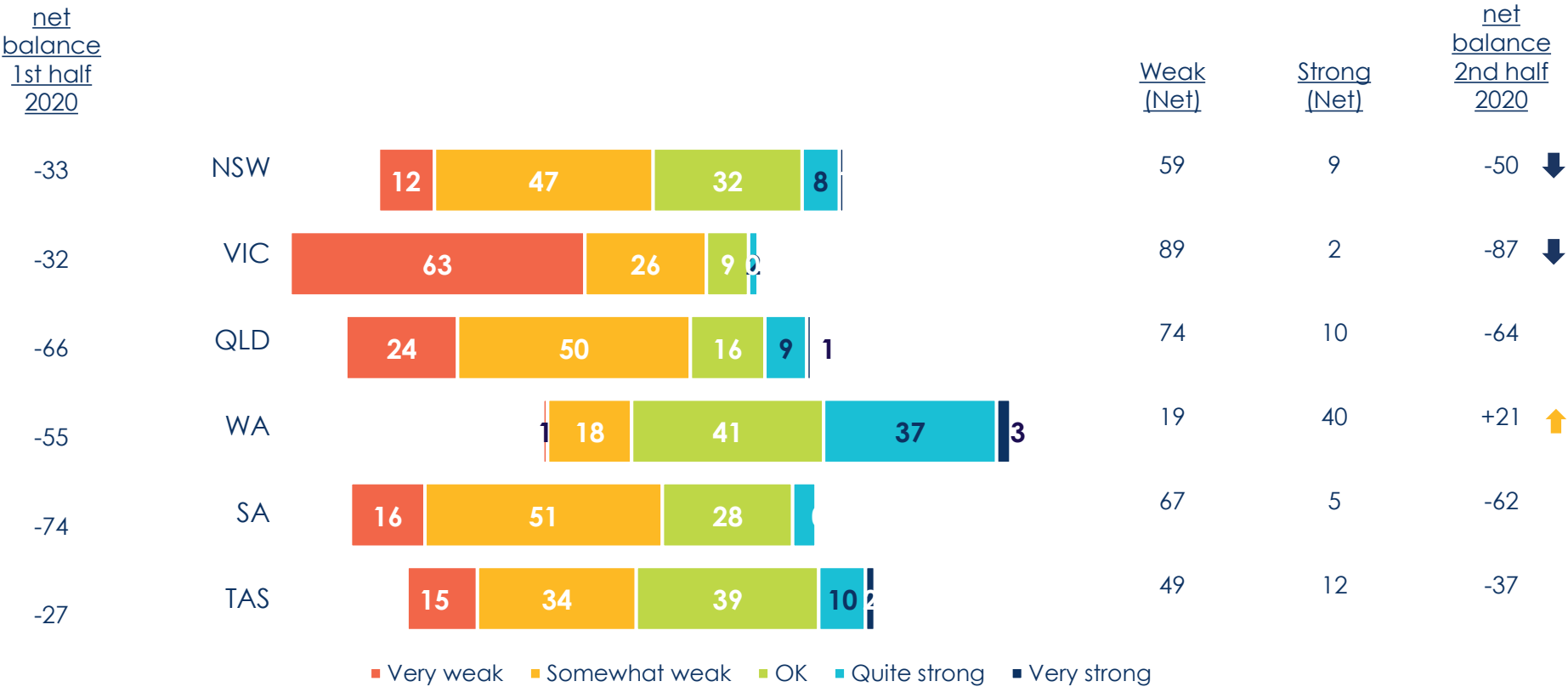
1. What is your assessment of the health of the Australian economy?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Health of the State/Territory economies - now

WA is the only state to register a net positive assessment of the current economy. NSW and Victoria see the biggest declines relative to the March assessment, with Victoria seeing the lowest overall net balance and a decline.

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/TAS n=503/540/262/149/108/51

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

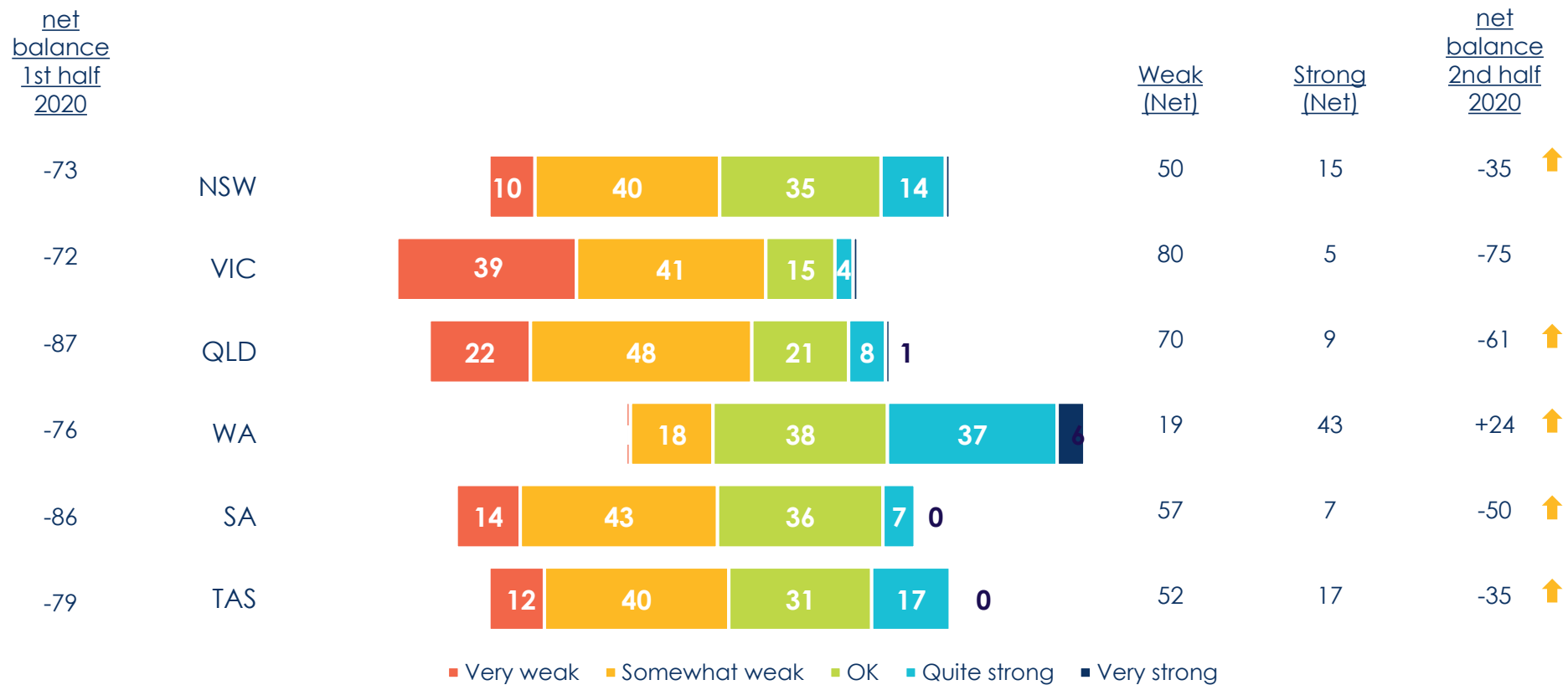
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RESEARCH FINDINGS SECOND HALF 2020

Health of the State/Territory economies – next 12 months

WA is the only state to have a positive assessment of state economy in the next 12 months, however all states bar Victoria see uplifts in net balance for outlook of economies since March.

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



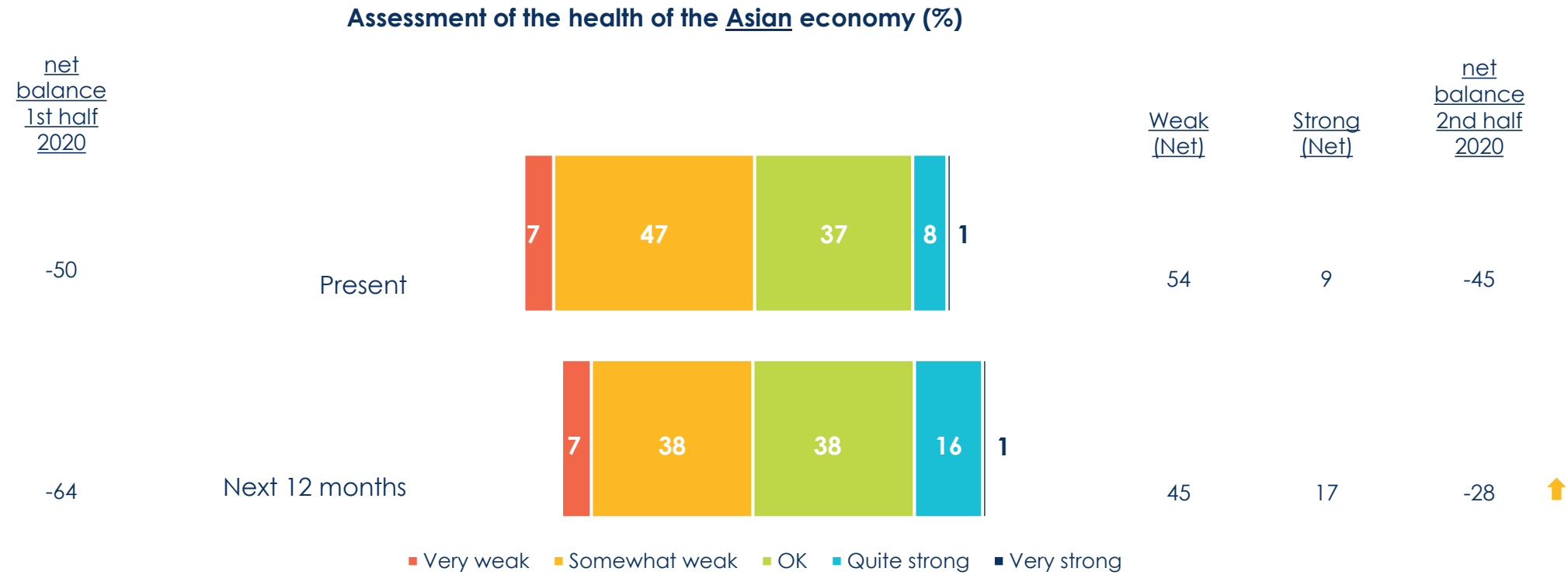
2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?
 Base: NSW/VIC/QLD/WA/SA/ACT/TAS n=503/540/262/149/108/51

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Health of the Asian economy

As with the Australian economy, assessment of the Asian economy both current and next 12 months remains pessimistic, but stronger than levels registered in March.

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RESEARCH FINDINGS SECOND HALF 2020

3. What is your assessment of the health of the Asian economy?
Base: All respondents n=1777

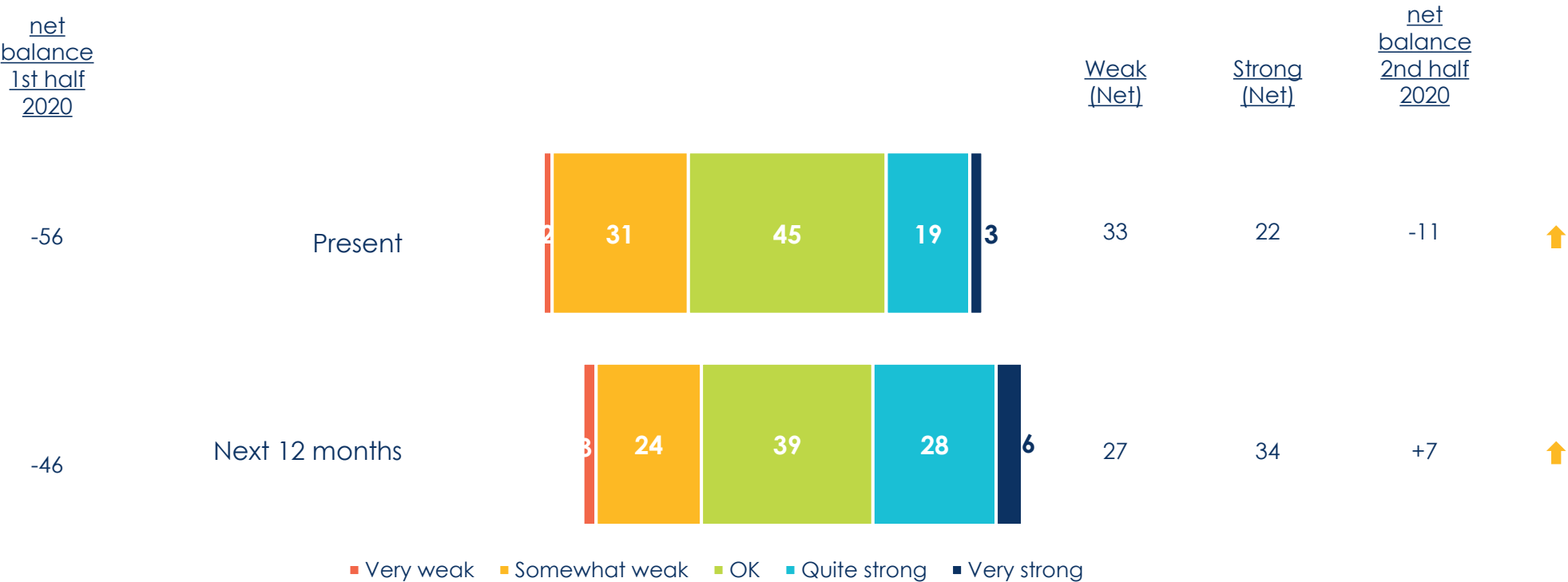
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level

↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Health of the Chinese economy

Assessment of the Chinese economy has improved since March, with outlook for the next 12 months moving into positive territory.

Assessment of the health of the Chinese economy (%)



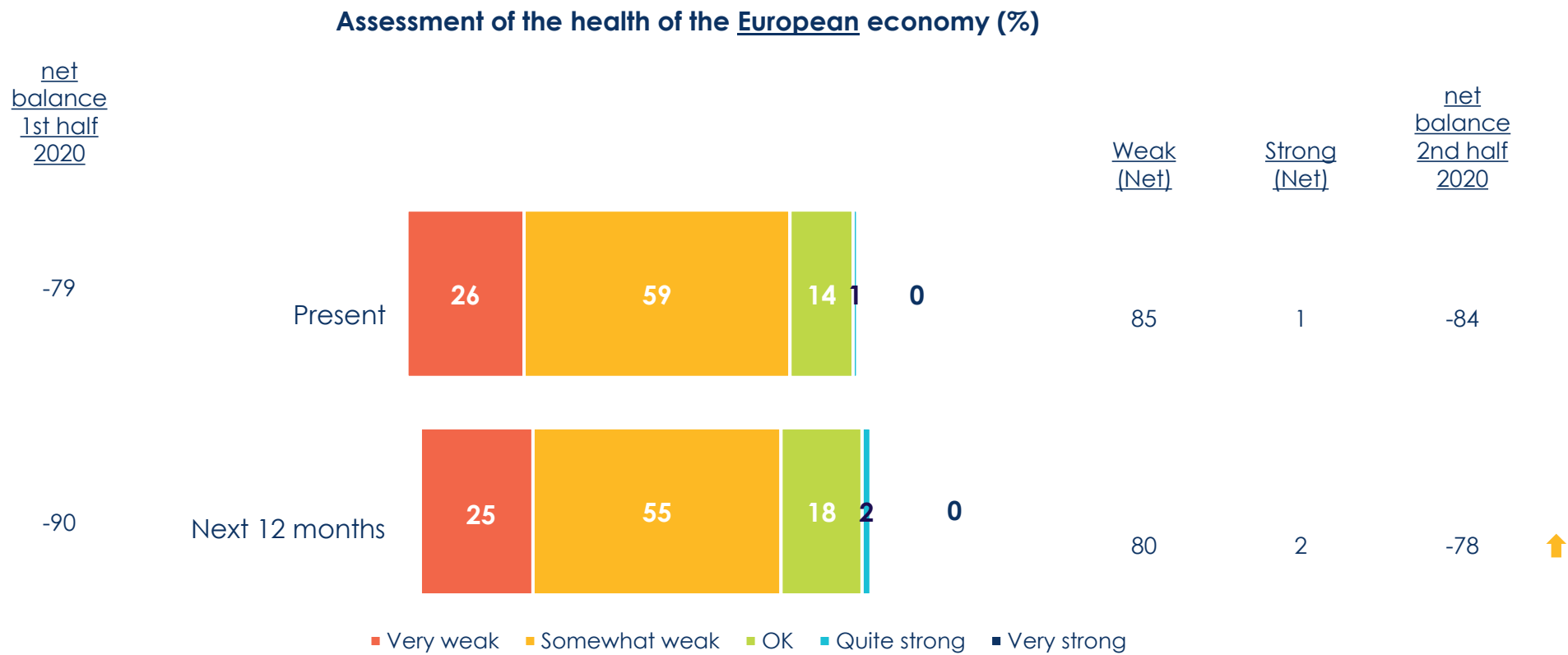
4. What is your assessment of the health of the Chinese economy?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Health of the European economy

Assessment of the European economy remains very negative both presently and over the next 12 months.

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RESEARCH FINDINGS SECOND HALF 2020

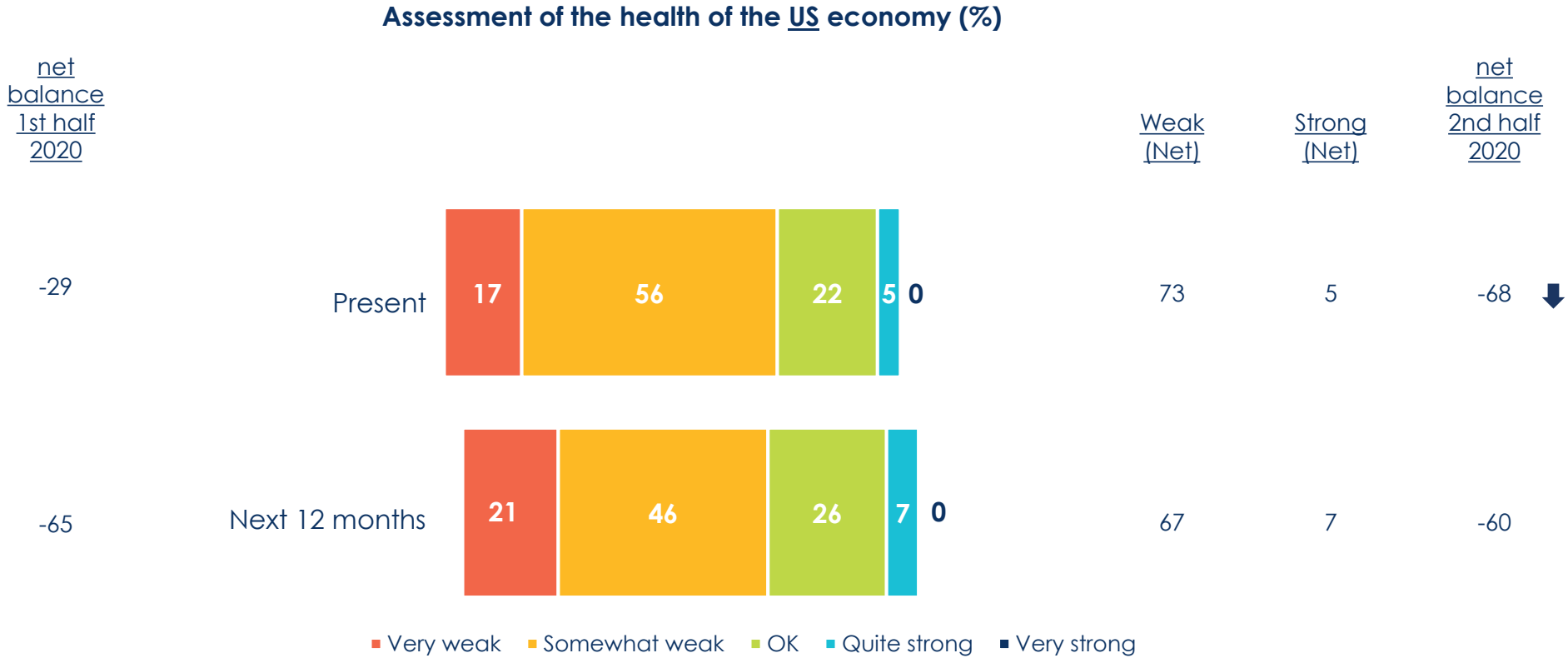
5. What is your assessment of the health of the European economy?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Health of the US economy

Current assessment of the current US economy is considerably weaker than in the 1st half of 2020. Assessment of the outlook for the next 12 months remains negative.

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RESEARCH FINDINGS SECOND HALF 2020

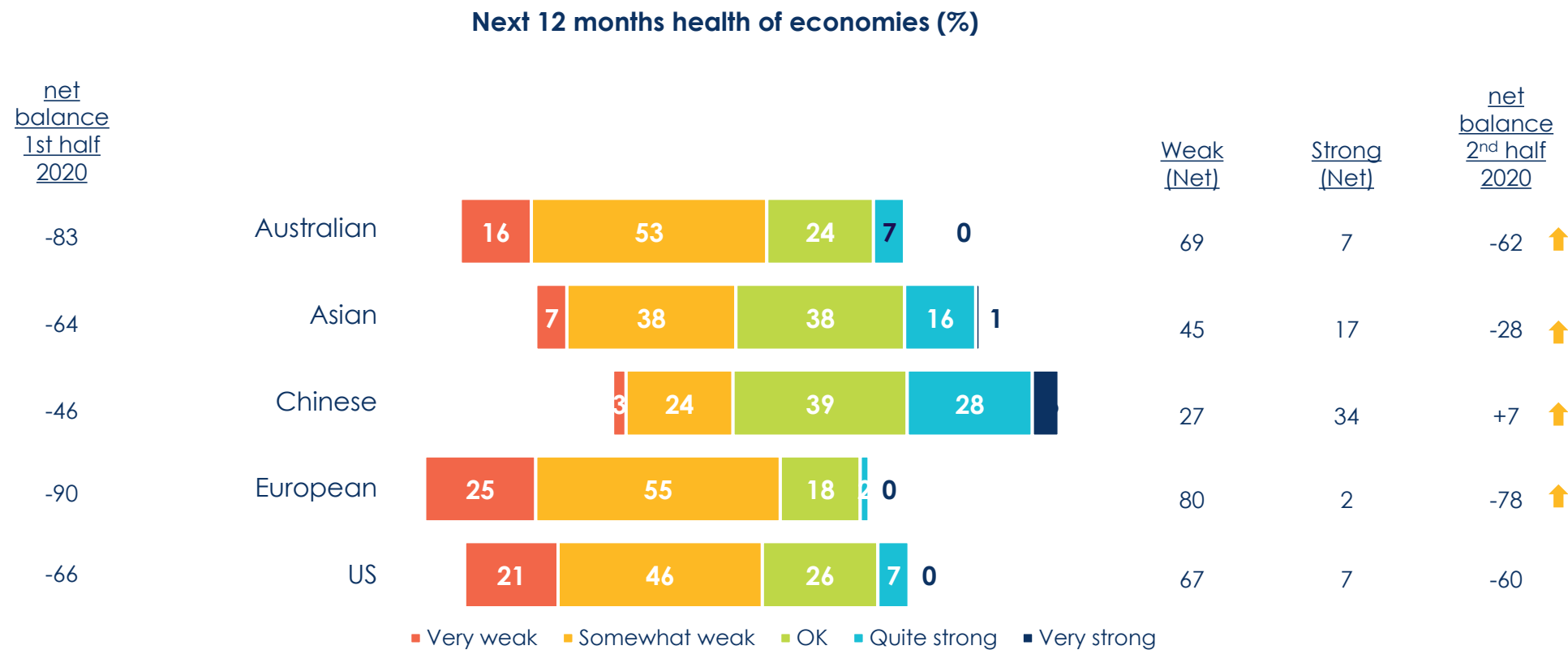
6. What is your assessment of the health of the US economy?
Base: All respondents n= 1777

⬆ Significantly higher vs. 1st half 2020 @ 95% confidence level
⬇ Significantly lower vs. 1st half 2020 @ 95% confidence level

Next 12 months health of economies - summary

Expectations for the health of global economies in next 12 months all see improvement with the exception of the US. China is the only economy with a positive outlook overall.

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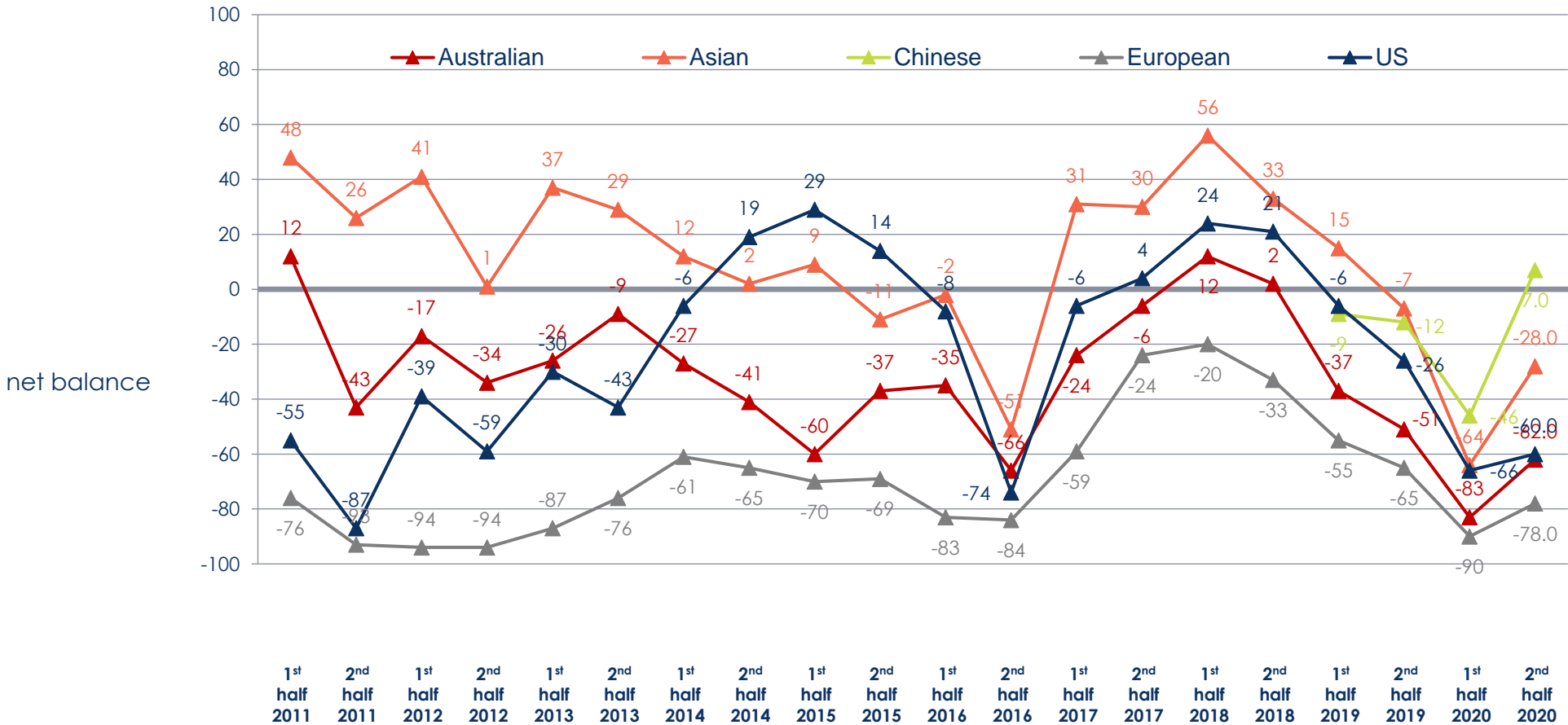
RESEARCH FINDINGS SECOND HALF 2020

Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Next 12 months health of economies – semi-annual trend

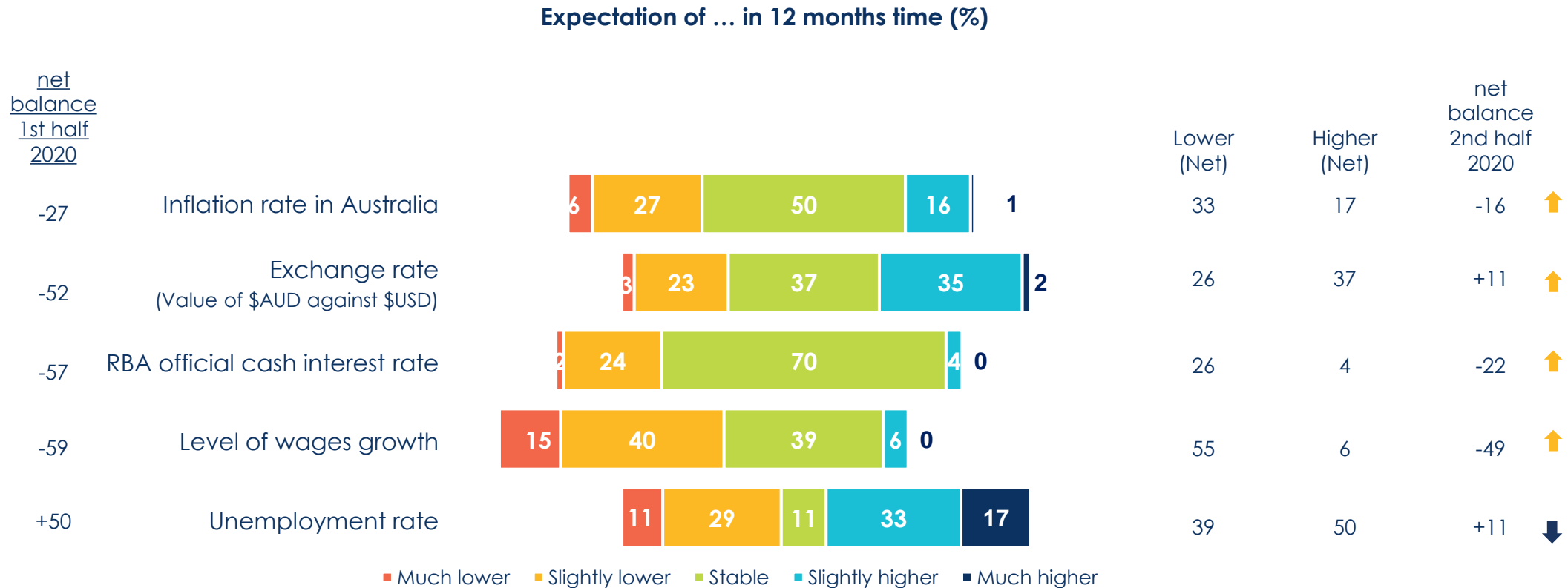
Directors' outlook for the health of world economies remains in negative territory with the exception of the Chinese economy. All global territories see uplifts since the first half of this year.



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=1489; W1 2020 n=1014; W2 2020 n=1777

Economic indicators (Australia) – expectations in next 12 months

Expectations of Economic indicators in next 12 months see improvement vs. 1st half of 2020 although largely remain in net negative territory overall.



7. What is your expectation of ... ?
Base: All respondents n=1777

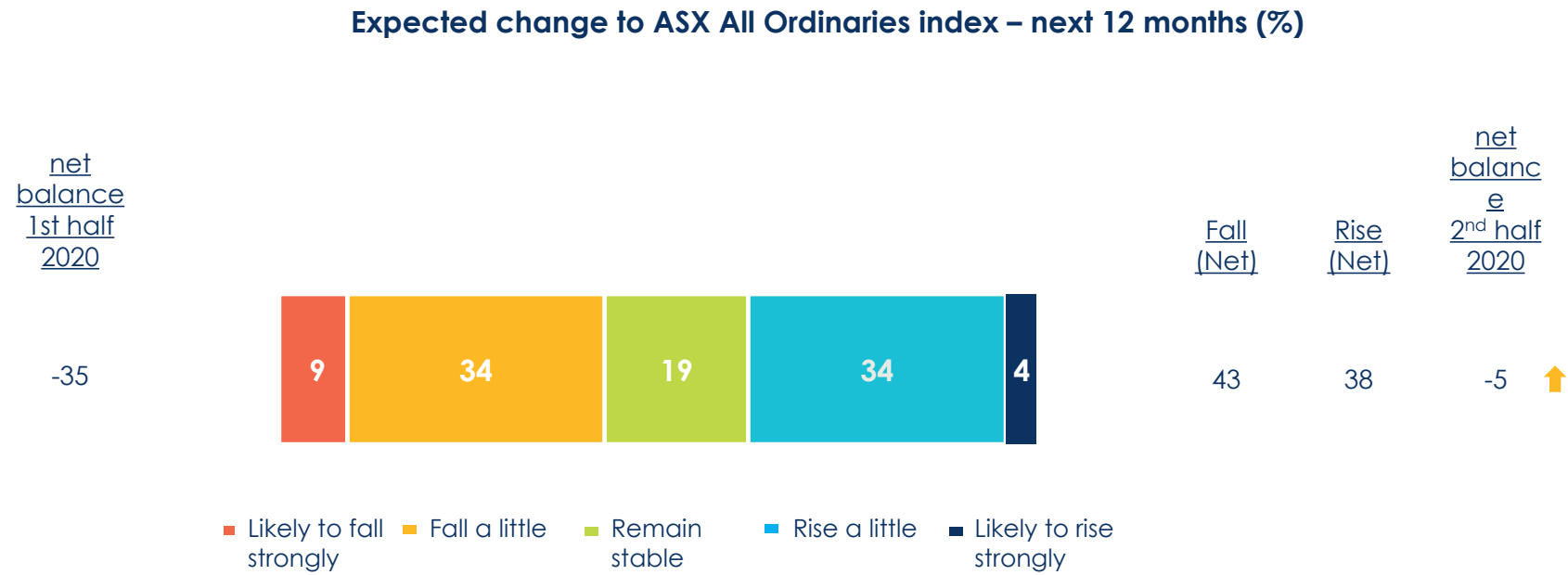
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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 - however net balance has improved since the first half of 2020.

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RESEARCH FINDINGS SECOND HALF 2020

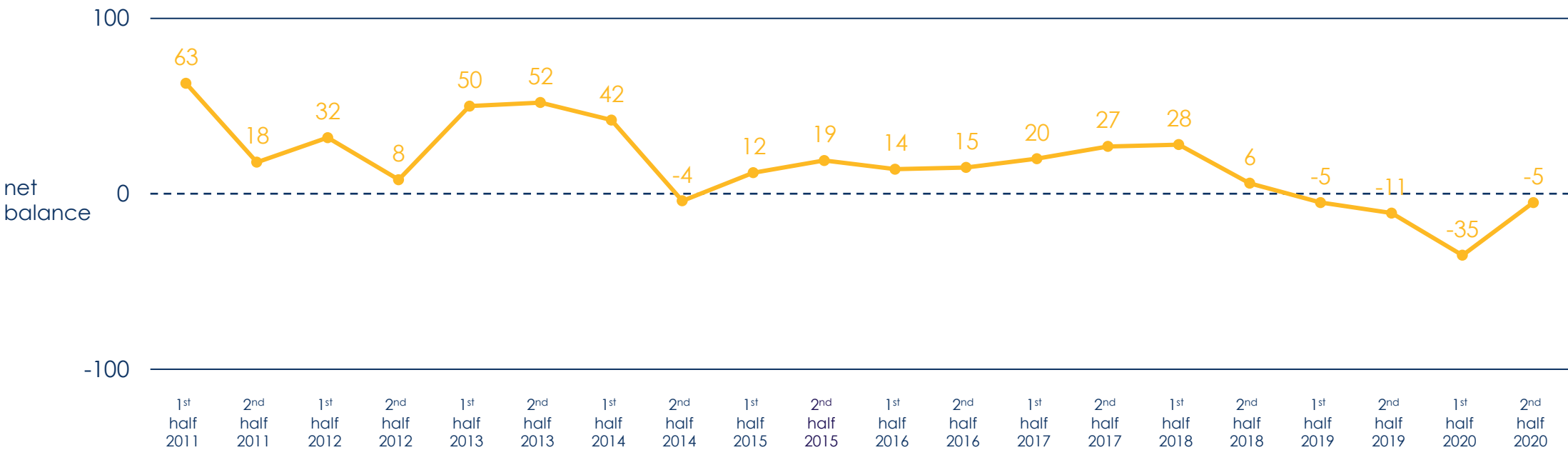


19. What is your expectation of change to the ASX All Ordinaries index over the next 12 months?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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, however has now returned to levels seen in 2019, halting the downward trend.

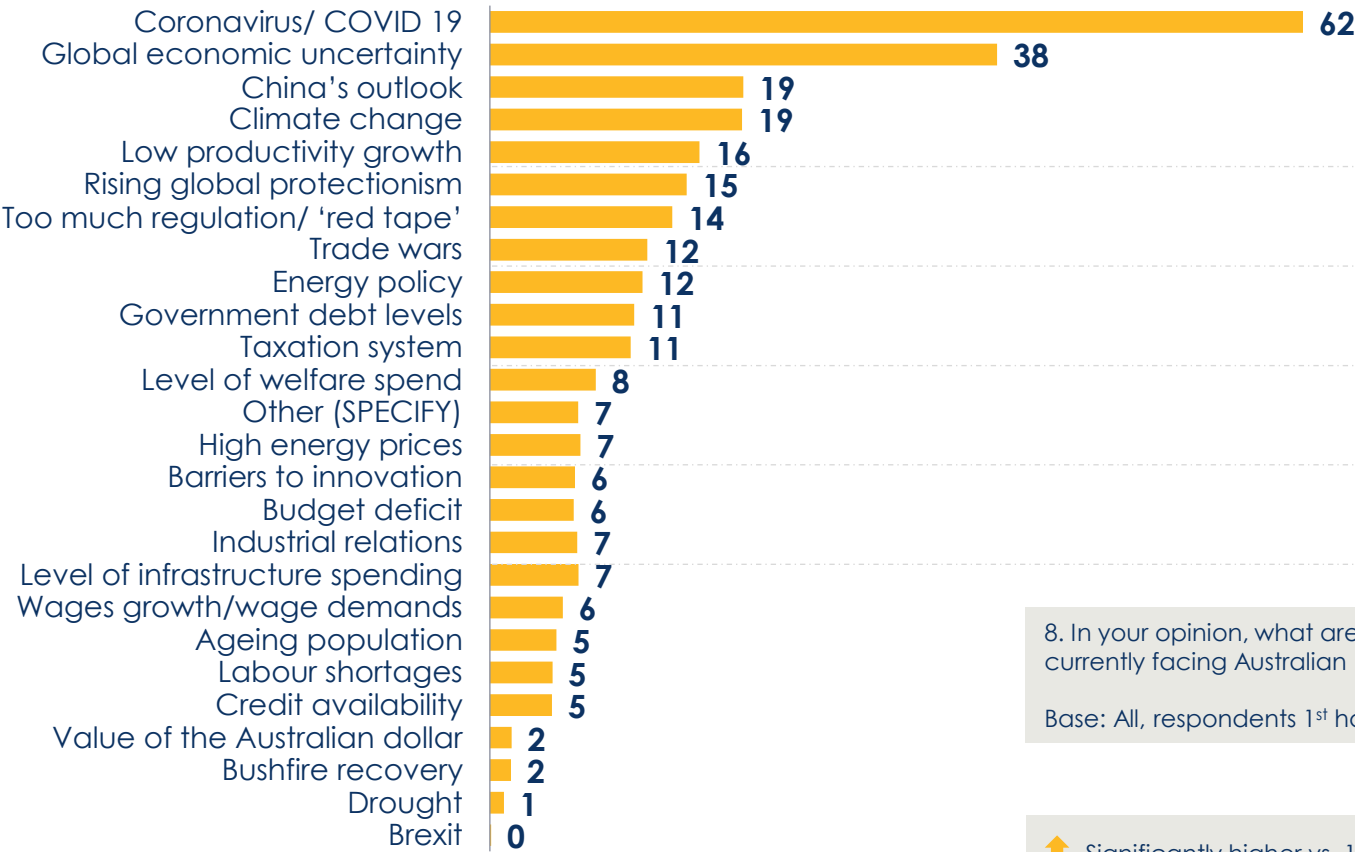


Source: 19
Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=521; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489 W1 2020 n=1014, W2 2020 n=177

Main current economic challenges (Top 3)

Covid-19 continues to dominate as the main economic challenge currently facing businesses, followed by global economic uncertainty. On the rise are concerns around global protectionism, trade wars and government debt levels.

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 2020 n=1014, 2nd half 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level

↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Total 1st half 2020	Total 2nd half 2020	
86	62	↓
54	38	↓
20	19	
22	19	
14	16	
9	15	↑
9	14	
2	12	↑
8	12	
3	11	↑
6	11	
3	8	
6	7	
5	7	
4	6	
2	6	
3	7	
5	7	
7	6	
3	5	
2	5	
7	5	
8	2	↓
8	2	↓
4	1	
0	0	

+ New codes in H1 '20

RESEARCH FINDINGS SECOND HALF 2020

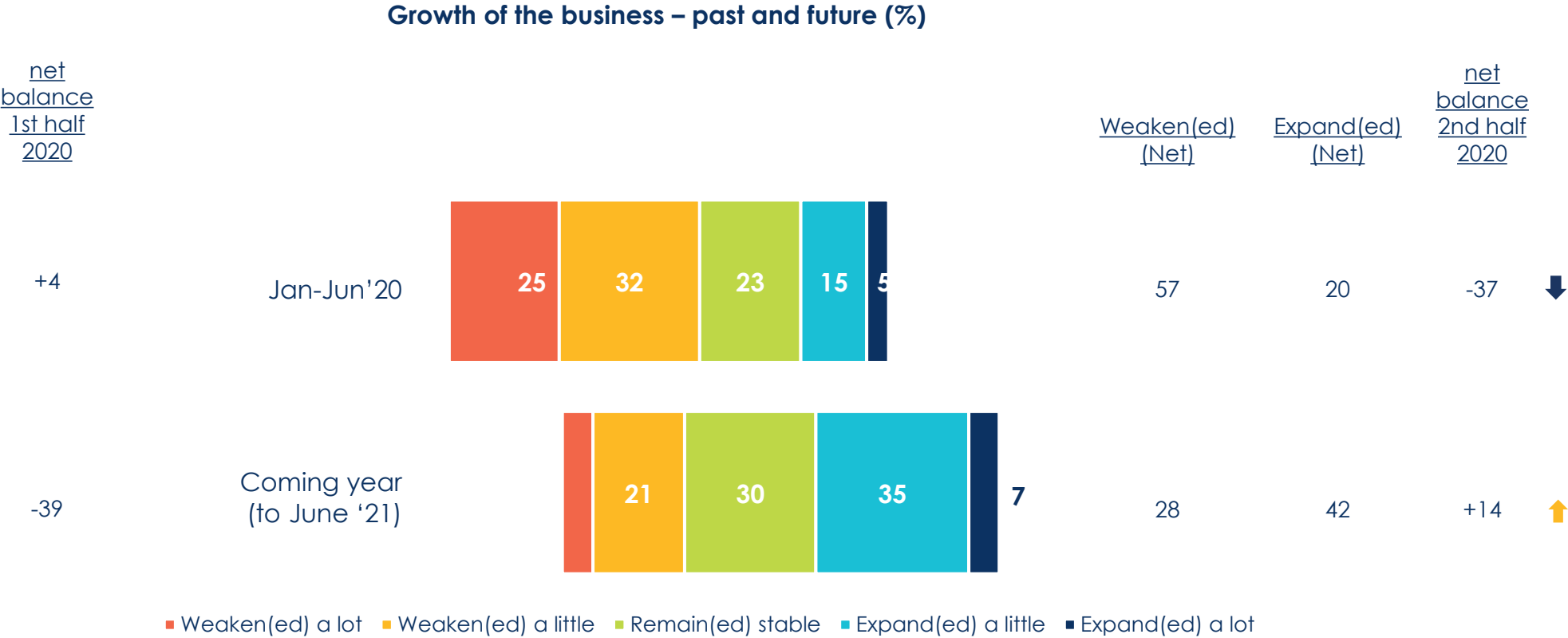
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Business Forecast

Growth of the business (primary directorship company)

After 6 months of COVID-19, directors are in negative territory regarding the growth of their business during the first half of this year, however the future is starting to look more positive with 42% of directors expecting business to grow in the coming year.

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RESEARCH FINDINGS SECOND HALF 2020

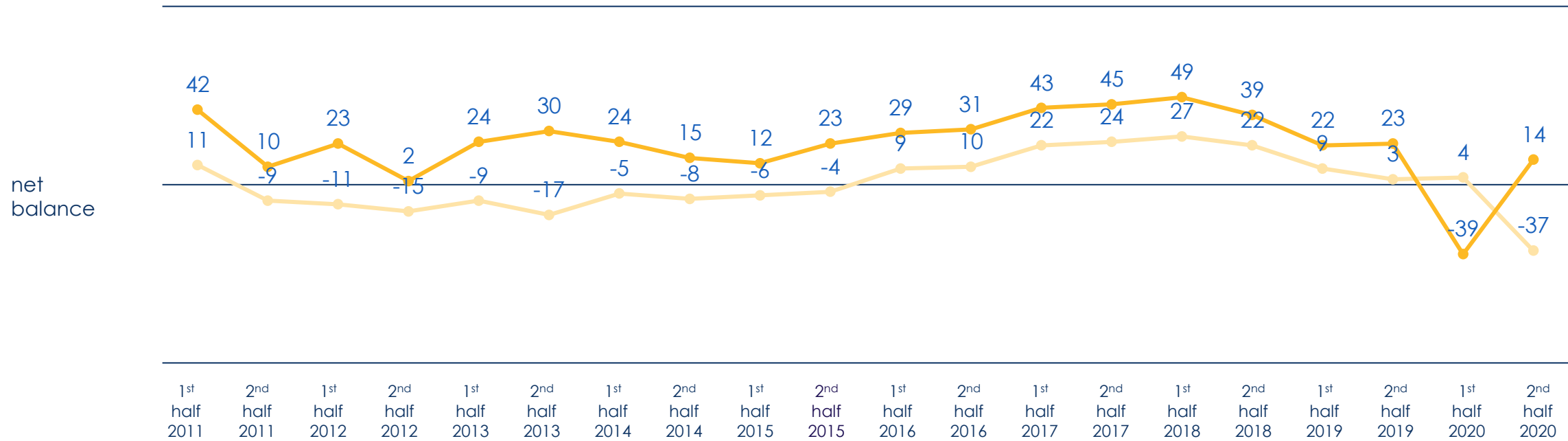
9. Which best describes the growth or otherwise of the business over the period July to December 2019?
10. What is your expectation of the growth or otherwise of the business over the coming year (to December 2020)?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Past and future growth of business – semi-annual trend

H2 2020 sees a steep decline in terms of recent business growth given tough economic conditions, however, expectation for the next 12 months has returned to positive territory after steep declines in H1.

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

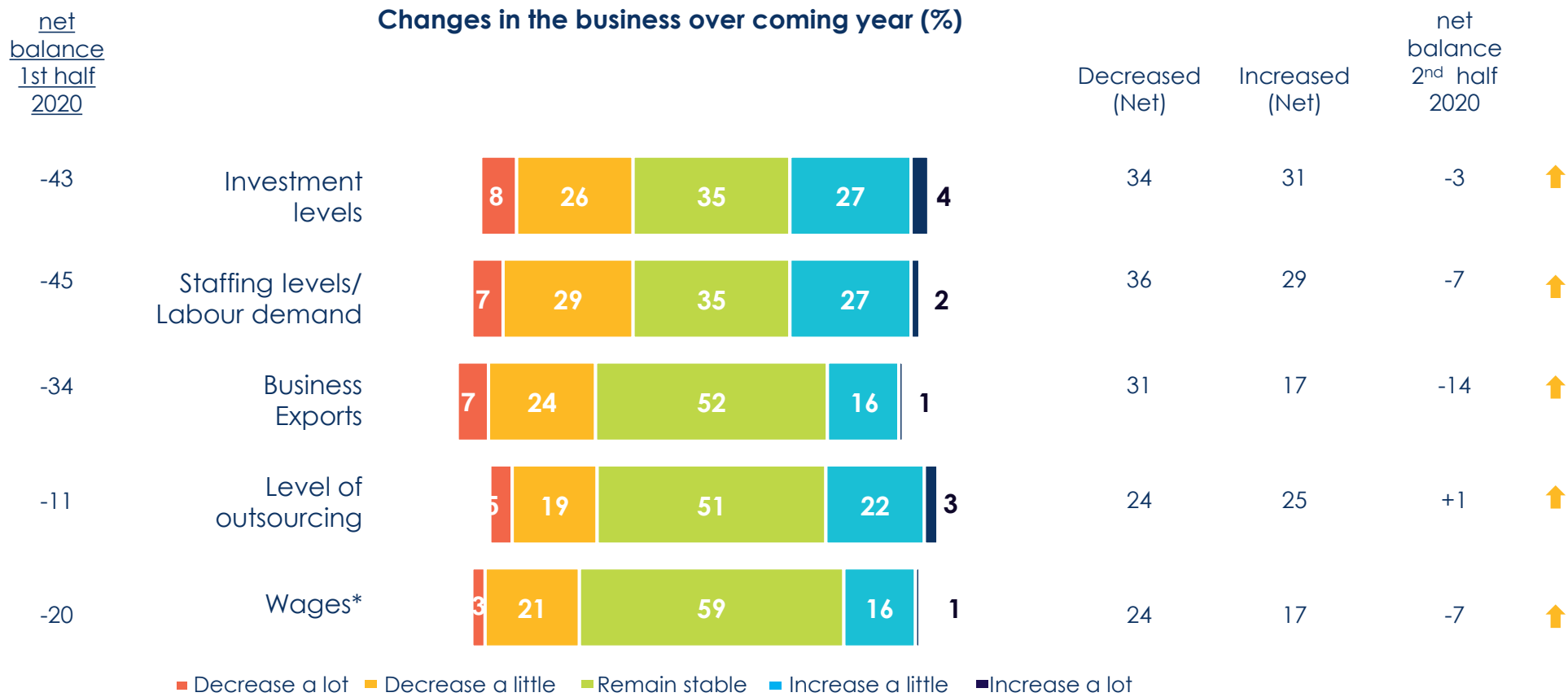


Source: 8 – 9
Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=521; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525 , W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1 489, W1 2020 n=1014, W2 2020 n=1777

Changes in business – coming year

Expectations of changes in the business have seen recovery vs. H1, with net balance much closer to neutral territory. Business Exports are still expected to decrease.

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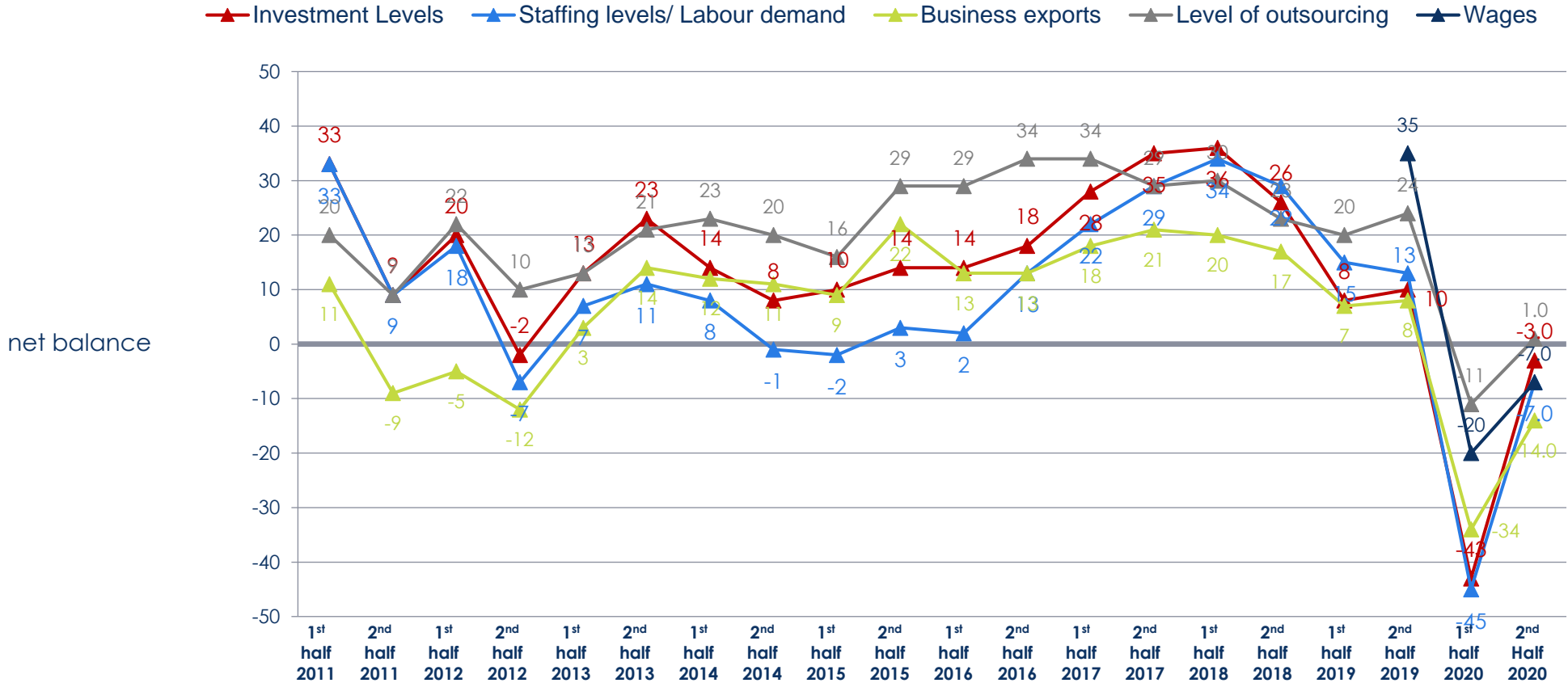
RESEARCH FINDINGS SECOND HALF 2020

11. To what extent, if any, do you expect these things to change over the coming year (to June 2021)? *Wages added in H2'19
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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

Expectations of changes in business show positive signs of recovery, however all elements remain well below late 2019 pre-COVID-19 levels.

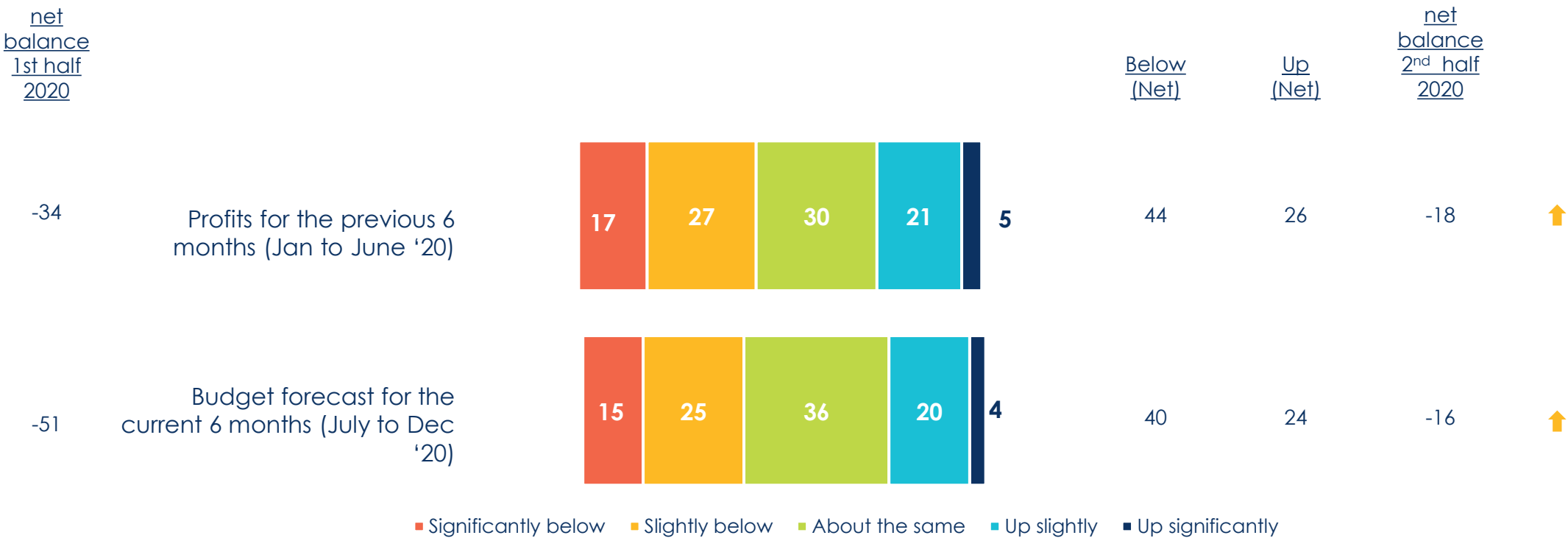


Source: 11
Base: All respondents; W1 2011 n=511; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252; W1 2019 n=927; W2 2019 n=1489; W1 2020 n=1014. *Wages added in H2'19, W2 2020, 1777

Profits for current six months compared to ...

44% of directors expect a decrease in profits compared to the previous six months and 40% expect a decrease in profits compared to the budget forecast for the current six months. net balance is more positive than H1 expectations but remains in negative territory

Actual profits for current six months (Jul to Dec 2020) compared to ... (%)



12. How do you expect your actual profits for the current 6 months, July to December 2020, to compare to ... ?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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 the second half of this financial year (Jan- Jul '21) compared to ... (%)



13. How do you expect your actual profits for the first half of this financial year, xxx, to compare to ... ?
Base: All respondents n= 1777

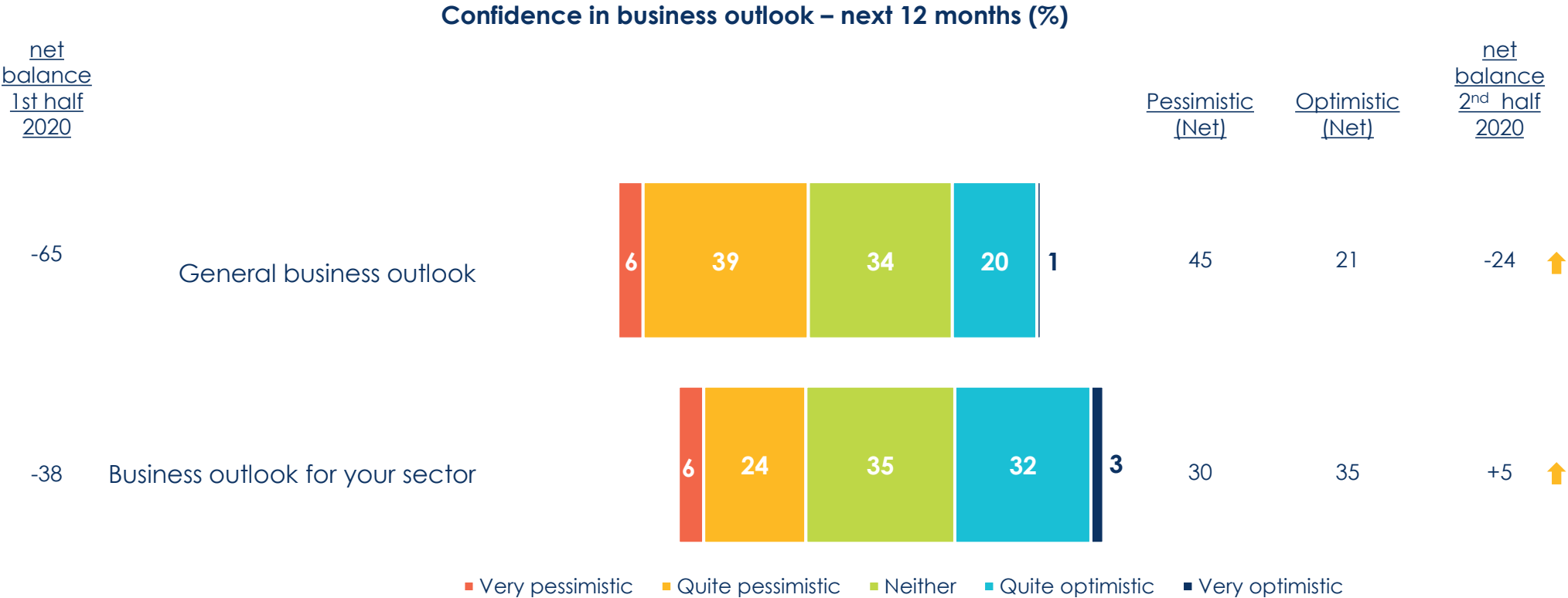
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Confidence in business outlook – next 12 months

Directors' confidence regarding the business outlook in the next 12 months has improved significantly but is still negative overall. Directors feel more optimistic about their own sector with 35% registering positive sentiment, and the net balance sitting within positive territory.

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RESEARCH FINDINGS SECOND HALF 2020



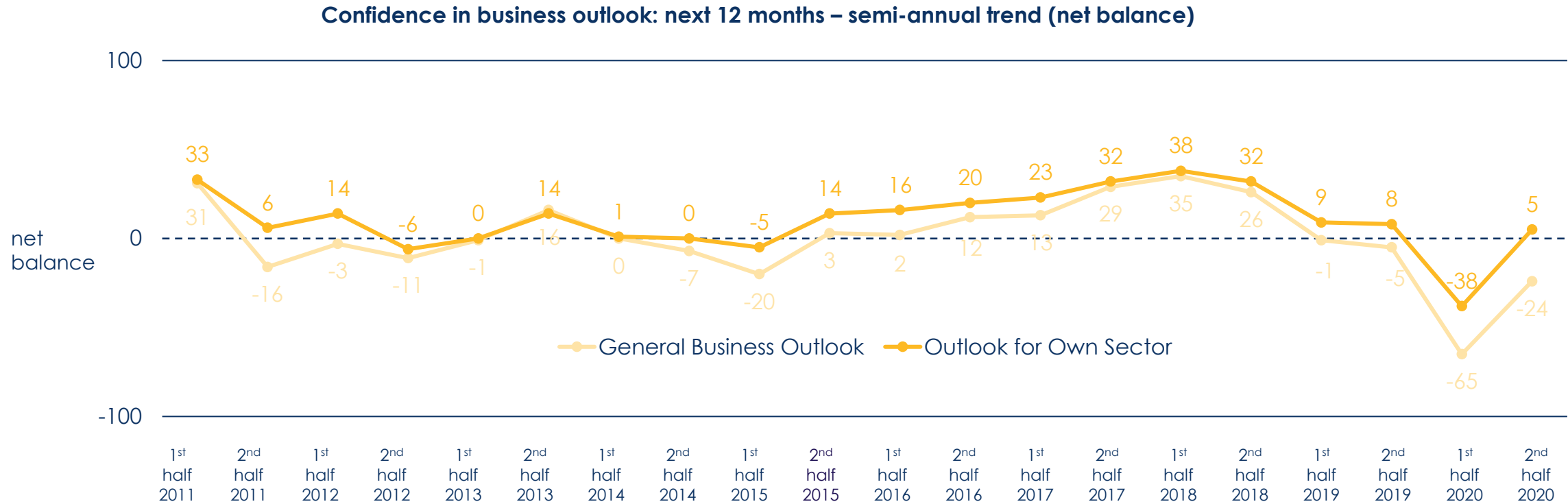
14. Overall, how confident or otherwise are you about....?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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

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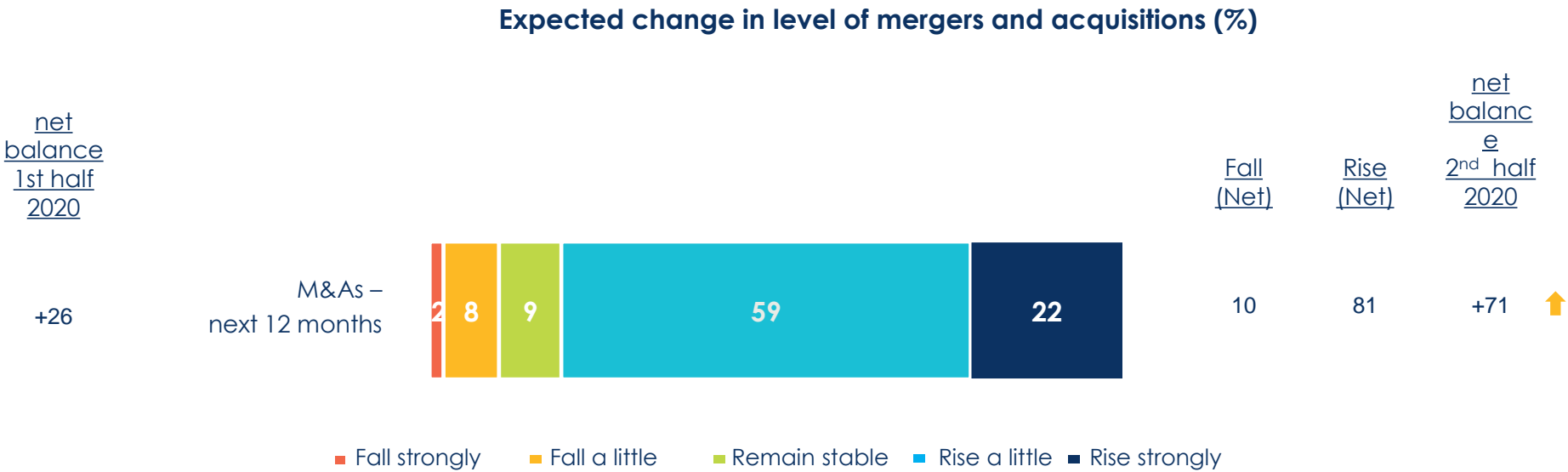
RESEARCH FINDINGS SECOND HALF 2020



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=1489, W1 2020 n=1014, W2 2020 n=1777

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

80% 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= 1777

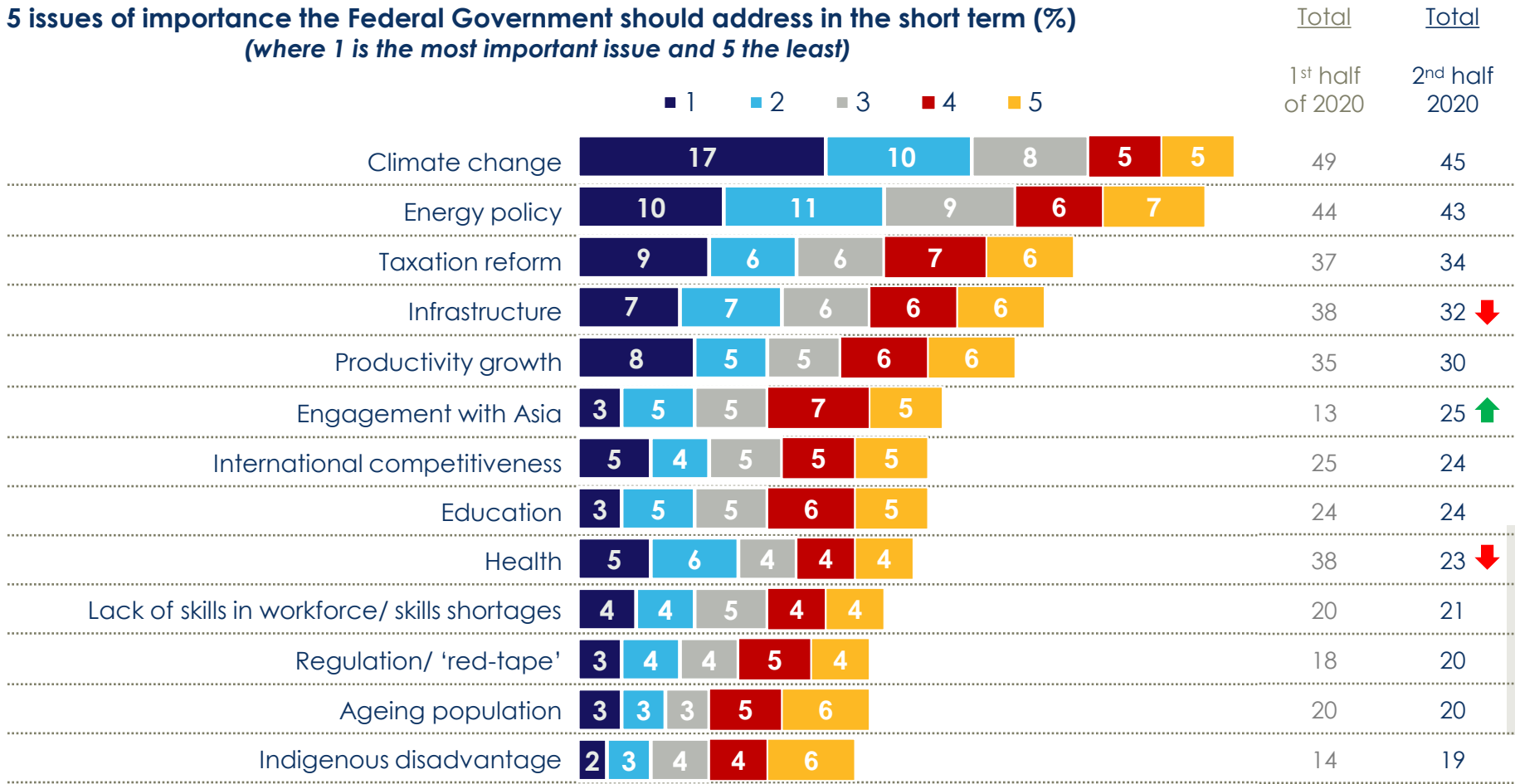
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Government Policy Budgetary

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

The hierarchy of top issues remains relatively consistent with climate change and energy policy the leading issues to be addressed. More directors are nominating engagement with Asia as a focus area.

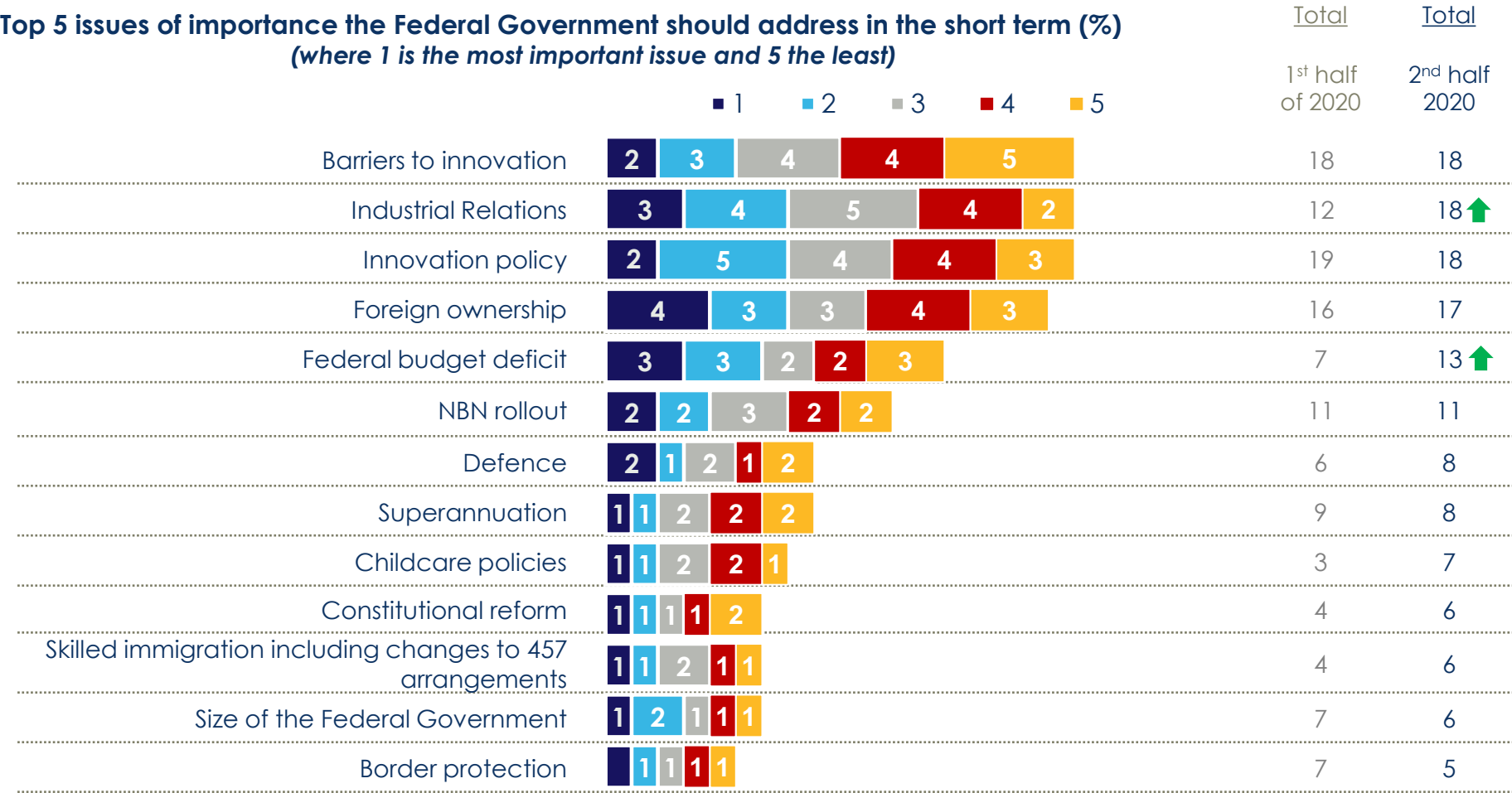
Top 5 issues of importance the Federal Government should address in the short term (%)
(where 1 is the most important issue and 5 the least)



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, 1st half 2020 n=1014, 2nd half of 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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



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

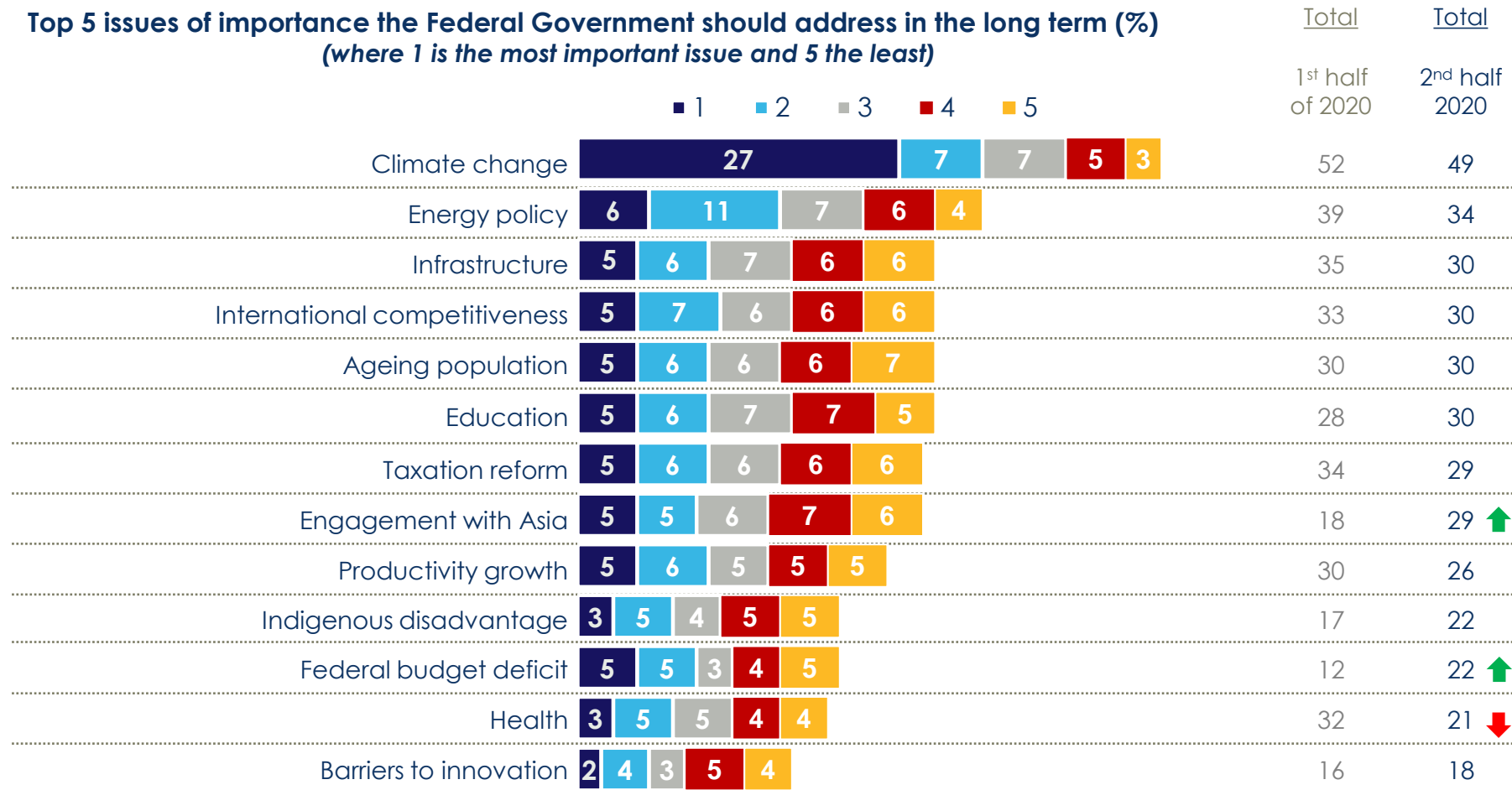
Base: All respondents, 1st half 2020 n=1014, 2nd half of 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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

Directors continue to feel that climate change is the priority area to be addressed over the long-term, with over 1 in 4 rating this as the top issue. Significantly more directors nominate engagement with Asia and the federal budget deficit as focus areas.

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)

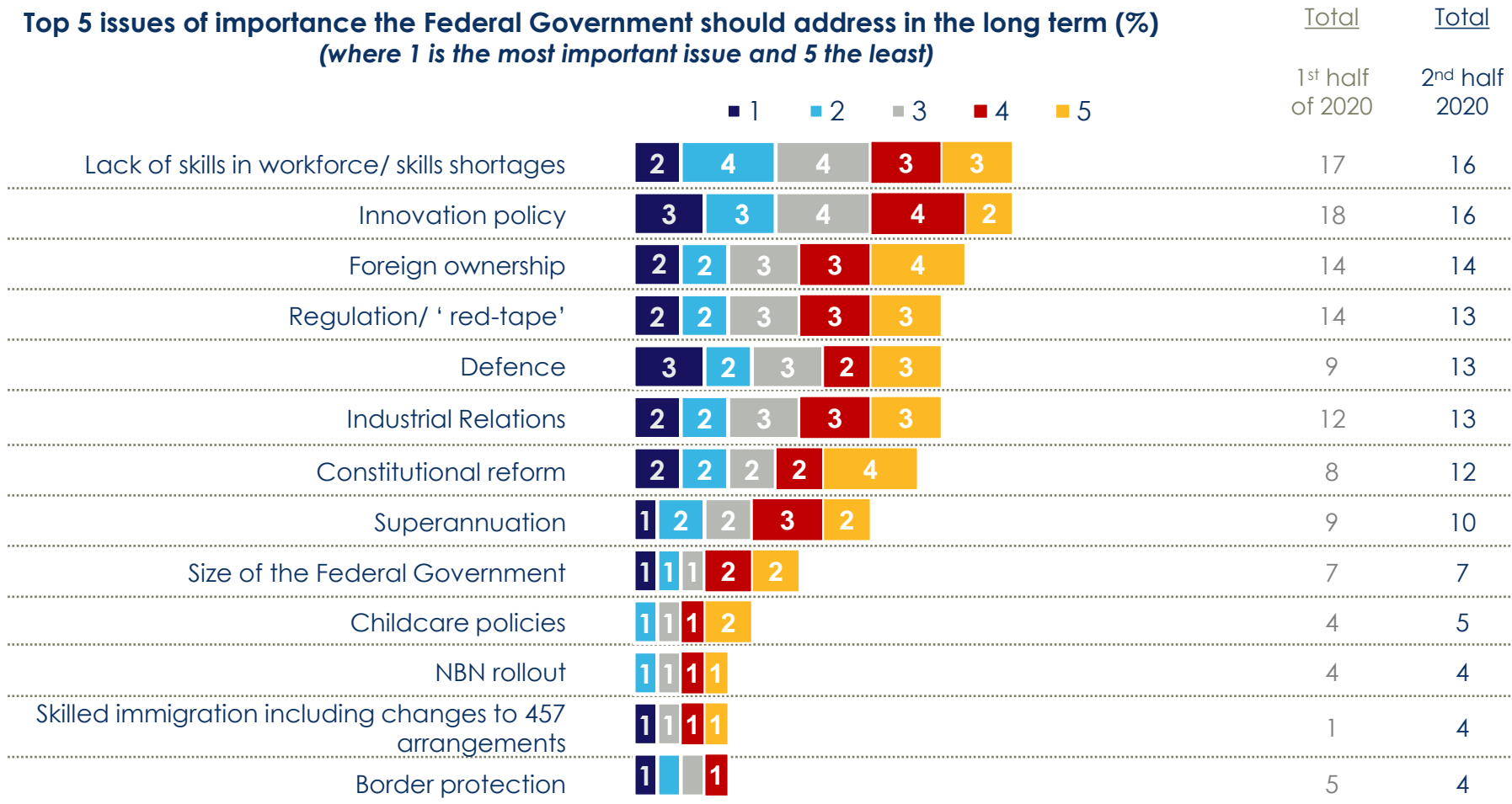


26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important
Base: All respondents, 1st half 2020 n=1014, 2nd half of 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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)



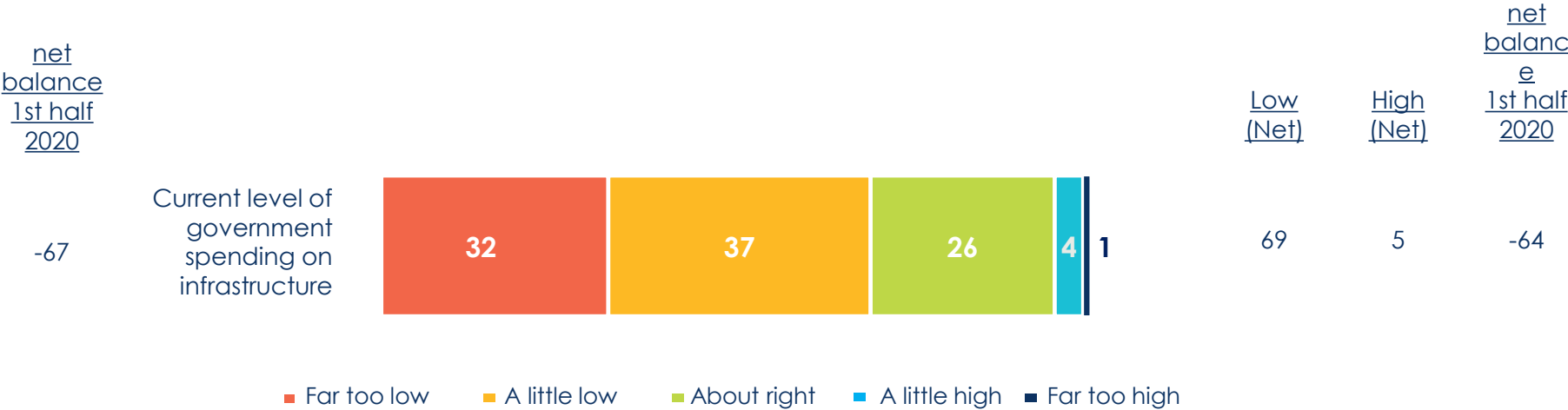
26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important
Base: All respondents, 1st half 2020 n=1014, 2nd half of 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Current level of government spending on infrastructure

Directors continue to feel that government spending on infrastructure is too low.

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

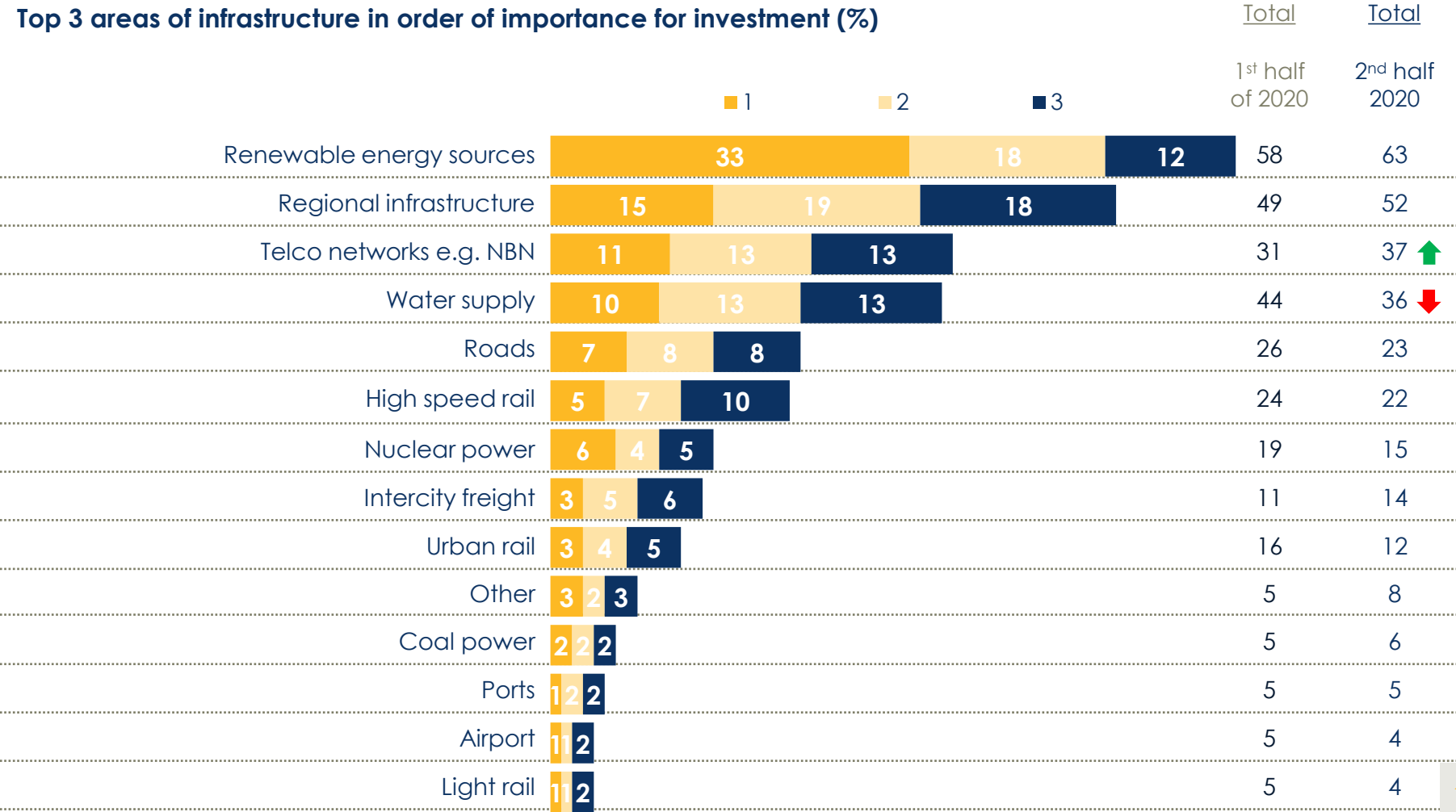


20. In your opinion, is the current level of government spending on infrastructure...?
Base: All respondents n= 1777

Investment in Infrastructure (Top 3)

Directors see renewable energy sources as the key area for infrastructure investment followed by regional infrastructure. Telco networks has increased in importance compared to the first half of this year.

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 2020 n=1014, 2nd half of 2020 n=1777

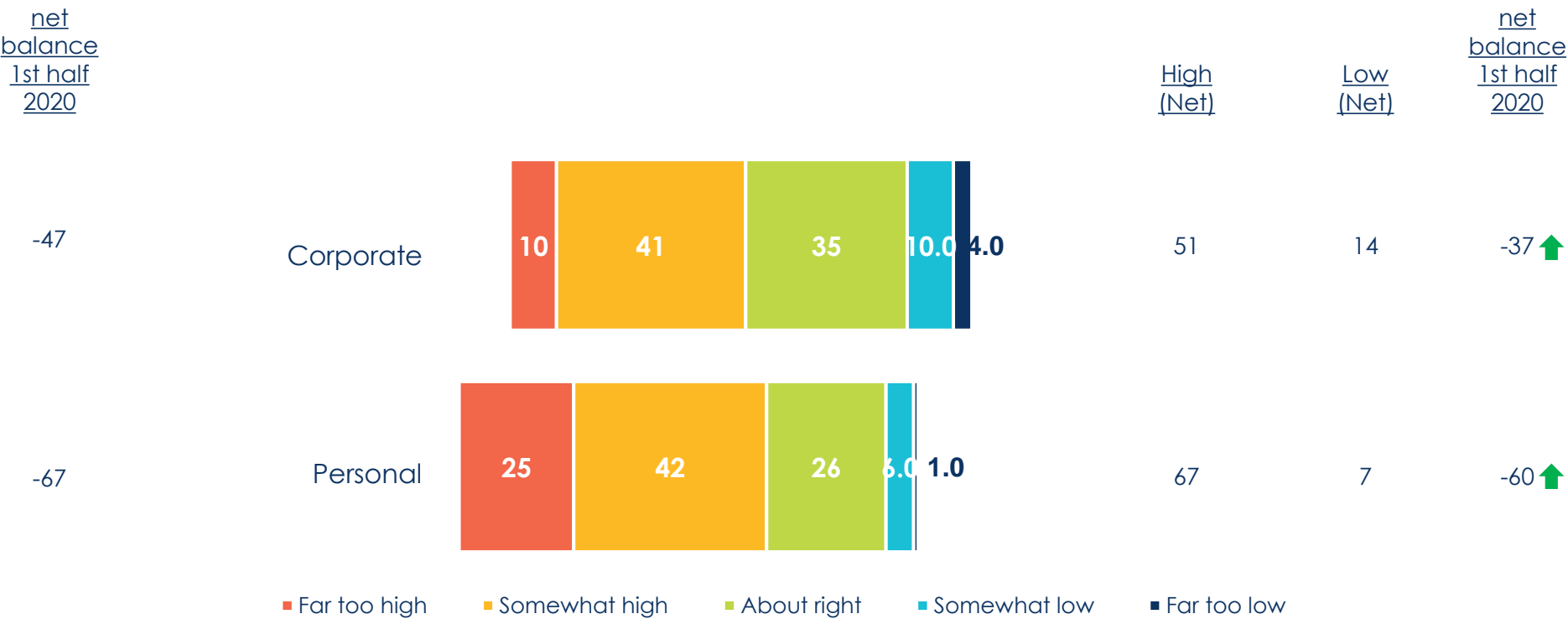
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Government Policy Taxation

Level of taxation in Australia

Directors continue to feel that the levels of corporate and personal taxation are too high.

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



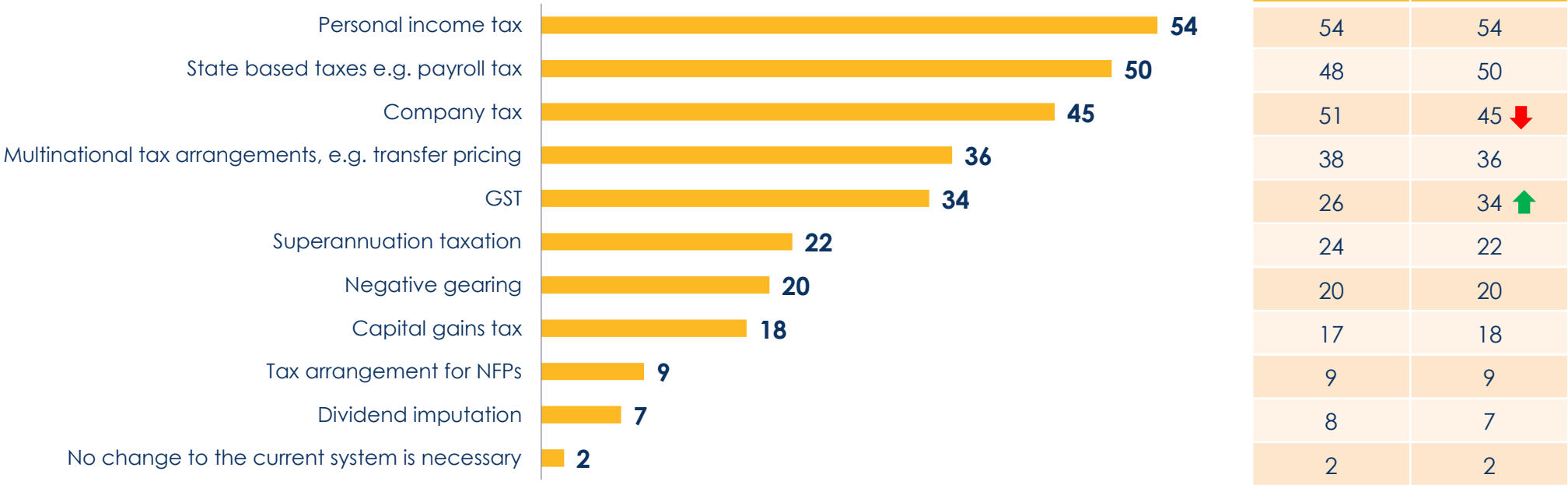
15. What is your view on the level of...?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Reform of taxation system

Directors perceive personal income tax and state based taxes to be key areas for reform.

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



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 2020 n=1014, 2nd half of 2020 n=1777

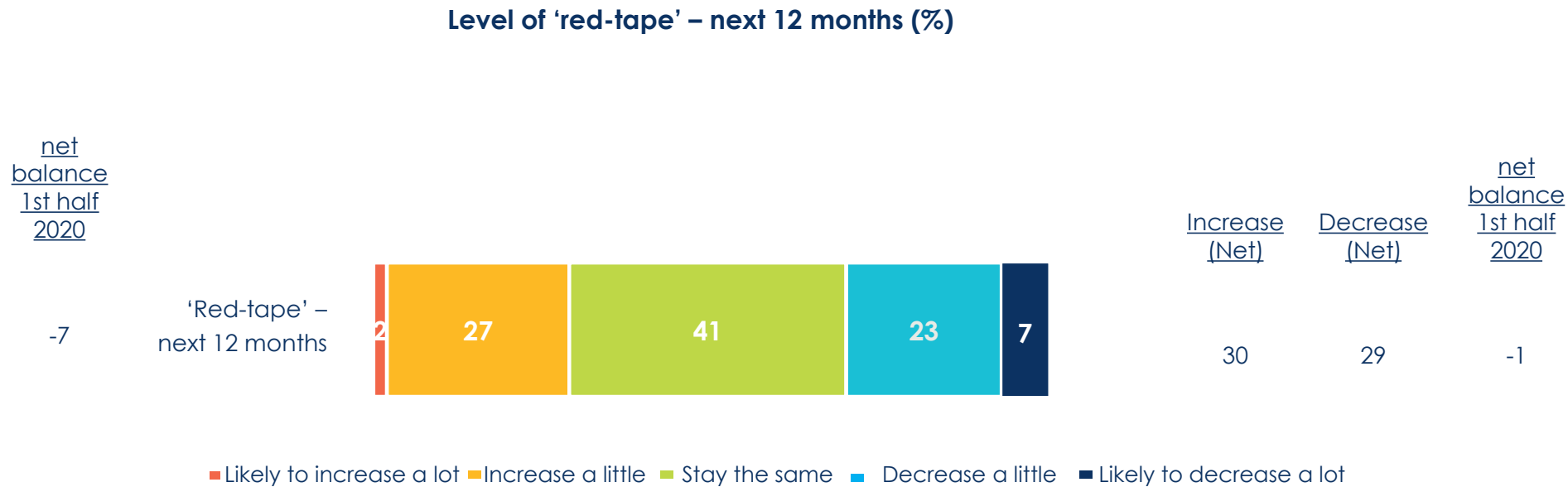
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Government Policy Regulation

Level of ‘red-tape’ in next 12 months

41% of directors expect the level of red tape to remain the same in the next 12 months.

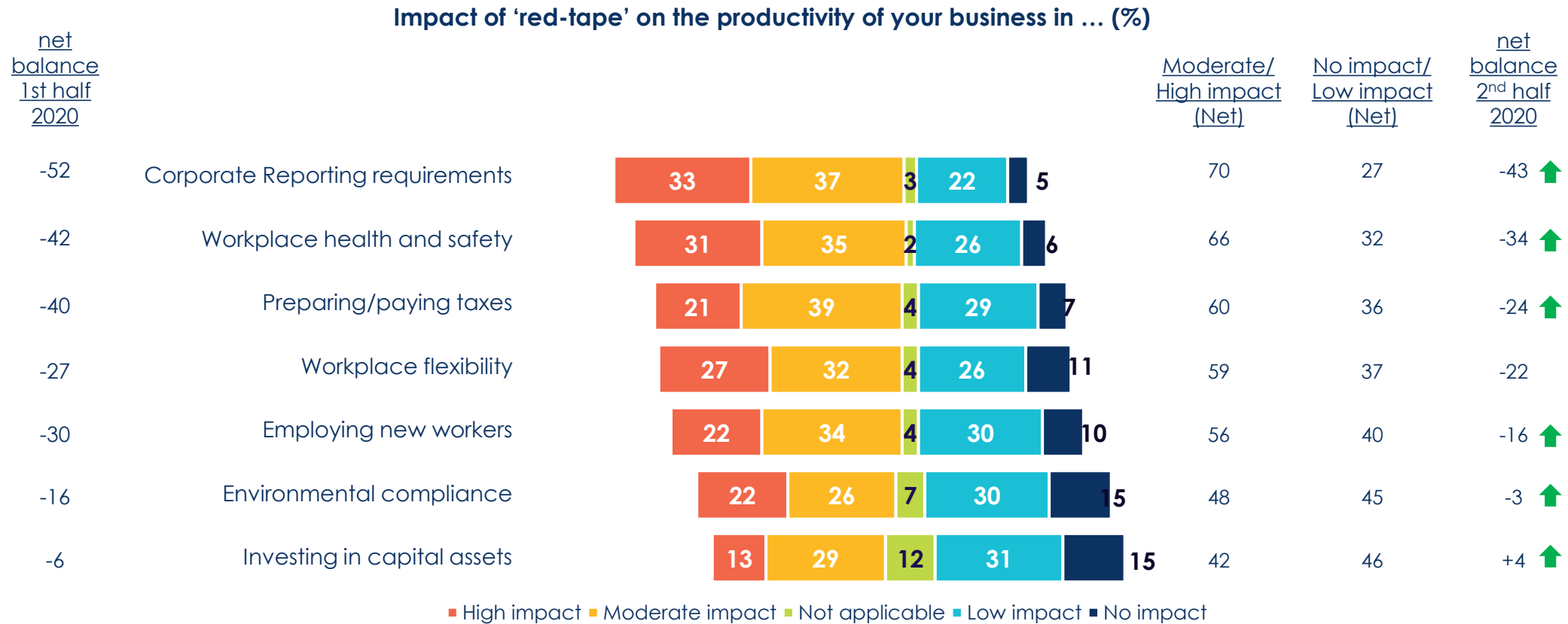
DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS SECOND HALF 2020

22. What is your expectation of changes in the level of “red-tape” over the next 12 months?
Base: All respondents n= 1777

Impact of 'red-tape' on business productivity



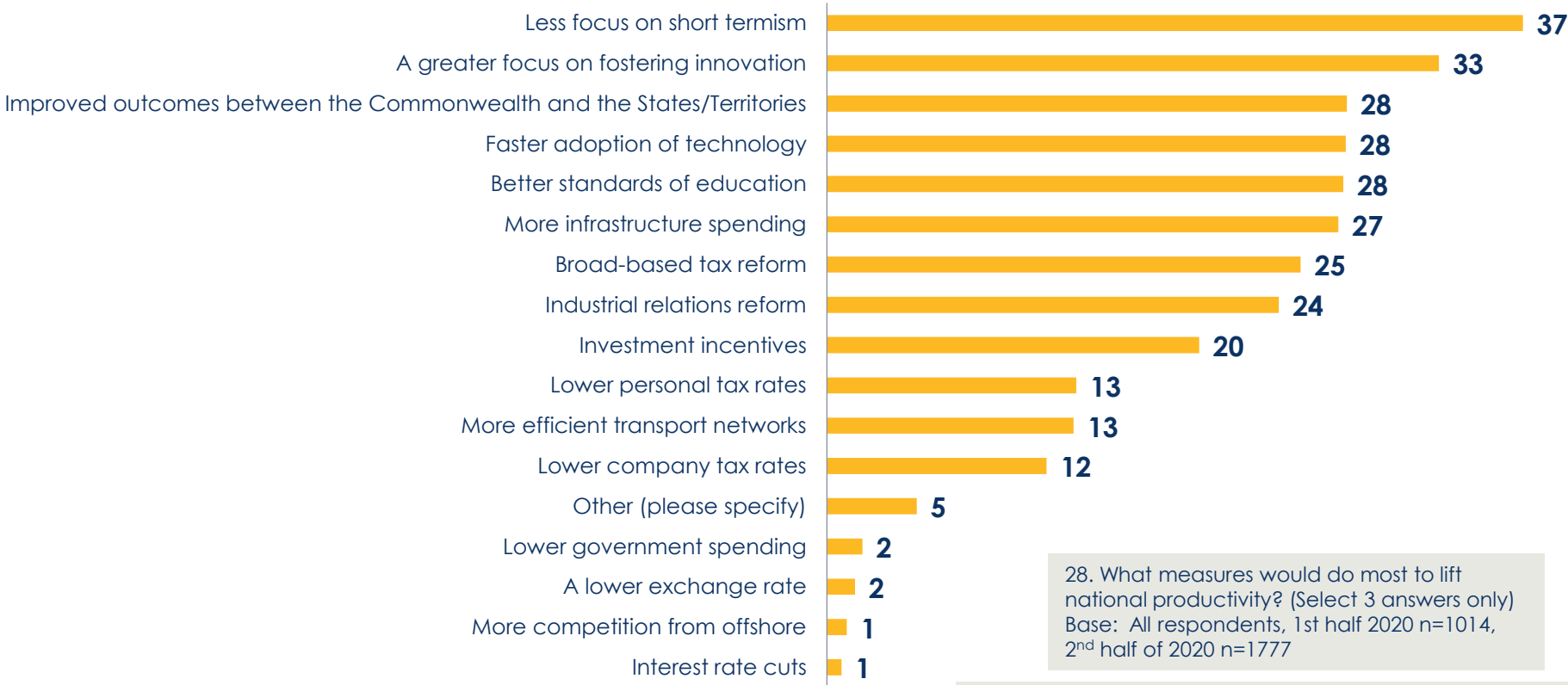
23. What impact (cost/time) does 'red-tape' have on the productivity of your business in the following areas?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Main measure to lift national productivity

Directors continue to see less focus on short termism and greater focus on fostering innovation as the key areas to boost productivity. More directors have identified improved outcomes between the Commonwealth and States/ territories as an area to lift national productivity.

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



Total 1st half 2020	Total 2nd half 2020
36	37
32	33
21	28
26	28
28	28
28	27
25	25
23	24
22	20
16	13
17	13
15	12
4	5
2	2
1	2
1	1
1	1

28. What measures would do most to lift national productivity? (Select 3 answers only)
Base: All respondents, 1st half 2020 n=1014, 2nd half of 2020 n=1777

Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

+ New code in H2'19

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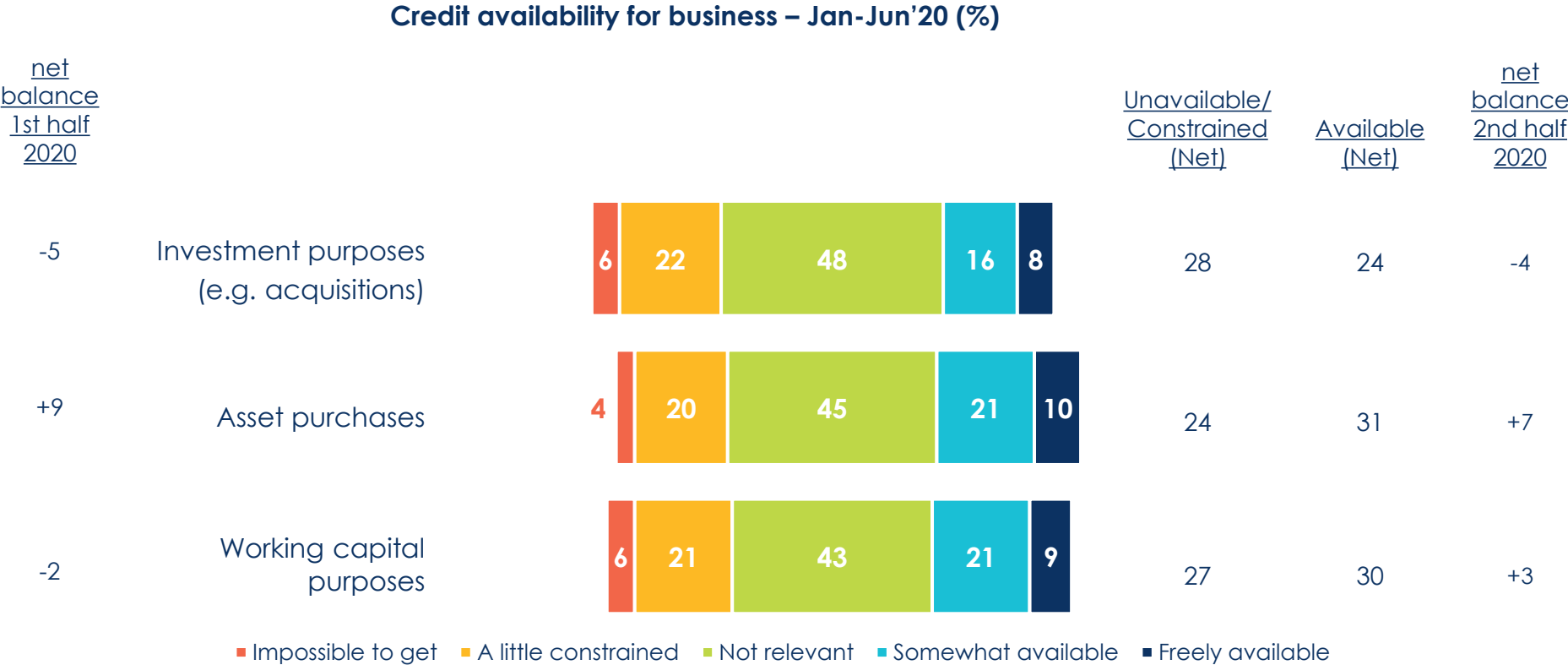
RESEARCH FINDINGS SECOND HALF 2020

Government Policy Credit Availability

Credit availability for business – Jan-Jun’20

Director sentiment regarding credit availability in the first half of this year remains relatively stable.

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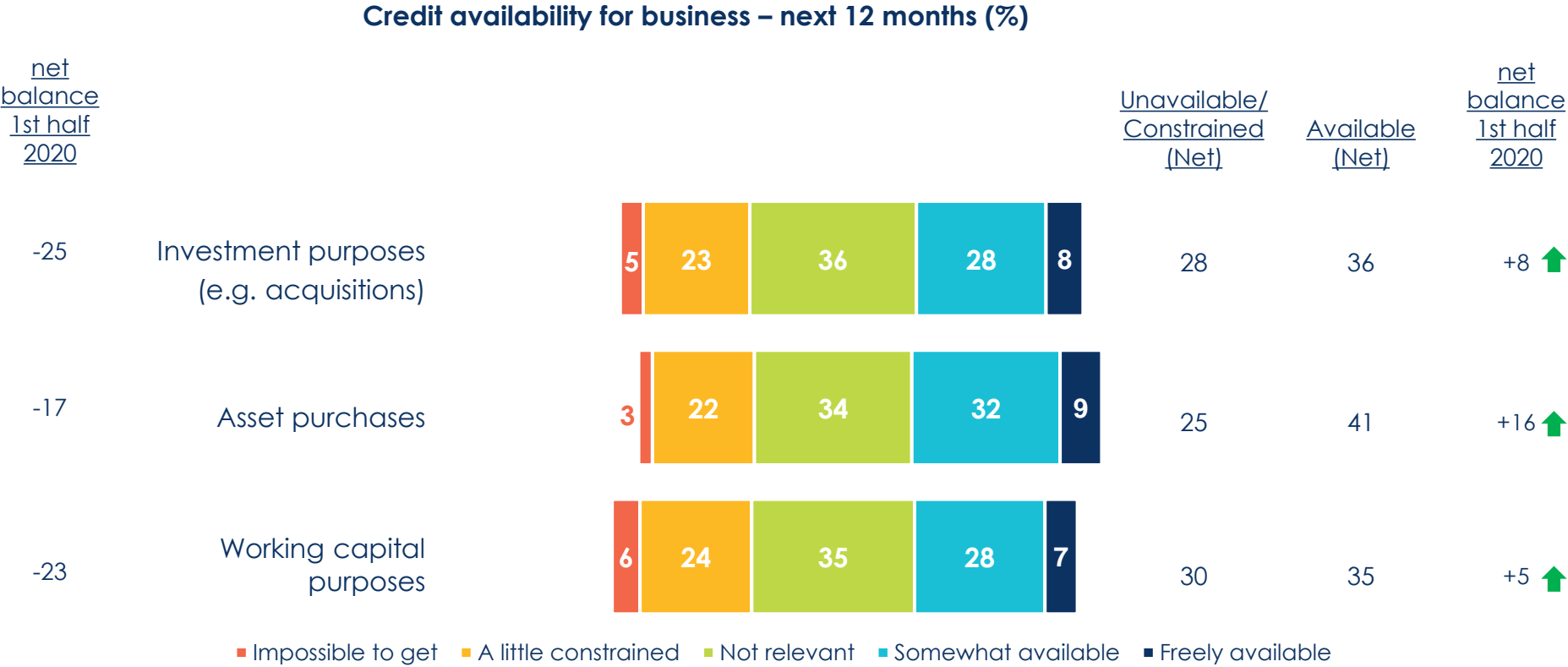
RESEARCH FINDINGS SECOND HALF 2020

16. For the business, what has been the experience over the period January to June 2020 relating to...?
Base: All respondents n=1777

Credit availability for business – next 12 months

Director sentiment regarding credit availability over the next 12 months has improved significantly with sentiment now positive overall.

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RESEARCH FINDINGS SECOND HALF 2020

17. And what is your expectation of credit availability over the next 12 months?
Base: All respondents n=1777

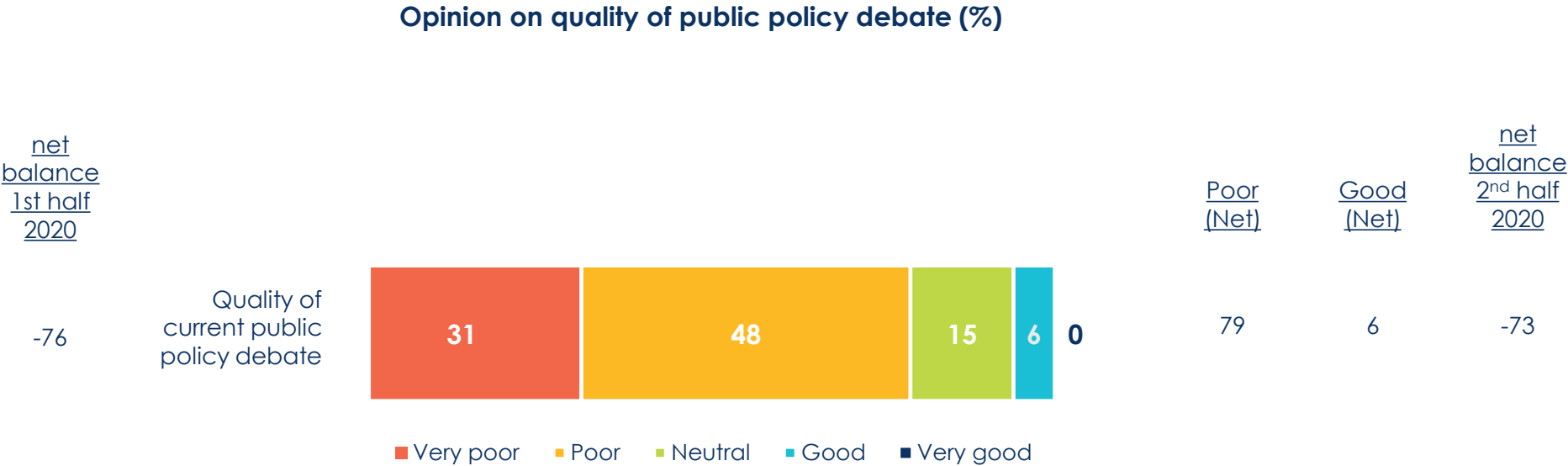
↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Public Policy

Quality of public policy debate in Australia

Directors continue to rate the quality of public policy debate in Australia as poor or very poor.

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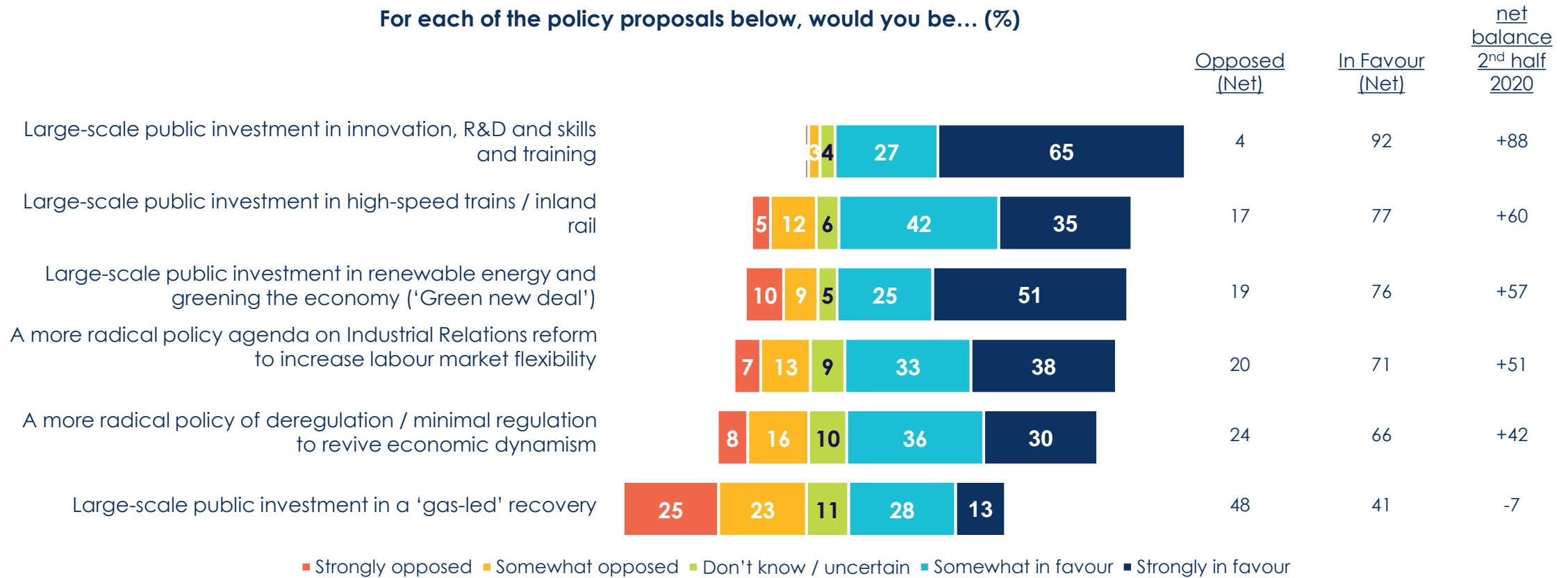
RESEARCH FINDINGS SECOND HALF 2020

47. How would you rate the current quality of public policy debate in Australia?
Base: All respondents n= 1777

Support for policy proposals (1)

The only policy directors have a net balance of opposition to is 'Large scale public investment in a 'gas-led' recovery.' Highest net rating is for 'Large scale public investment in innovation, R & D and skills and training' followed by investment in 'high-speed trains/ inland rail' and 'renewable energy and greening the economy'

For each of the policy proposals below, would you be... (%)

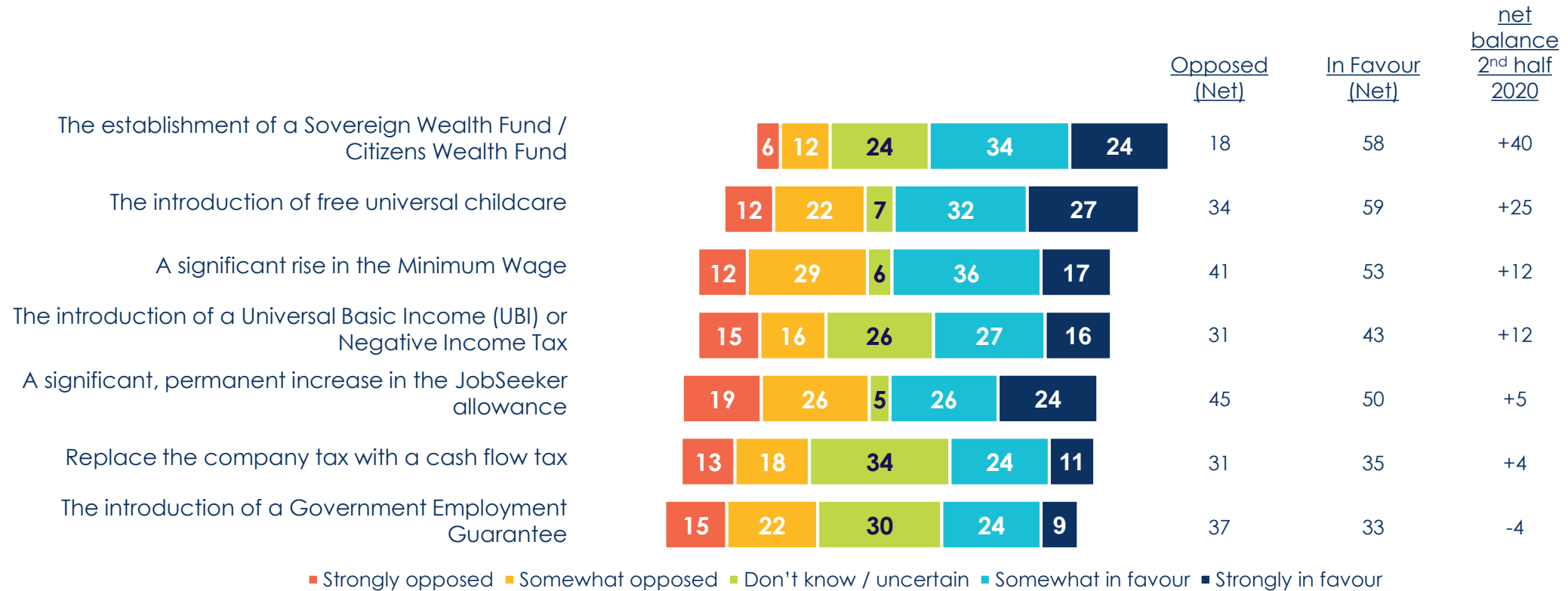


RRP1. For each of the policy proposals below, would you be
Base: All respondents n= 1777

Support for policy proposals (2)

Introduction of a Government Employment Guarantee is the only policy that has net negative support across policy proposals. Directors have highest net in favour rating for 'Establishment of a sovereign wealth fund/ citizens wealth fund' followed by 'introduction of free universal childcare'

For each of the policy proposals below, would you be... (%)



RRP1. For each of the policy proposals below, would you be
Base: All respondents n= 1777

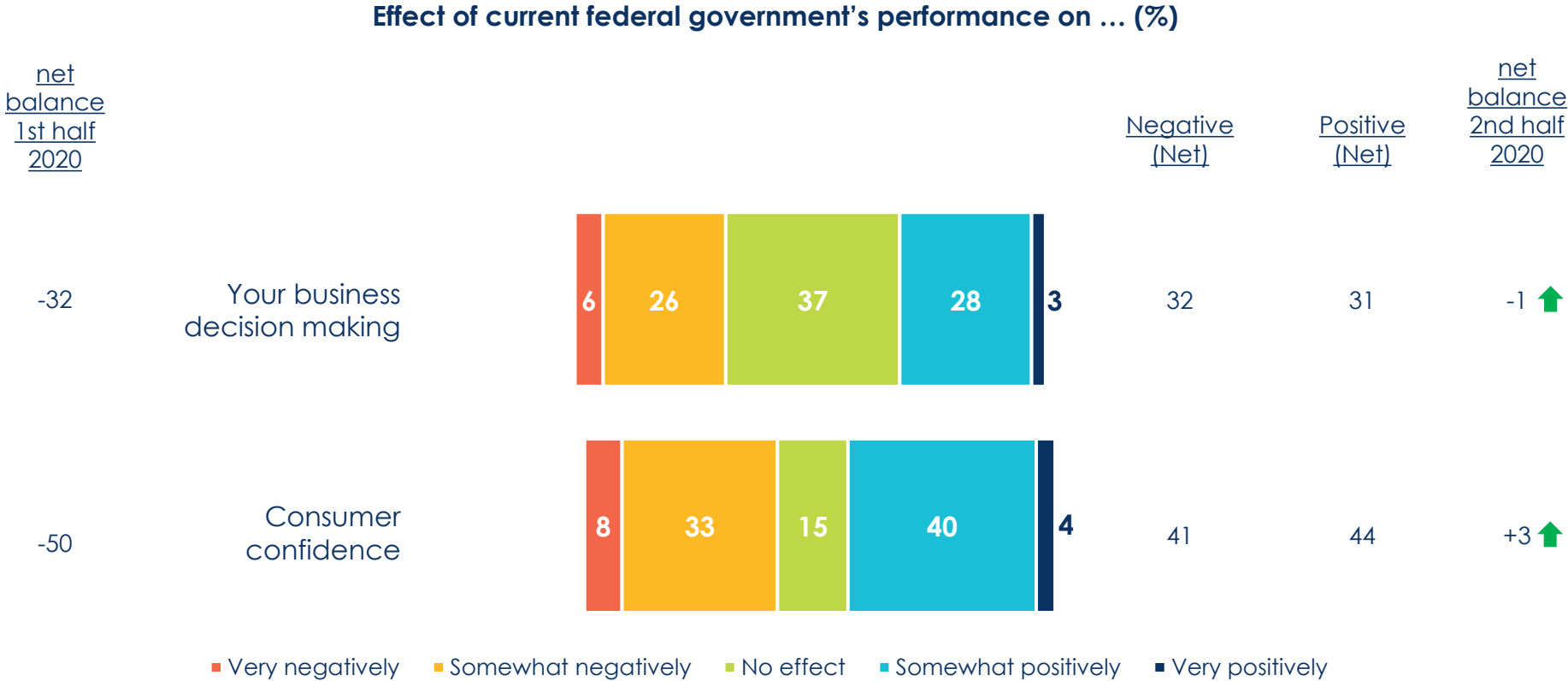
Government Policy Performance and Business Understanding

Impact of Federal Government’s performance on business

Directors sentiment regarding the Federal Government's impact on business has improved significantly.

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RESEARCH FINDINGS SECOND HALF 2020



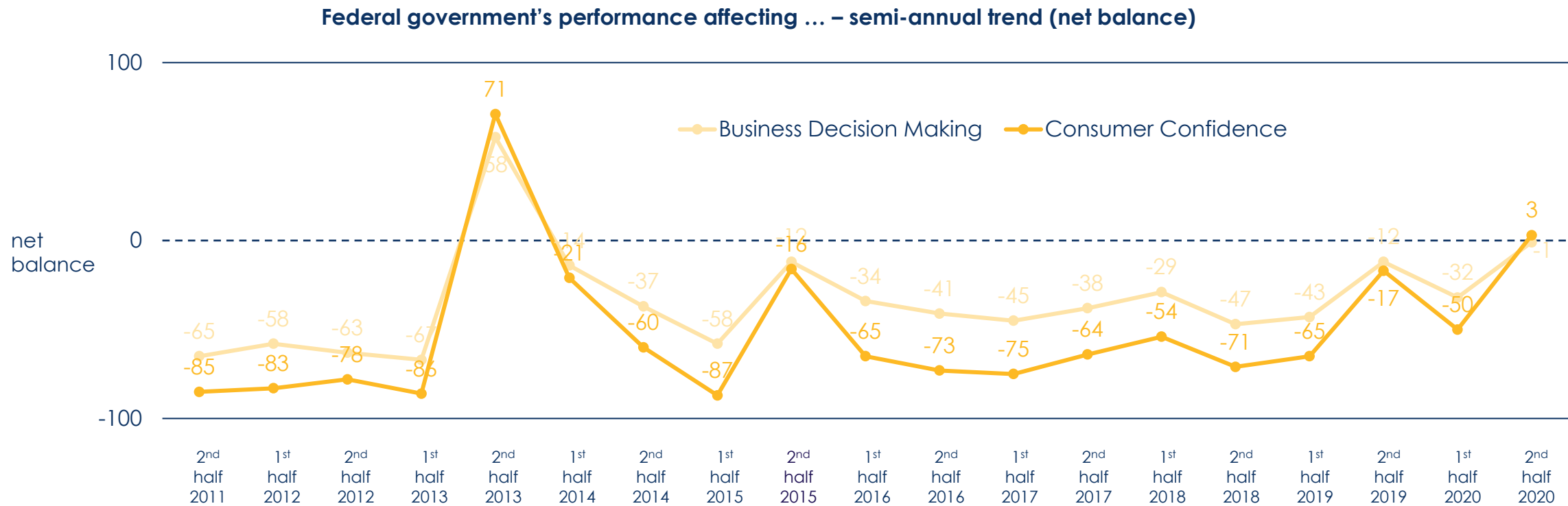
27. How is the current federal government's performance affecting ...?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Impact of federal government on business - semi-annual trend

Sentiment regarding the Federal Government's impact on business is now at its highest level since 2013.

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RESEARCH FINDINGS SECOND HALF 2020

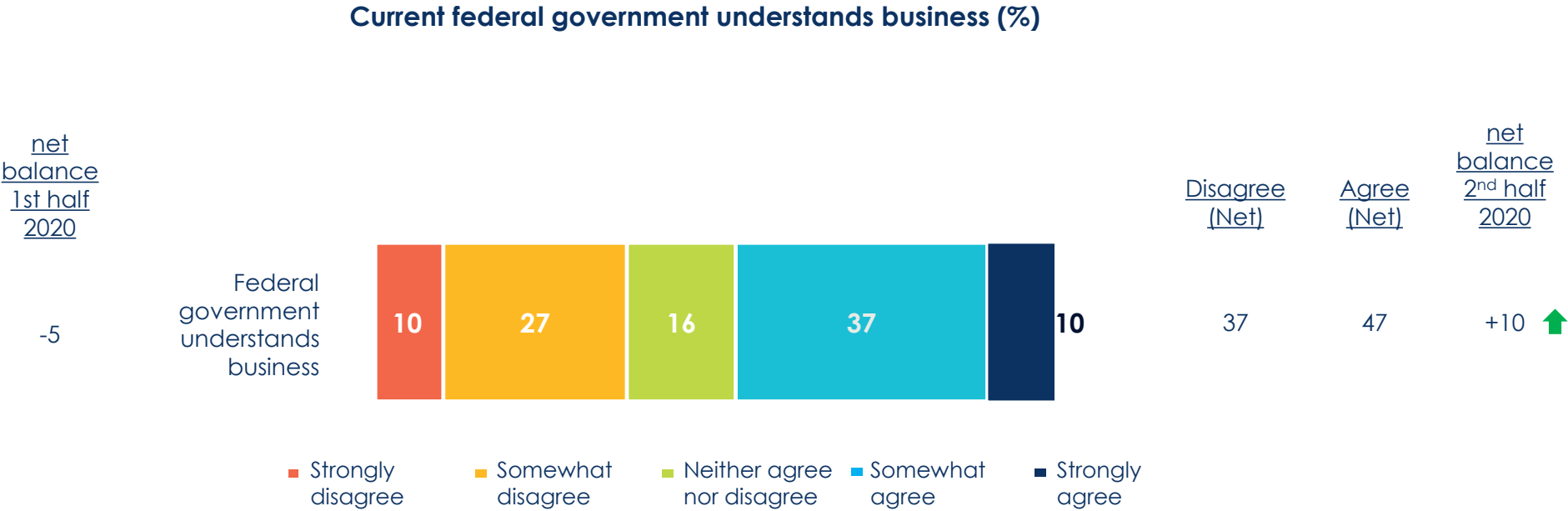
Source: 27
Base: All respondents; W2 2011 n= 523; W1 2012 n= 554; W2 2012 n=540; W1 2013 n=504; W2 2013 n=527; W1 2014 n=525; W2 2014 n=501; W1 2015 n=540; W2 2015 n=521; W1 2016 n=833; W2 2016 n=987; W1 2017 n=1106; W2 2017 n=973; W1 2018 n=945; W2 2018 n=1252, W1 2019 n=927, W2 2019 n=1489, W1 2020 n= 1014, W2 2020 n=1777

Federal government’s understanding of business

A majority of directors now believe that the current federal government understands business.

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RESEARCH FINDINGS SECOND HALF 2020

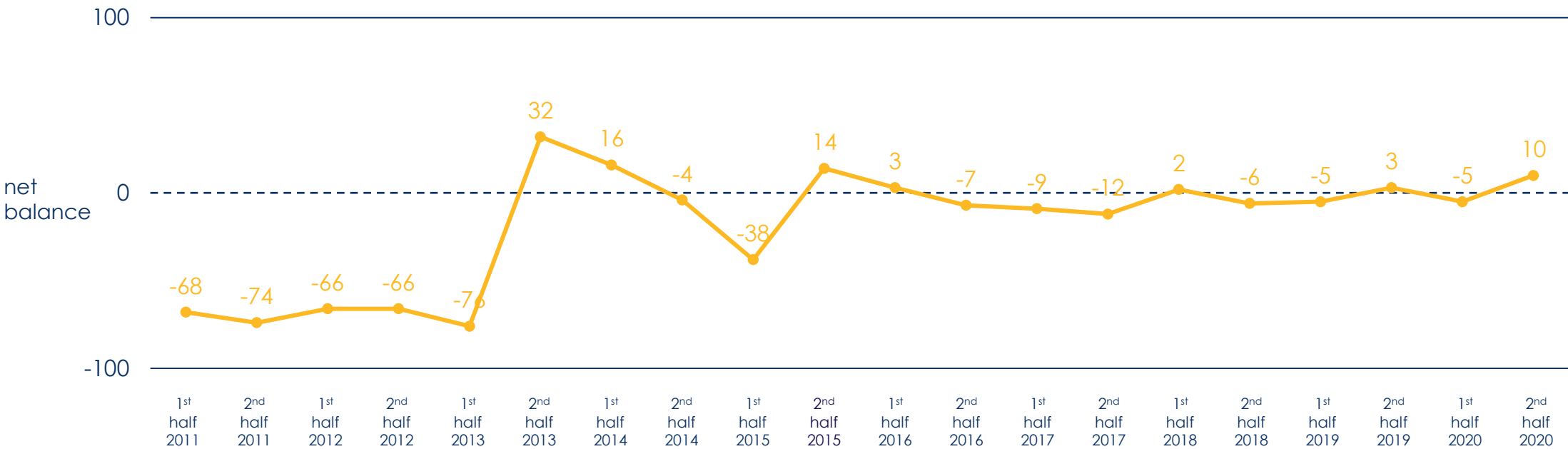


24. To what extent do you agree or disagree with the statement "The current Federal Government understands business"?
Base: All respondents n= 1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

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

Sentiment regarding the federal government's understanding of business is at its highest in five years.



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=1489, W1 2020 n= 1014, W2 2020 n=1777

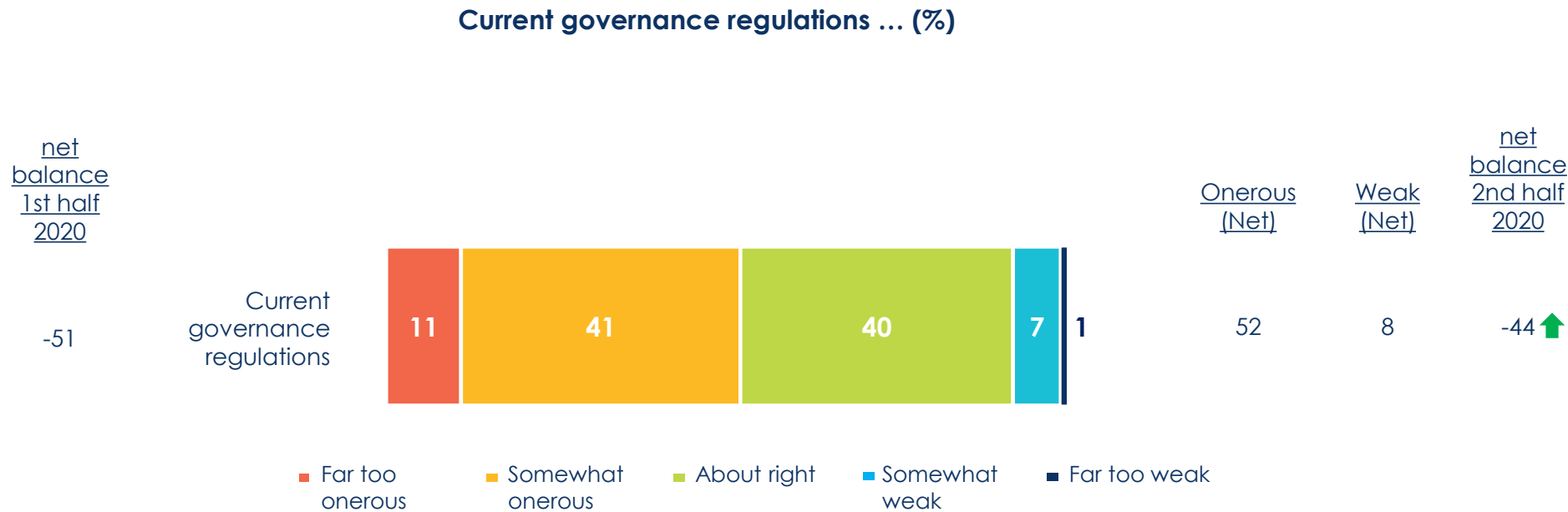
Key Issues for Directors and Boards

Current governance regulations

Directors continue to perceive current government regulation as too onerous.

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RESEARCH FINDINGS SECOND HALF 2020



29. In your opinion, are current governance regulations ...?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

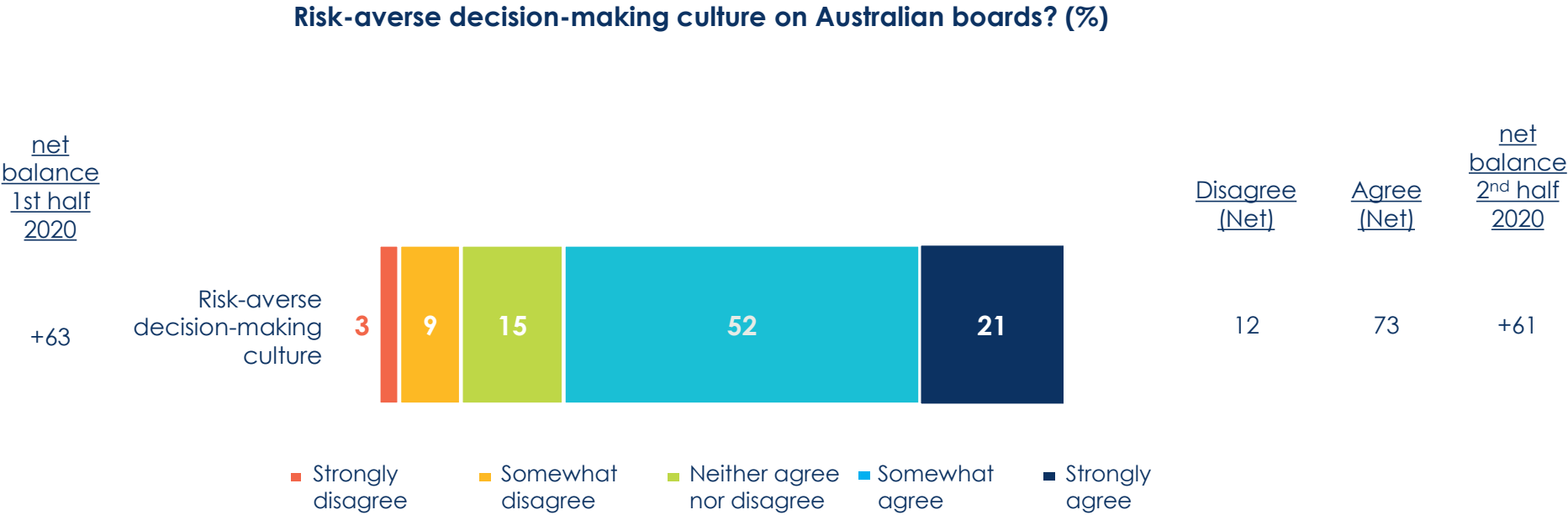
Director liability provisions continue to impact directs negatively.

 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

Business decision making and risk aversion

A significant majority of directors continue to believe that there is a risk averse decision making culture on Australian boards.

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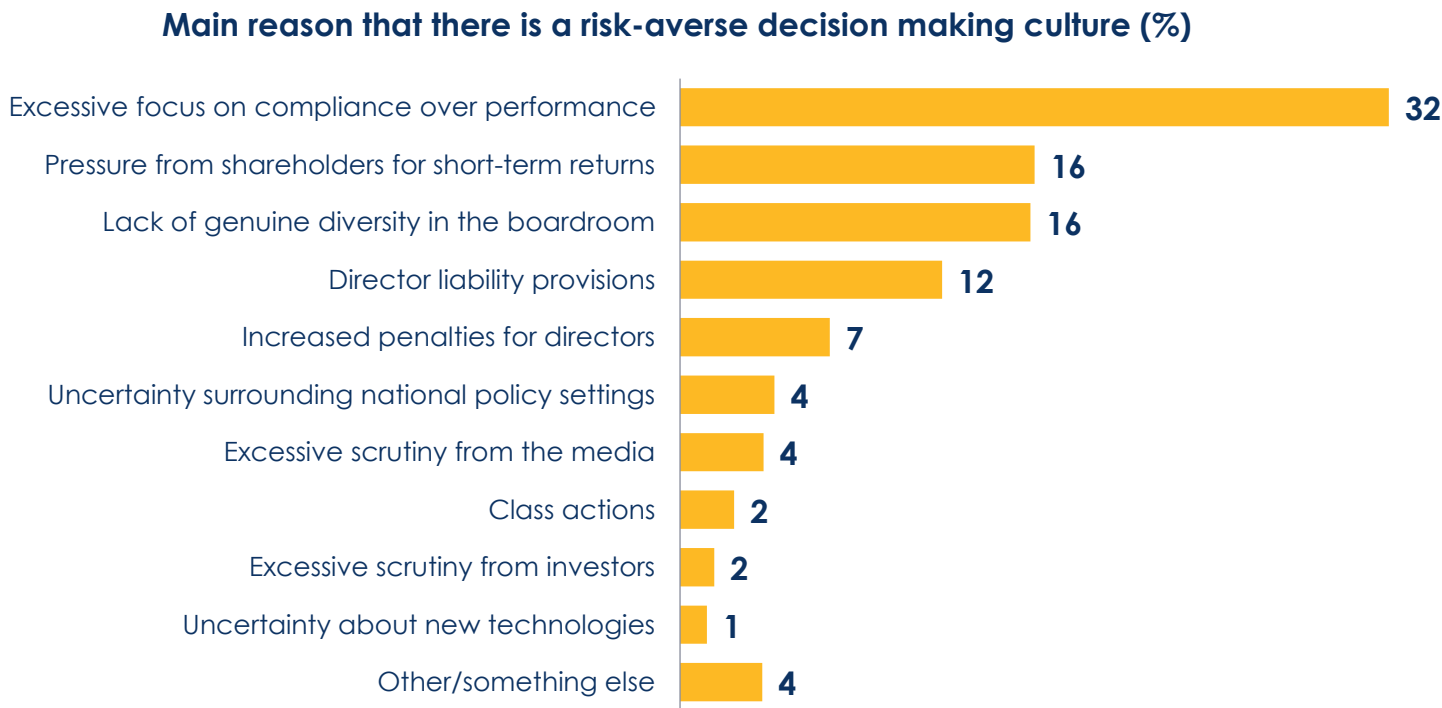
RESEARCH FINDINGS SECOND HALF 2020

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=1777

Reason for risk-averse decision making culture

Excessive focus on compliance over performance continues to be the issue leading to a risk-averse decision making culture.

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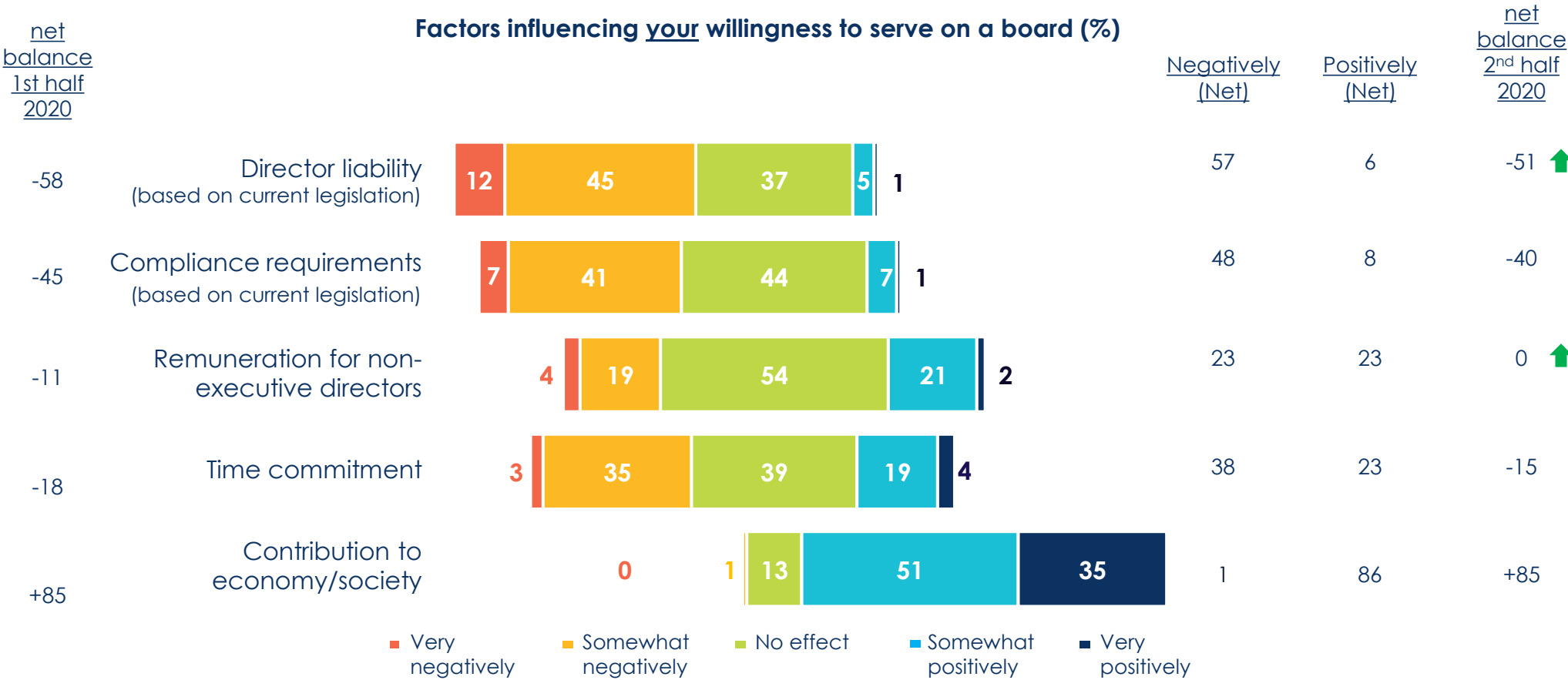
Total 1st half 2020	Total 2nd half 2020
31	32
16	16
14	16
14	12
6	7
6	4
5	4
2	2
1	2
1	1
3	4

RESEARCH FINDINGS SECOND HALF 2020

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 2nd half of 2020 n=1286

Factors influencing your willingness to serve on a board

Making a contribution to economy/ society continues to be leading reason behind director willingness to serve on a board.



37. How do the following things influence your willingness to serve on a Board?
Base: All respondents n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

DIRECTOR SENTIMENT INDEX

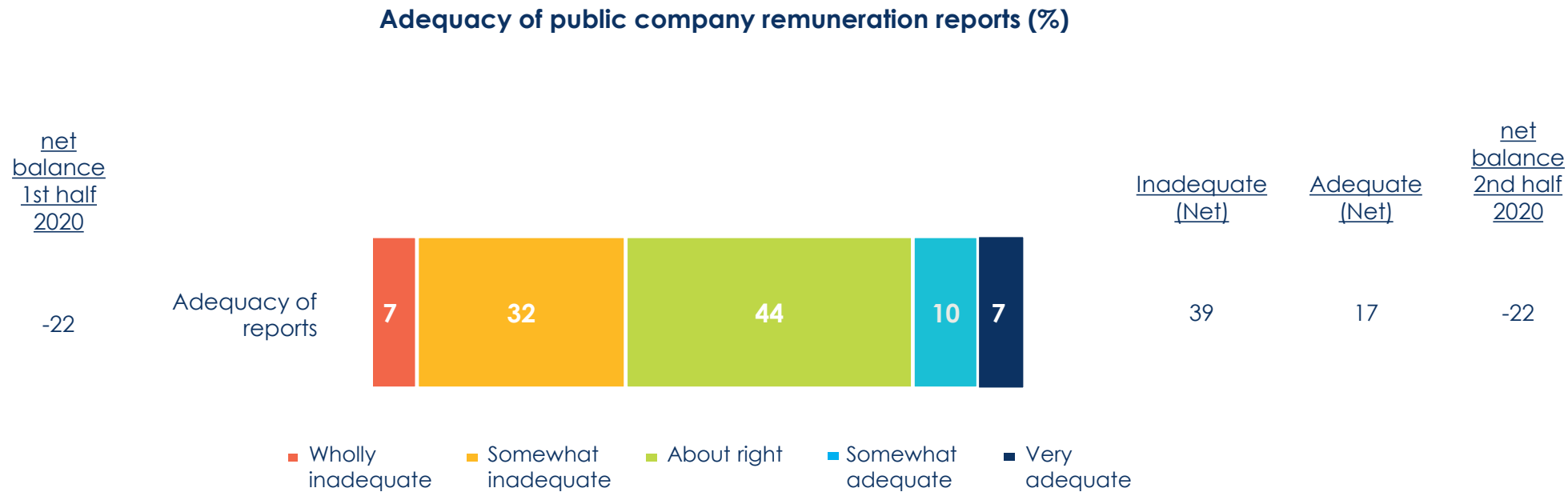
RESEARCH FINDINGS SECOND HALF 2020

Adequacy of public company remuneration reports

Director view on adequacy of public company remuneration reports remains negative.

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RESEARCH FINDINGS SECOND HALF 2020



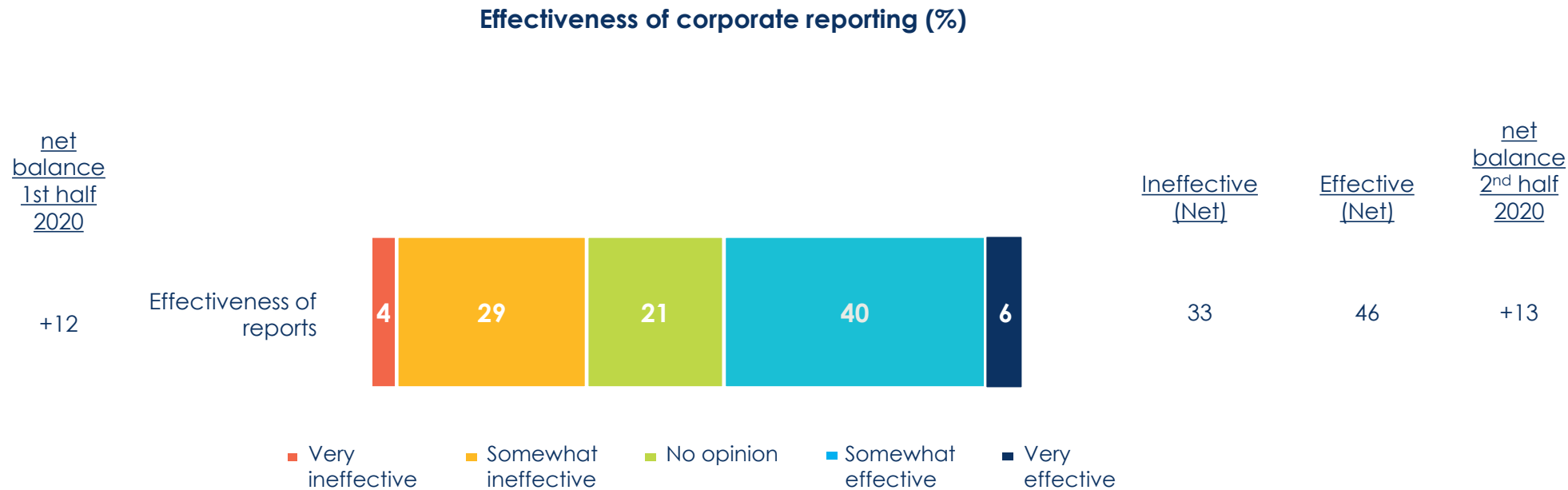
33. What is your view of the adequacy of public company remuneration reports?
Base: All respondents n=1777

Effectiveness of corporate reporting

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

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS SECOND HALF 2020



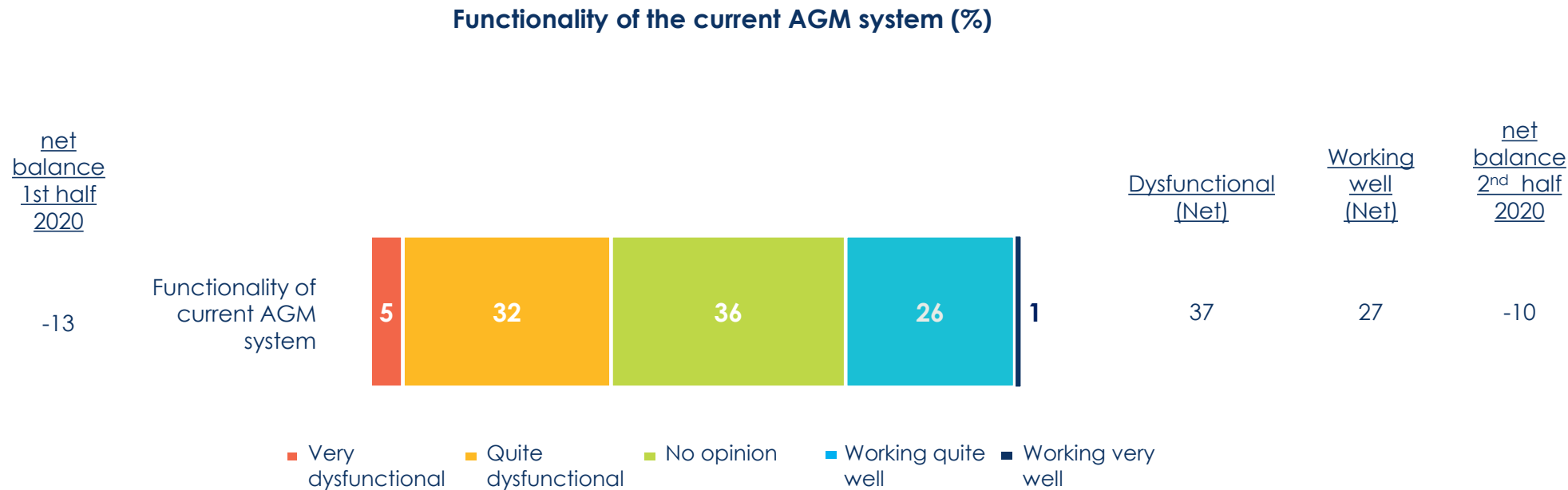
34. In your opinion, how would you rate the effectiveness of corporate reporting in Australia?
Base: All respondents n=1777

Current AGM system

37% of directors rate the current AGM system as dysfunctional.

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RESEARCH FINDINGS SECOND HALF 2020



35. In your opinion, is the current AGM system ... ?
Base: All respondents n= 1777

Sources used to receive stakeholder perspectives and considerations

Advice from CEO and senior management is the leading source to receive stakeholder perspectives and considerations, followed by board composition.

Sources used to receive stakeholder perspectives and considerations (%)

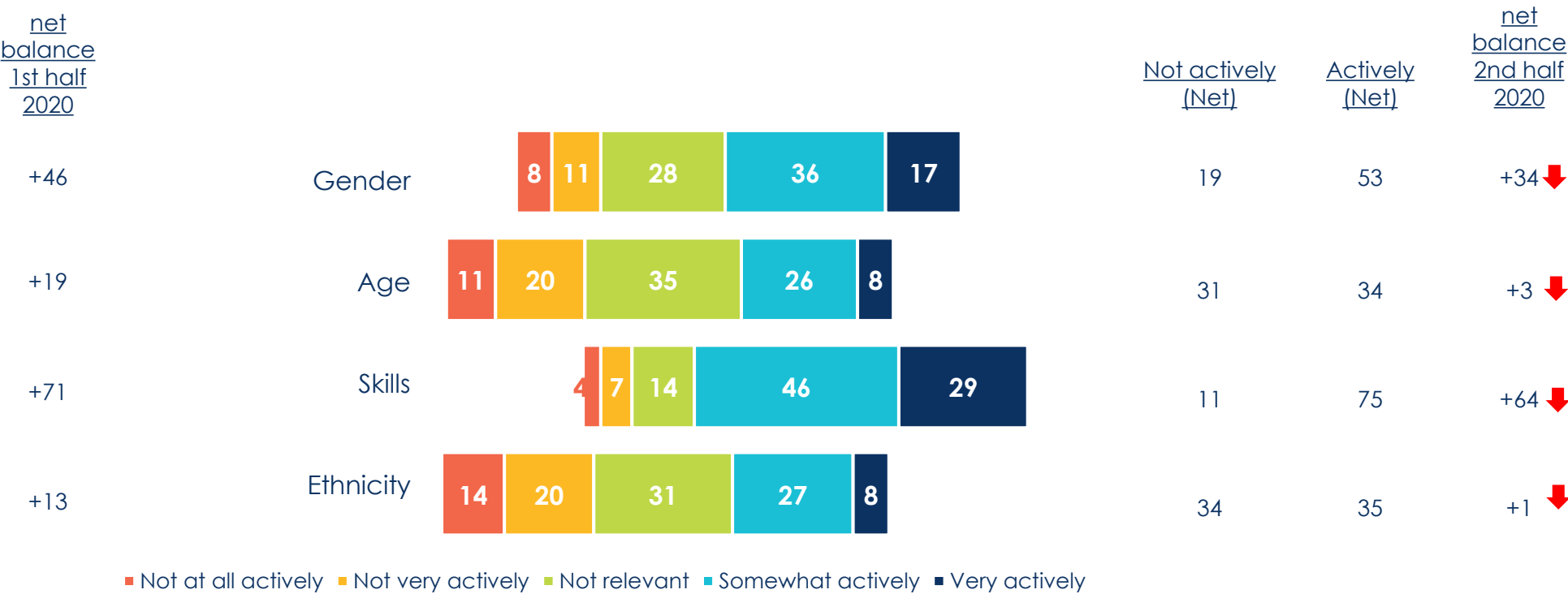


SR2: Which sources does your board use to receive stakeholder perspectives and considerations? Please select all that apply
Base: All respondents n= 1777

Board diversity: policy and efforts to increase

Boards are actively seeking diversity across gender and skills, however less so for age and ethnicity.

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=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Extent Board is trying to effect change in culture

A majority of directors feel the board is trying to effect some culture change in their organisation.

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

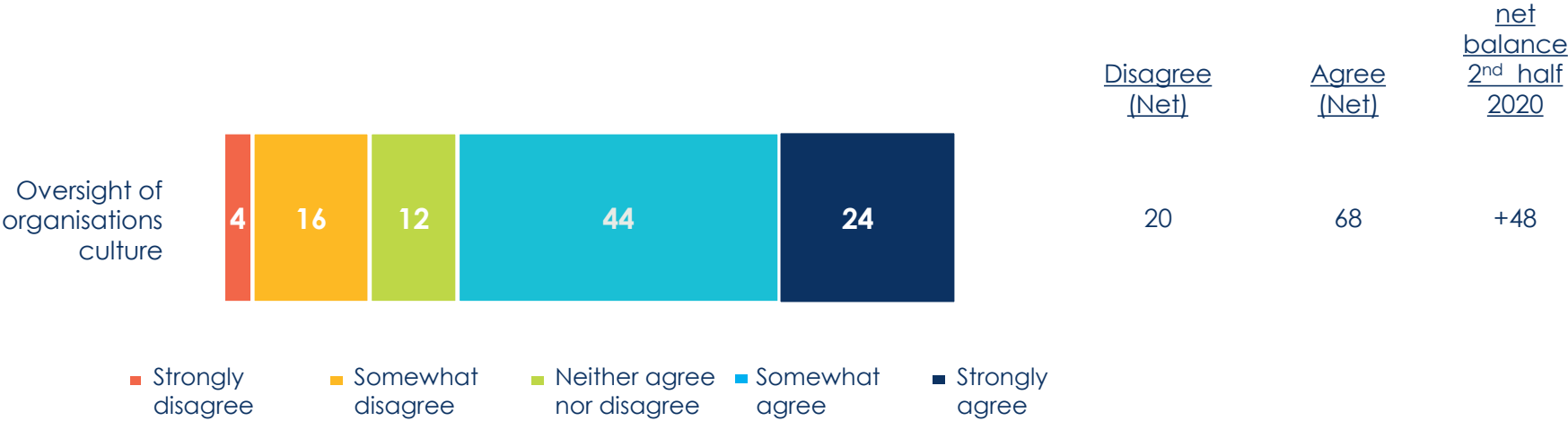


35. To what extent is your Board trying to effect change in culture within the organisation?
Base: All respondents n=1777

Oversight of Organisations Culture

Overall directors feel the board has sufficient oversight of the culture of the organisation.

Agreement “Our Board has sufficient oversight of the culture of our organisation” (%)



BD12. To what extent do you agree the with following statement “Our board has sufficient oversight of the culture of our organisation”?
Base: All respondents n= 1777

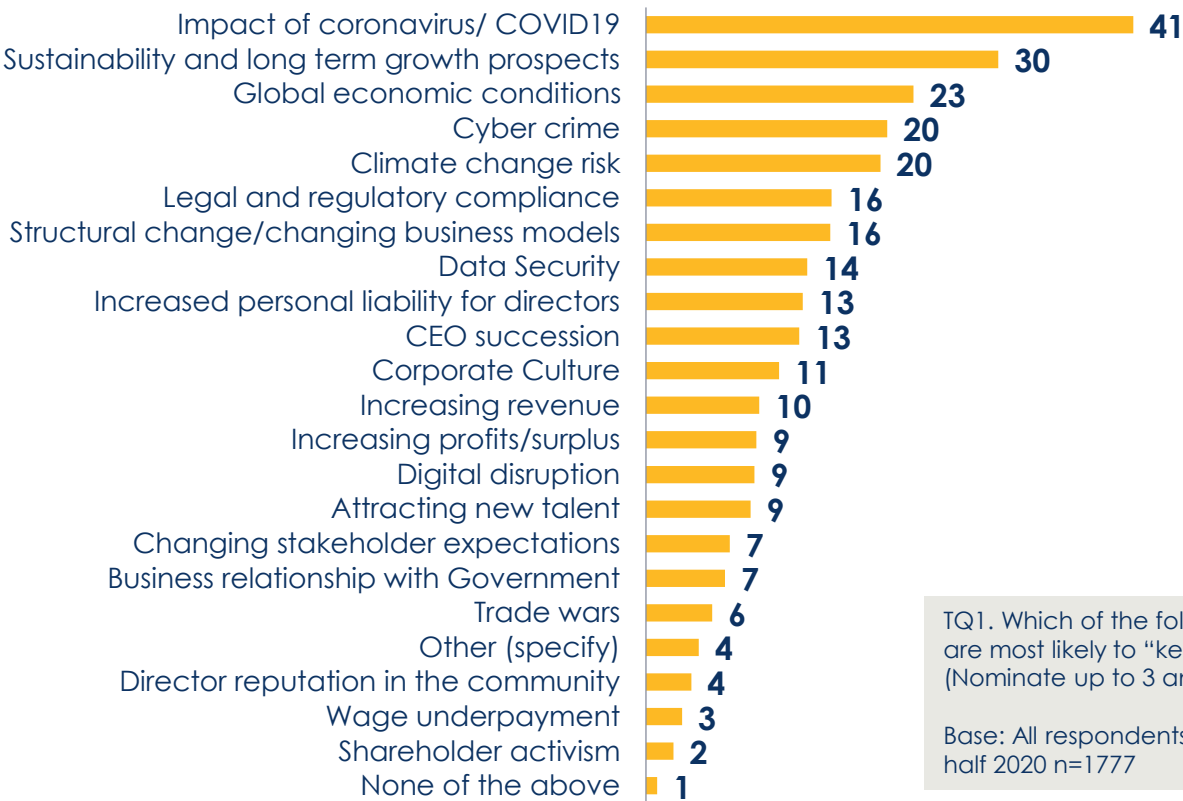
Topical Issues

Main issues “keeping you awake at night”

COVID-19 continues to be the leading issue keeping directors awake at night. This is followed by sustainability and long-term growth prospects and global economic conditions.

DIRECTOR SENTIMENT INDEX

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, 1st half of 2020 n=1014, 2nd half 2020 n=1777

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Total 1st half 2020	Total 2nd half 2020
68	41 ↓
25	30
30	23 ↓
15	20
20	20
14	16
13	16
16	14
10	13
10	13
12	11
10	10
7	9
8	9
8	9
6	7
6	7
2	6
3	4
3	4
3	3
2	2
1	1

RESEARCH FINDINGS SECOND HALF 2020

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

Effect of climate change

Directors continue to rate climate change as a material risk for their organisation.

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RESEARCH FINDINGS SECOND HALF 2020



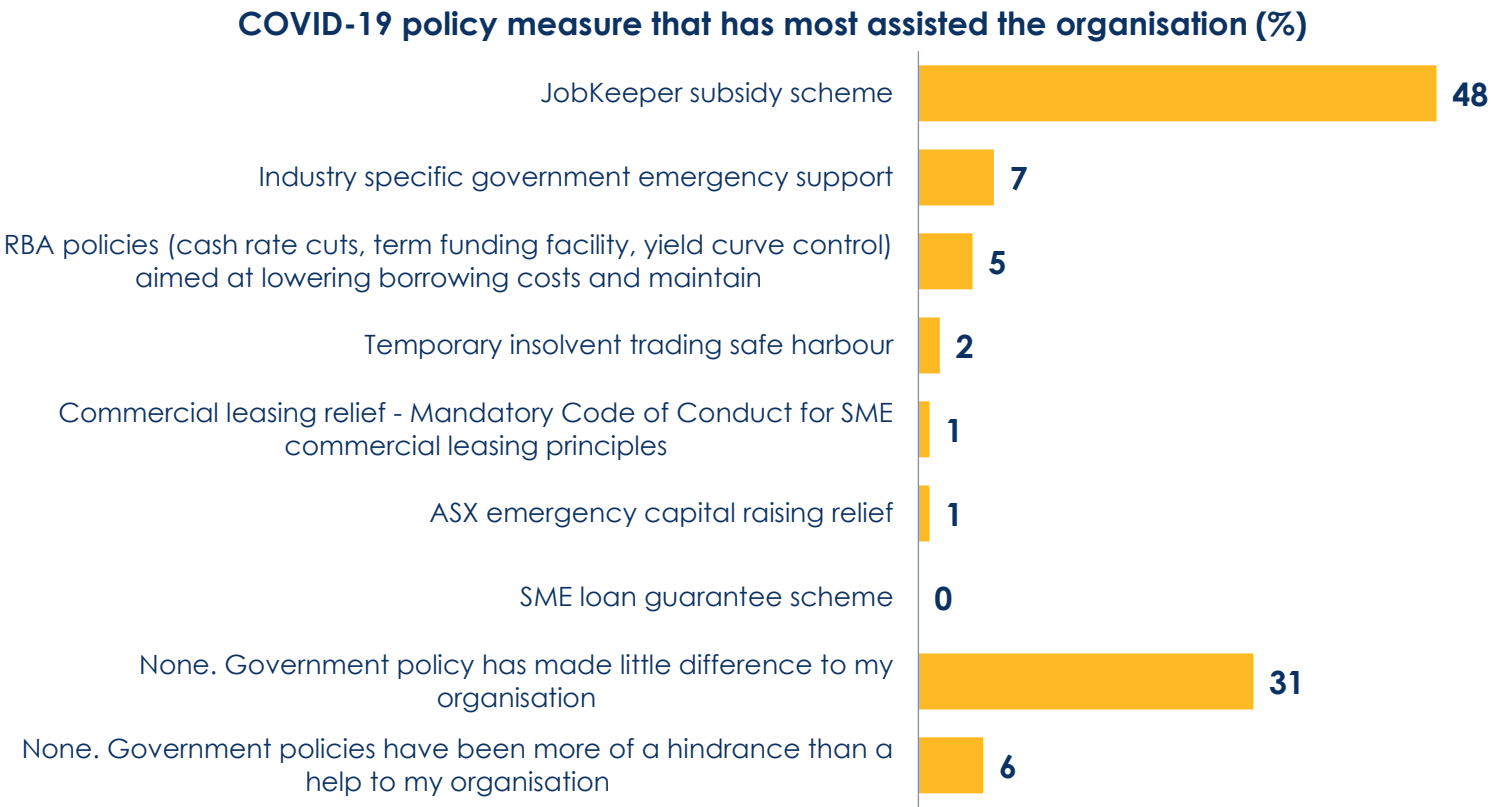
BD9. To what extent do you agree or disagree that 'Climate change is a material risk for my organisation'?
Base: All respondents n=1777

COVID-19 policy measure that has most assisted the organisation

Nearly half the directors stated that the JobKeeper subsidy assisted their organisation most. Nearly a third stated Government policy had little impact on their organisation.

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RESEARCH FINDINGS SECOND HALF 2020

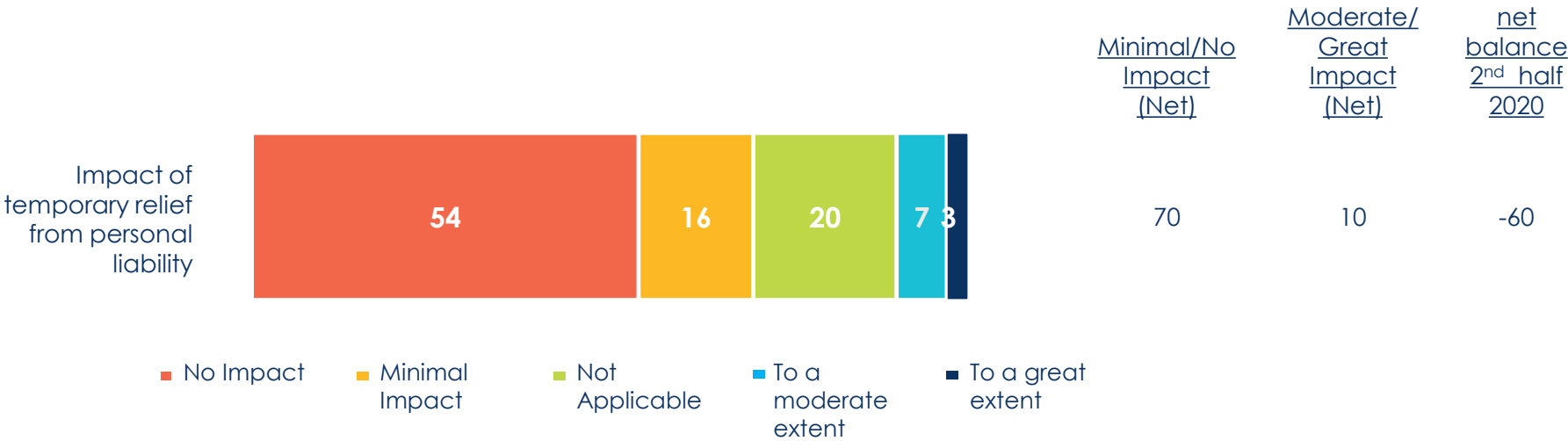


CVD1: To date, which COVID-19 policy measure has most assisted your organisation? Please select one answer only
Base: All respondents n= 1777

Impact of temporary relief from personal liability

70% of directors stated that temporary relief from personal liability for trading while insolvent had little or no impact on board decisions to continue trading during COVID-19.

Impact of temporary relief from personal liability for trading while insolvent influencing boards decision making on whether to continue trading through COVID-19 (%)



'CVD2: To what extent has the temporary relief for directors from personal liability for trading while insolvent, legislated in response to COVID-19, influenced your board's decision-making on whether to continue trading through?
Base: All respondents n= 1777

Board concern over assessment due to impact of COVID 19

Nearly a third of directors (31%) stated concern about making going concern or solvency assessments due to impact of COVID 19.

Extent of board concern about making going concern or solvency assessments due to the impact of COVID-19 on your business (%)



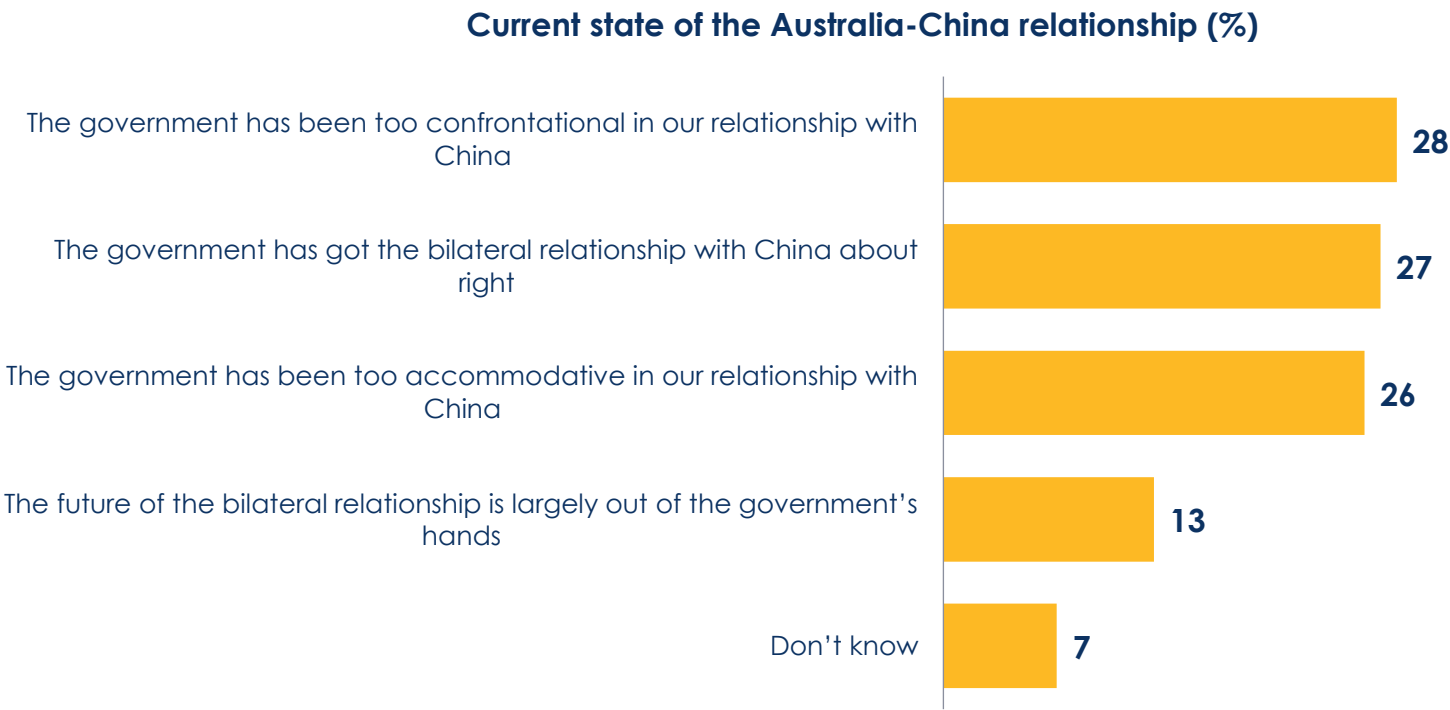
CVD3: To what extent is your board concerned about making going concern or solvency assessments due to the impact of COVID-19 on your business?
Base: All respondents n=1777

Australia-China Relations

Directors are evenly distributed in assessment of the Australian – Chinese relationship, with even levels feeling the relationship has been too confrontational, to accommodative and about right.

DIRECTOR SENTIMENT INDEX











RESEARCH FINDINGS SECOND HALF 2020





ACR1: Australia-China relations have been in the news recently. In terms of the current state of the bilateral relationship, do you think that:
Base: All respondents n= 1777











Summary of Key Indicators


Summary of key indicators (1/6)

Indicator (expected change in coming 12 months)	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Economic conditions			
Health of the Australian economy	Weak/strong	-62 	-83
Health of the Asian economy	Weak/strong	-28 	-64
Health of the Chinese economy	Weak/strong	+7 	-46
Health of the European economy	Weak/strong	-78 	-90
Health of the US economy	Weak/strong	-60	-65
Inflation rate (Australia)	Lower/higher	-16 	-27
Exchange rate (value of AUD versus USD)	Lower/higher	+11 	-52
RBA cash rate	Lower/higher	-22 	-57
Level of wages growth	Lower/higher	-49 	-59
Unemployment rate	Lower/higher	+11 	+50
Expected change in ASX All Ordinaries index	Fall/rise	-5 	-35

 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

Summary of key indicators (2/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Economic conditions			
Growth of primary directorship business	Weak/strong	+14 	-39
Change in business investment levels	Decrease/increase	-3 	-43
Change in business staffing levels/labour demand	Decrease/increase	-7 	-45
Change in level of business exports	Decrease/increase	-14 	-34
Change in level of outsourcing	Decrease/increase	+1 	-11
Expectations of profits for Jul- Dec 20 actual versus forecast*	Below/up	-16 	-51
Expectations of profits for Jan- Jul 21 actual versus forecast*	Below/up	-4 	-40
Confidence in general business outlook*	Pessimistic/opt	-24 	-65
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	+5 	-38
Expected change in level of mergers and acquisitions	Fall/rise	+71 	+26
Infrastructure			
Perception of level of government spending on infrastructure*	Low/high	-64	-67







 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level



Summary of key indicators (3/6)

Indicator	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Taxation			
Perception of current level of corporate taxation	High/low	-37 ↑	-47
Perception of current level of personal taxation	High/low	-60 ↑	-67
Expected change in level of 'red-tape' in coming 12 months	Increase/decrease	-1	-7
Impact of 'red-tape' on preparing/ paying taxes	High impact/low impact	-24 ↑	-40
Impact of 'red-tape' on workplace health/safety	High impact/low impact	-34 ↑	-42
Impact of 'red-tape' on workplace flexibility	High impact/low impact	-22 ↑	-27
Impact of 'red-tape' on employing new workers	High impact/low impact	-16 ↑	-30
Impact of 'red-tape' on corporate reporting requirements	High impact/low impact	-43 ↑	-52
Impact of 'red-tape' on environmental compliance	High impact/low impact	-3 ↑	-16
Impact of 'red-tape' on investing in capital assets	High impact/low impact	+4 ↑	-6



↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2020 @ 95% confidence level



Summary of key indicators (4/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Tax, credit, M&A			
Credit availability for investment purposes	Constrained/available	+8 	-25
Credit availability for asset purchases	Constrained/available	+16 	-17
Credit availability for working capital	Constrained/available	+5 	-23
Public Policy			
Quality of current Public Policy debate in Australia*	Poor/good	-73	-76
Regulation, legal issues, reporting			
Agreement with 'Federal Government understands business'*	Disagree/agree	+10 	-5
Regulation, legal issues			
How is the current Federal Government's performance affecting your business decision making?*	Negatively/positively	-1 	-32
How is the current Federal Government's performance affecting consumer confidence?*	Negatively/positively	+3 	-50

 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

Summary of key indicators (5/6)

Indicator	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Regulation, legal issues			
Perception of governance regulations	Onerous/weak	-44 	-51
Extent legislation on directors affect your business decision-making	Negatively/positively	-20	-25
Extent legislation on directors affect your willingness to continue on a board	Negatively/positively	-31	-37
Extent legislation on directors affect your willingness to accept new board appointments	Negatively/positively	-42 	-48
Risk-averse decision-making culture on Australian boards	Disagree/agree	+61	+63
Adequacy of public company remuneration reports	Inadequate/adequate	-22	-22
Effectiveness of corporate reporting	Ineffective/effective	+13	12
Functionality of current AGM system	Dysfunctional/functional	-10	-13

 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

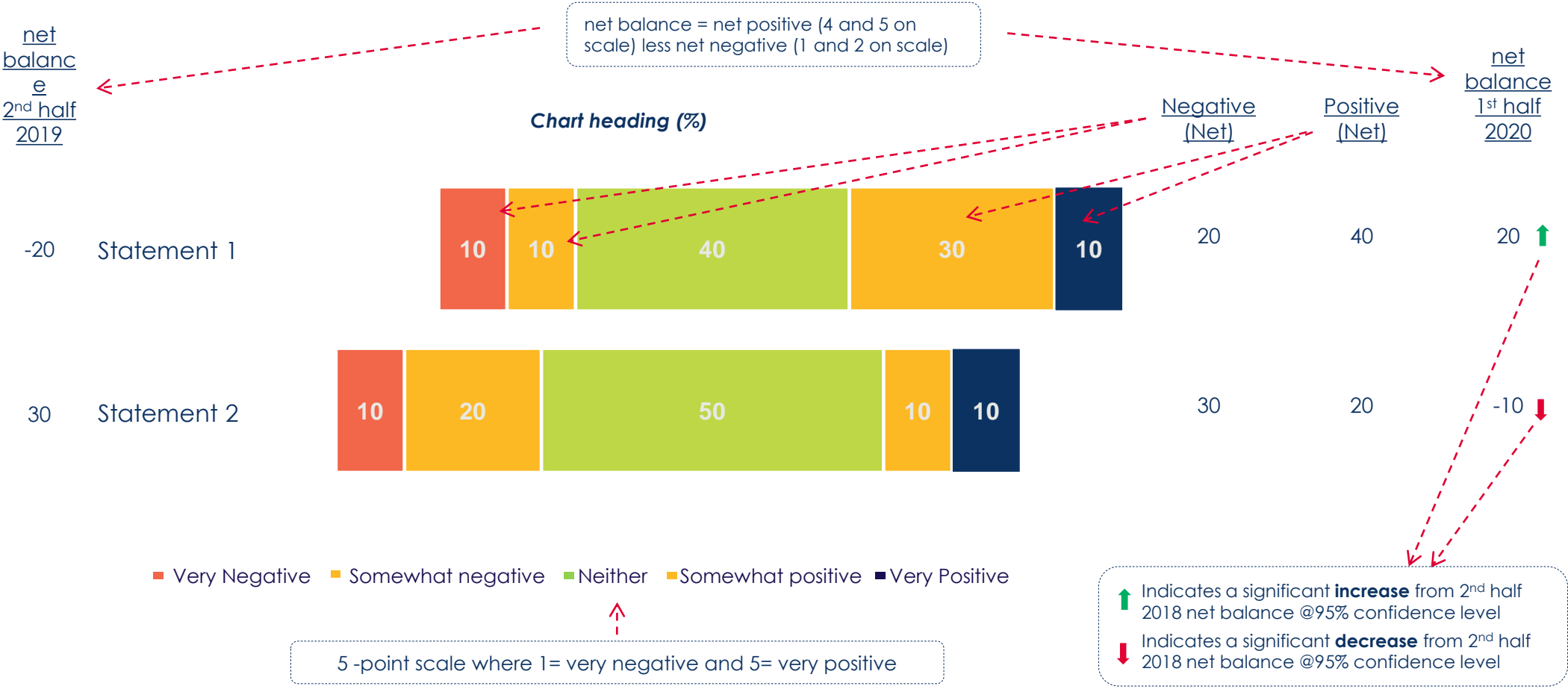
Summary of key indicators (6/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	2 nd half 2020 net balance	1 st half 2020 net balance
Board diversity			
Board actively seeking to increase diversity of gender on board	Not actively/actively	+34 ↓	+46
Board actively seeking to increase diversity of age on board	Not actively/actively	+3 ↓	+19
Board actively seeking to increase diversity of skills on board	Not actively/actively	+64 ↓	+71
Board actively seeking to increase diversity of ethnicity on board	Not actively/actively	+1 ↓	+13
Impact of directors' liability on willingness to serve on a board	Negatively/positively	-51 ↑	-58
Impact of compliance requirements on willingness to serve on a board	Negatively/positively	-40	-45
Impact of remuneration on willingness to serve on a board	Negatively/positively	0 ↑	-11
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	-15	-18

↑ Significantly higher vs. 1st half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 1st half 2020 @ 95% confidence level

Explanations of charts – example only

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS SECOND HALF 2020

Total number of respondents that answered the question

Question number: Question text

Base: All respondents n=xxx



QUESTIONS



THANK YOU