



Director Sentiment Index: Research Findings First Half 2021

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First half 2021 sample profile

RESEARCH FINDINGS FIRST HALF 2021

Members of the Australian Institute of Company Directors were invited to take part in the survey between 31 March – 14 April 2021. A total of 1,589 members responded. Results were weighted by gender to reflect the profile of the AICD member base.

No. of current directorships	%
1	33 (34)
2	28 (29)
3 or more	38 (36)
Prefer not to say	1 (1)

Positions held on board(s)	%
Executive Director	36 (37)
Non-Executive Director	67 (65)
Chairman	35 (33)
Other	7 (7)
Prefer not to say	2 (2)

Gender	%
Male	70 (70)
Female	29 (30)
Other	0
Prefer not to say	1 (1)

Primary directorship company	%
Publicly listed Australian entity	11 (9)
Private/non-listed Australian entity	44 (44)
Not-for profit entity	32 (34)
Public sector/ government body	7 (7)
Overseas entity	5 (3)

Primary directorship based	%
NSW	31 (28)
VIC	27 (30)
QLD	15 (15)
WA	10 (8)
SA/NT	7 (7)
TAS	3 (3)
ACT	3 (3)
Overseas	4 (3)

(x) = 2st half 2020 results (15-29 September 2020)

S1 - S5, S8

Base: All respondents n=1589

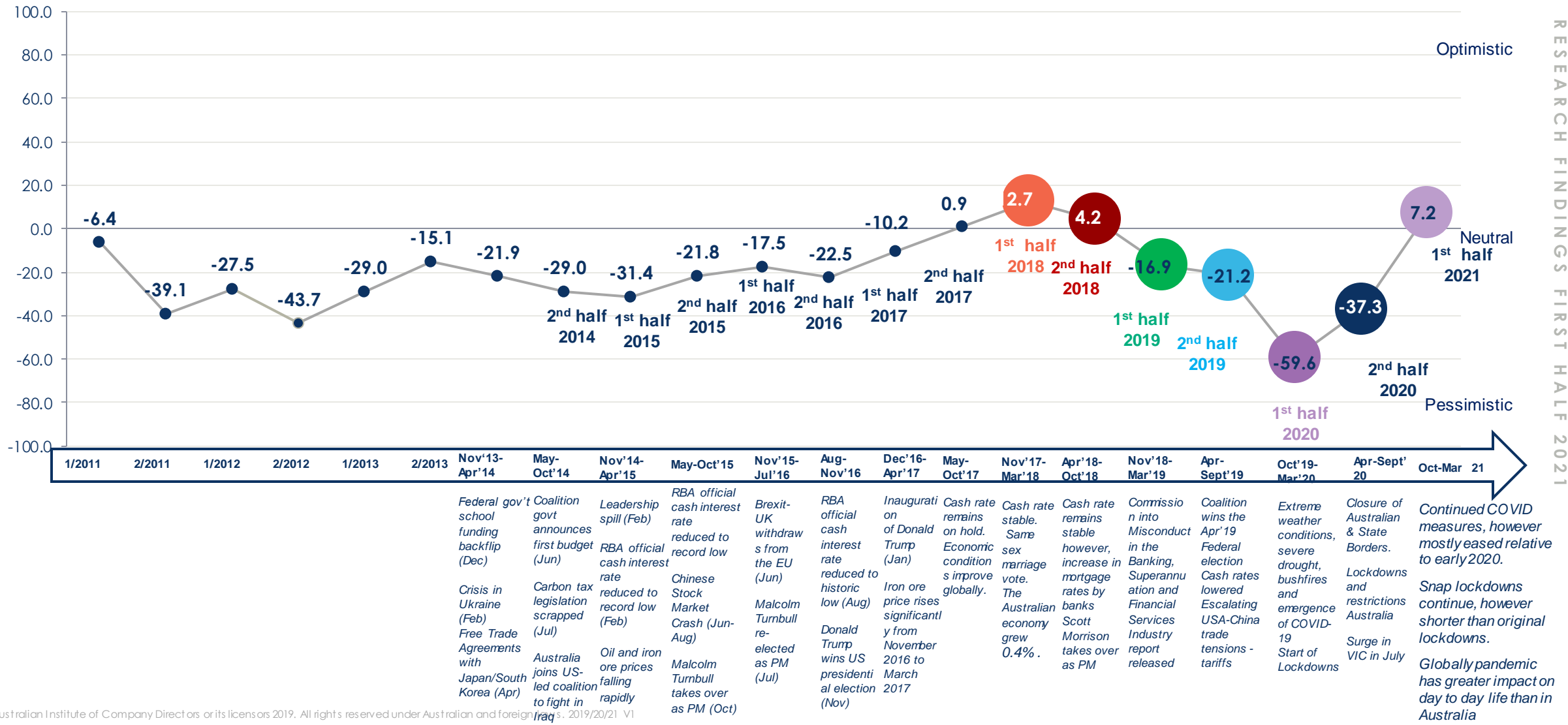
Primary directorship business sector(s)	%
Health and Community Services	24 (23)
Finance and Insurance	14 (14)
Property and Business Services	9 (8)
Education	8 (10)
Agriculture, Forestry and Fishing	5 (4)
Mining	5 (5)
Manufacturing	7 (6)
Construction	4 (4)
Energy	3 (3)
Personal and Other Services	2 (3)
Cultural and Entertainment industry	3 (3)
Government Administration and Defence	3 (3)
Transport and Storage	3 (3)
Wholesale Trade	3 (3)
Retail Trade	4 (2)
Accommodation, Cafes and Restaurants	2 (2)
Communication Services	2 (2)

NB: Profile data is unweighted.

Director Sentiment Index

Overall Director Sentiment Index

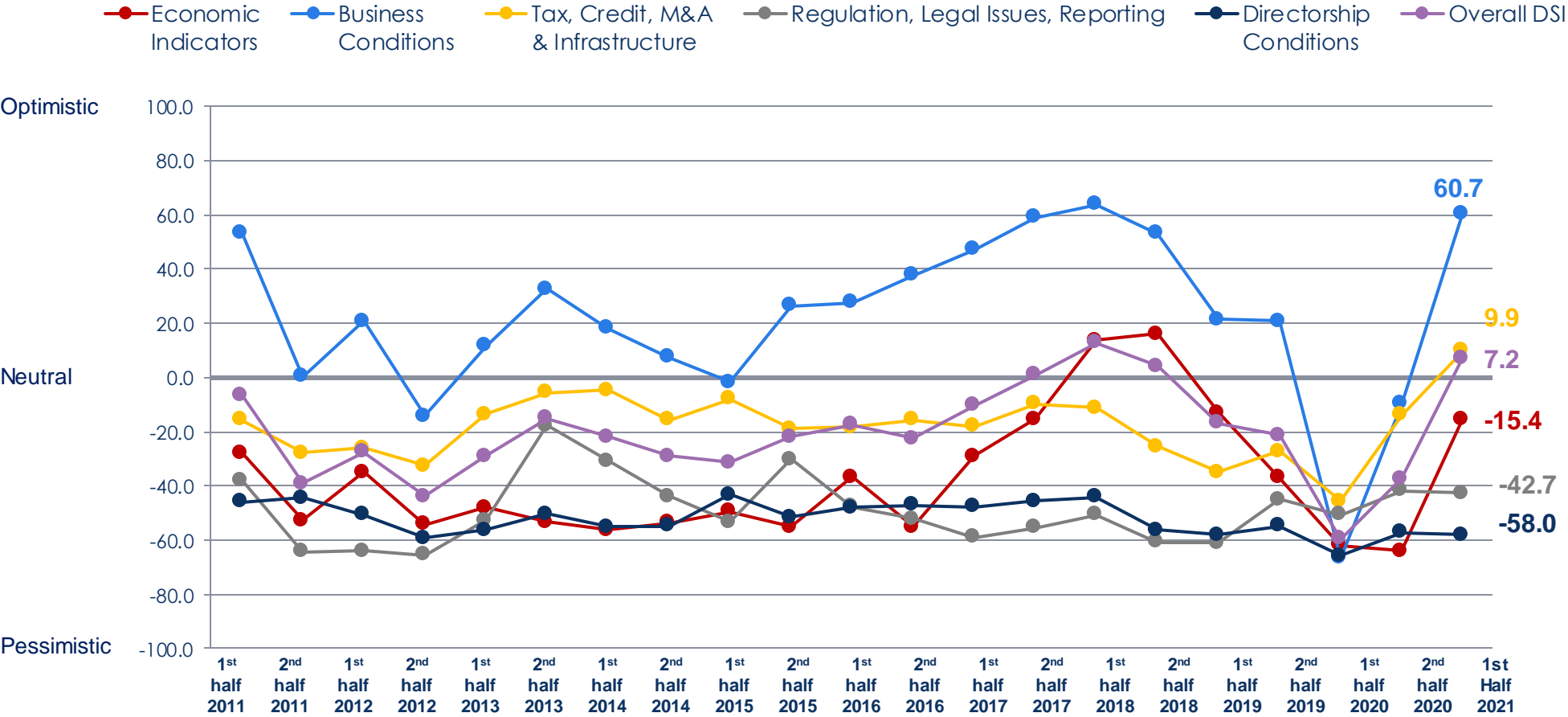
Recovery of Sentiment continues, with overall sentiment sitting in the net positive space for the first time since late 2018. Whilst the pandemic continues to impact elements of day to day life, overall positive performance of Australia vs. other countries helps to bolster positive sentiment.



Overall Director Sentiment Index by segment

The recovery of sentiment is driven largely by uplifts in Business Conditions (a trend started in the 2nd half of 2020) and strengthening of Economic indicators as well as Tax, Credit, M&A & Infrastructure. Directorship conditions and Regulation, Legal Issues, Reporting remain negative with no overall movement.

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS FIRST HALF 2021

Executive Summary

EXECUTIVE SUMMARY

RESEARCH FINDINGS FIRST HALF 2021

Economic and Market Outlook

Health of economies

- A year into COVID-19, and with vaccination programs and economic recovery plans in sight, directors' views of global economies are starting to return to a more positive outlook, with expectations of the Australian, Asian, Chinese, European and US economies all more positive than seen in late 2019.
- Outlook for the European economy is currently still low and in the net negative space, potentially due to challenges in implementing vaccine roll out and consistent containment processes. However, outlook is still up vs. expectations seen in the second half of 2020
- Expectation of the US and Asian economies are looking more positive, however positive expectations are strongest for China, followed by Australia.
- Directors across all states are more positive about both current and future economic outlook than registered in the second half of 2020. Directors in WA are most positive about the economic outlook of their state in the next 12 months with a net balance of +80 followed by NSW. QLD is currently the most pessimistic (this may be linked to March cluster shortly before fieldwork period).

Economic indicators

- Economic indicators see more positive rating for first half of 2021 compared to second half of 2020 of COVID-19.
- Expectations around Inflation rate in Australia raises from a net balance of – 16 to +42 and net balance of expectations of RBA official cash interest rate raise from -22 to +22
- After 2 years of pessimistic sentiment regarding the ASX All Ordinaries, expectations for the Index to rise in the next 12 months has increased to +41, the highest sentiment since late 2013.

Economic challenges

- While there is a positive outlook among directors, COVID-19 remains the main economic challenge currently facing Australian business, with 41% listing the pandemic as a key challenge, followed by concerns around global economic uncertainty (31%) and climate change (25%).

Business Forecast

RESEARCH FINDINGS FIRST HALF 2021

- In line with the positive Economic and Market outlook, there is a positive shift for Business growth, both current (moving from net balance -37 to +10) and next 12 months, with expectations of expansion increasing from net balance +14 to +52.

- Expectations of changes in business also see greater positivity, with expectations of increase for investment levels, staffing levels/labour demand, business exports, levels of outsourcing and wages.

- Expectations of profits for the current six months (Jan-Jul'21) compared to profits for the previous six months (Jul-Dec'20) and the budget forecast for the current six months (Jan-Jul'20) improve to see net positive balance (from -18 to +14 and from -16% to +18%) indicating economic recovery after initial impact of COVID-19.

- Expectations of actual profits for the second half of this financial year (Jan-Jun 21) also see improvement, in the net positive territory relative to the profits for the current 6 months (Jan-Jun-21) and budget forecast for the first half of the FY (Jul to Dec 21).

- Confidence in business outlook has returned, with net balance of + 38 (vs. previous net balance of -24) for general business outlook. Confidence has also strengthened for business sectors, with net +44 of directors feeling optimistic about the business outlook for their own sector.

Government Policy

- Directors have experienced increase in credit availability in H1 2021 across Investment purposes, Asset Purchases and Working Capital Purposes. Expectations of credit availability in the future have also increased, with Directors expecting freer availability in the next 12 months.

Government Policy (cont.)

Public policy

- Perception of current quality of public policy debate continues with just 5% of directors rating the quality of the debate as good..
- Regarding support for climate change policies, a majority of directors support shifting general focus of policy towards building national adaptability/ resilience to climate change (with net +66 support), Price on carbon via a carbon tax sees least support (with net balance of +6).

Performance & business understanding

- Currently directors feel less positive about the overall impact of the current federal Government's impact on both business decision making and consumer confidence, with both sitting in net negative space (-17 and -16 respectively).
- Directors are also less positive regarding perceptions that the current federal government understands business, with net -4 agreement with this statement, vs net +10% seen in the second half of 2020.

Director liability

- The impact of director's liability on business decision making,

willingness to continue on a board and willingness to accept new board appointments remains negative and in line with levels seen in second half 2020.

- Directors also continue to see a risk averse decision-making culture on Australian boards, with net score of +62 agreement with this statement. Excessive focus on compliance over performance remains the key reason (29%).

Board diversity

- There is an increase in directors saying their board is actively seeking to increase diversity cross all areas.
- 63% of directors also see active attempts to increase diversity in Digital literacy/ technology.

Corporate culture

- There is a sense that boards are trying to effect culture change within their organisation, with only 88% of directors identifying some or substantial effort.
- 69% of directors feel their board has sufficient oversight of the culture of their organisation, vs. 20% disagreeing with this statement.

EXECUTIVE SUMMARY

Topical Issues

RESEARCH FINDINGS FIRST HALF 2021

Director issues

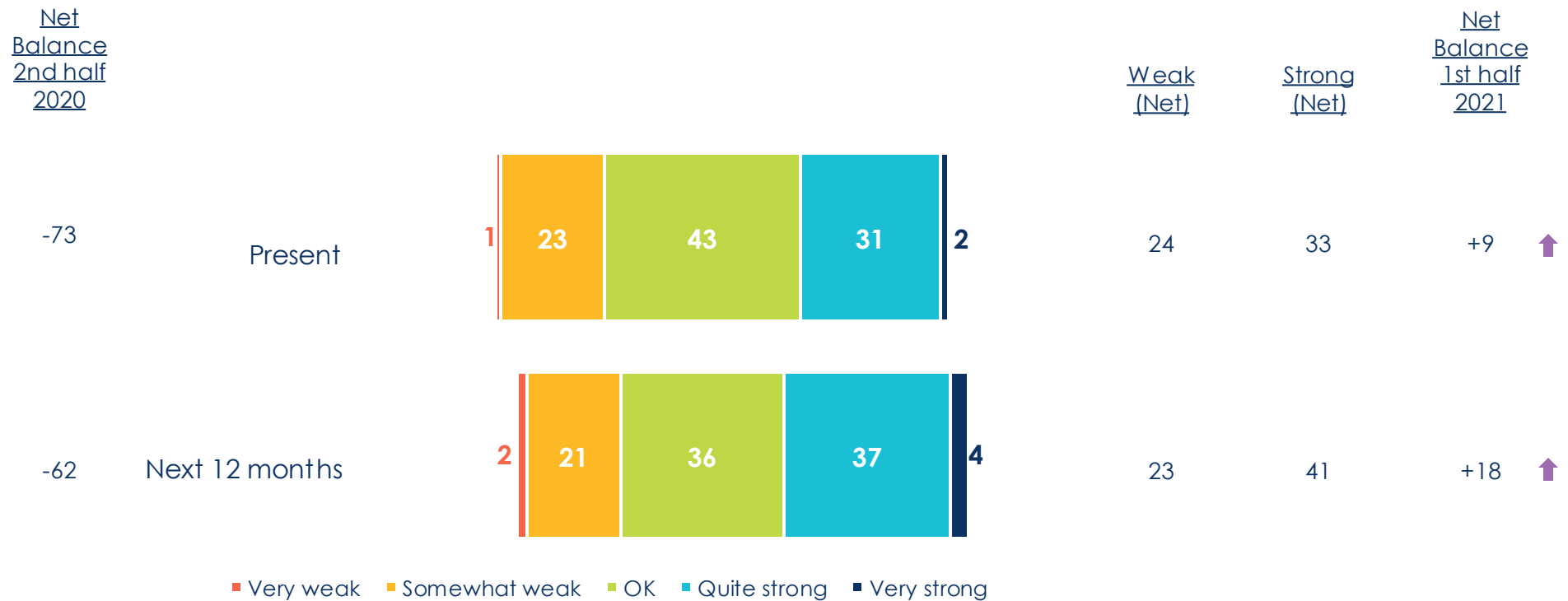
- While the impact of Coronavirus/ COVID 19 continues to be a top 3 issue keeping directors “awake at night” (with 24% selecting this issue), it is no longer the stand out issue, with sustainability and long term growth prospects coming in as leading issue at 26% and cyber crime joint second with COVID-19 at 24%.
- Climate change is seen to be a material risk for organisations, with 52% of Directors agreeing with this statement vs. 26% disagreeing.

Economic Outlook and Challenges

Health of the Australian economy

After a year of COVID-19, the assessment of the current health of the Australian economy is moving into a positive space, as is outlook of the economy over the next 12 months - potentially bolstered by Australia's performance containing outbreaks vs. other countries,

Assessment of the health of the Australian economy (%)



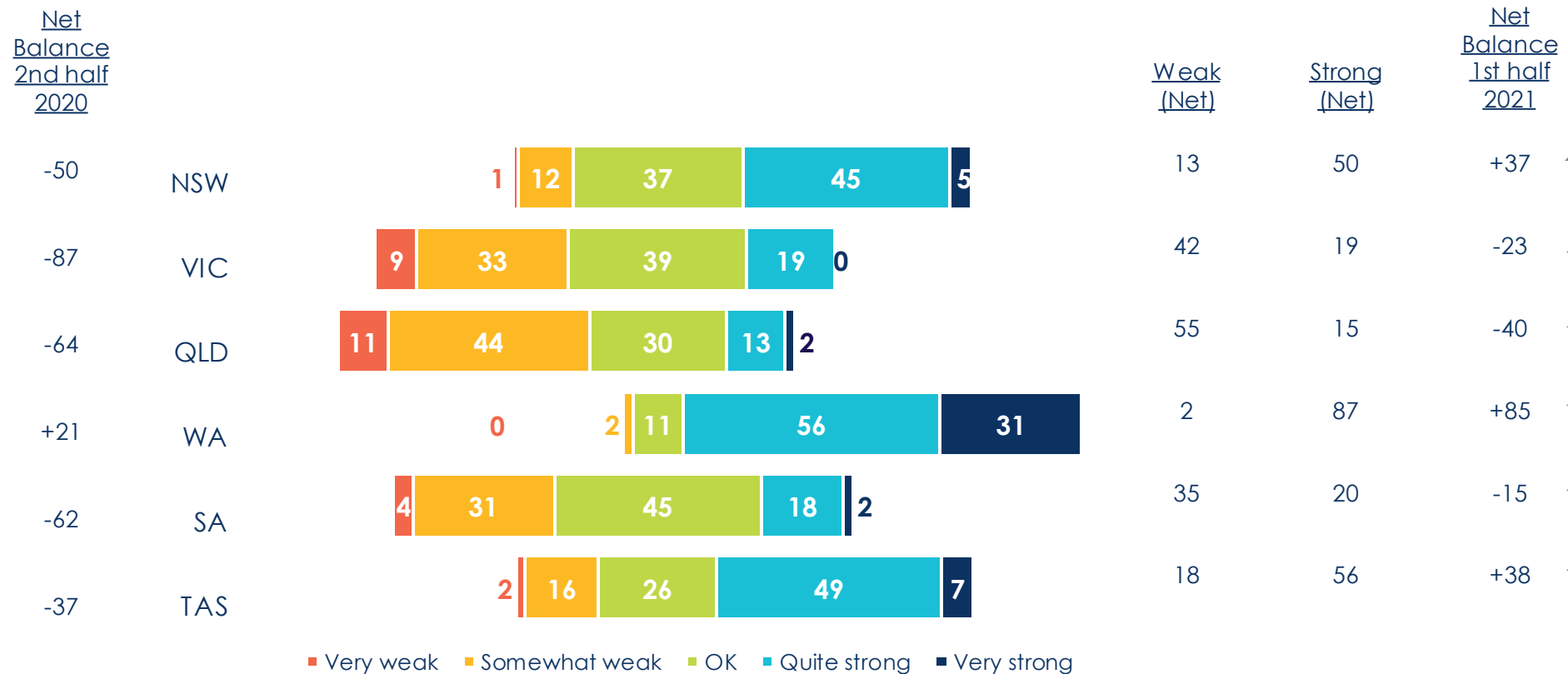
1. What is your assessment of the health of the Australian economy?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the State/Territory economies - now

Every state has seen an increase in the assessment of current health vs. second half of 2020. WA leads with the strongest assessment, followed by Tasmania and NSW. VIC, QLD and SA are still in negative territory, however sentiment is still more positive than late 2020.

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



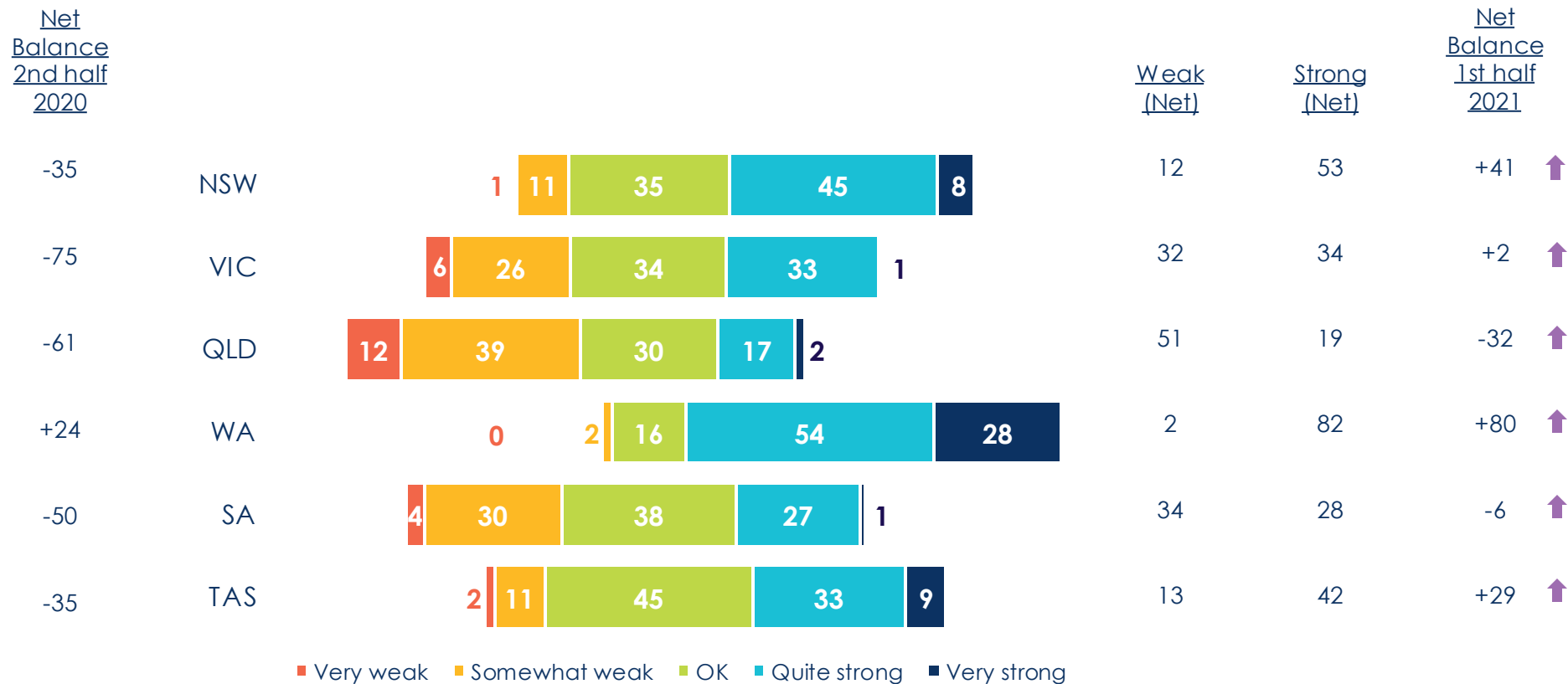
2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?
Base: NSW/VIC/QLD/WA/SA/TAS n=499/425/233/164/92/45

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the State/Territory economies – next 12 months

Likewise outlook for state/ territory economy in the next 12 months is more positive across the board than levels seen in late 2020. Only QLD and SA remain net negative fo.

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



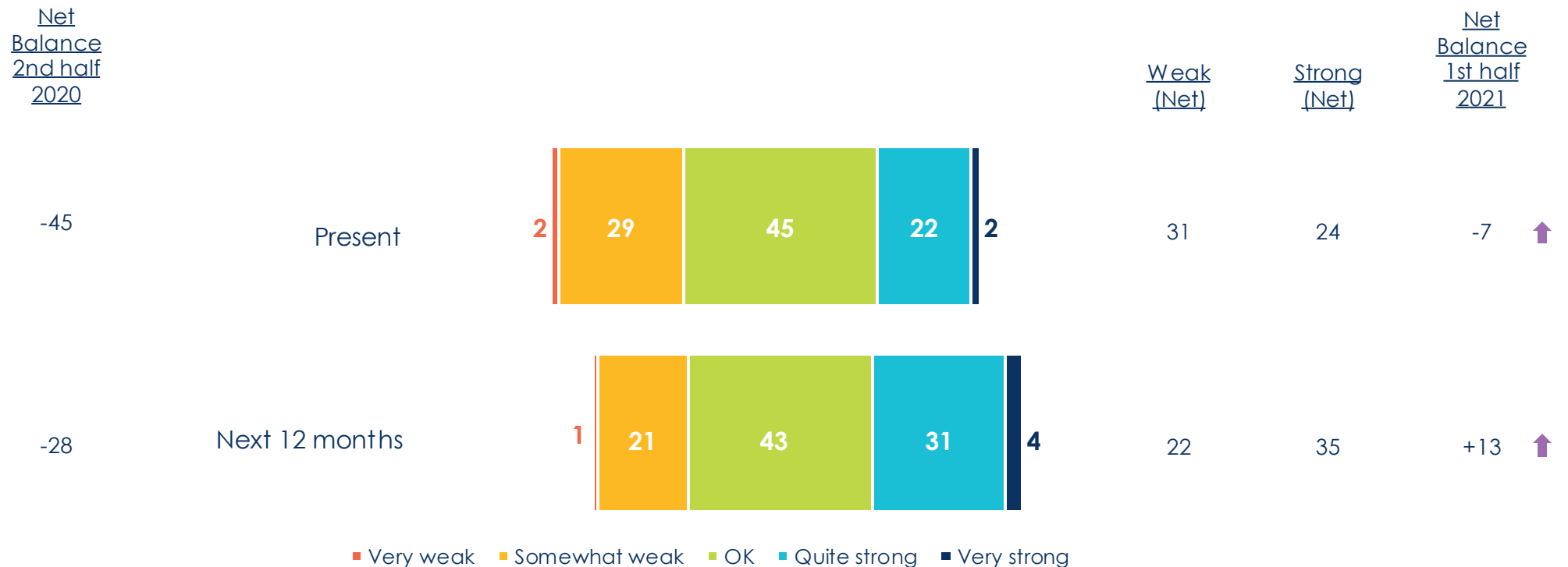
2. What is your assessment of the health of your State/Territory economy (where your primary directorship is based)?
 Base: NSW/VIC/QLD/WA/SA/TAS n=499/425/233/164/92/45

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the Asian economy

As with the Australian economy, assessment of the Asian economy is more positive than previously. While current assessment remains in negative territory this is significantly stronger than in the second half of 2020. The outlook for the next 12 months is net positive.

Assessment of the health of the Asian economy (%)



3. What is your assessment of the health of the Asian economy?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the Chinese economy

Looking at the Chinese economy specifically, directors have a positive assessment of both current and future conditions.

Assessment of the health of the Chinese economy (%)

Net
Balance
2nd half
2020

-11

Present

1



Weak
(Net)

14

Strong
(Net)

50

Net
Balance
1st half
2021

+36



+7

Next 12 months

1



11

55

+44



■ Very weak ■ Somewhat weak ■ OK ■ Quite strong ■ Very strong

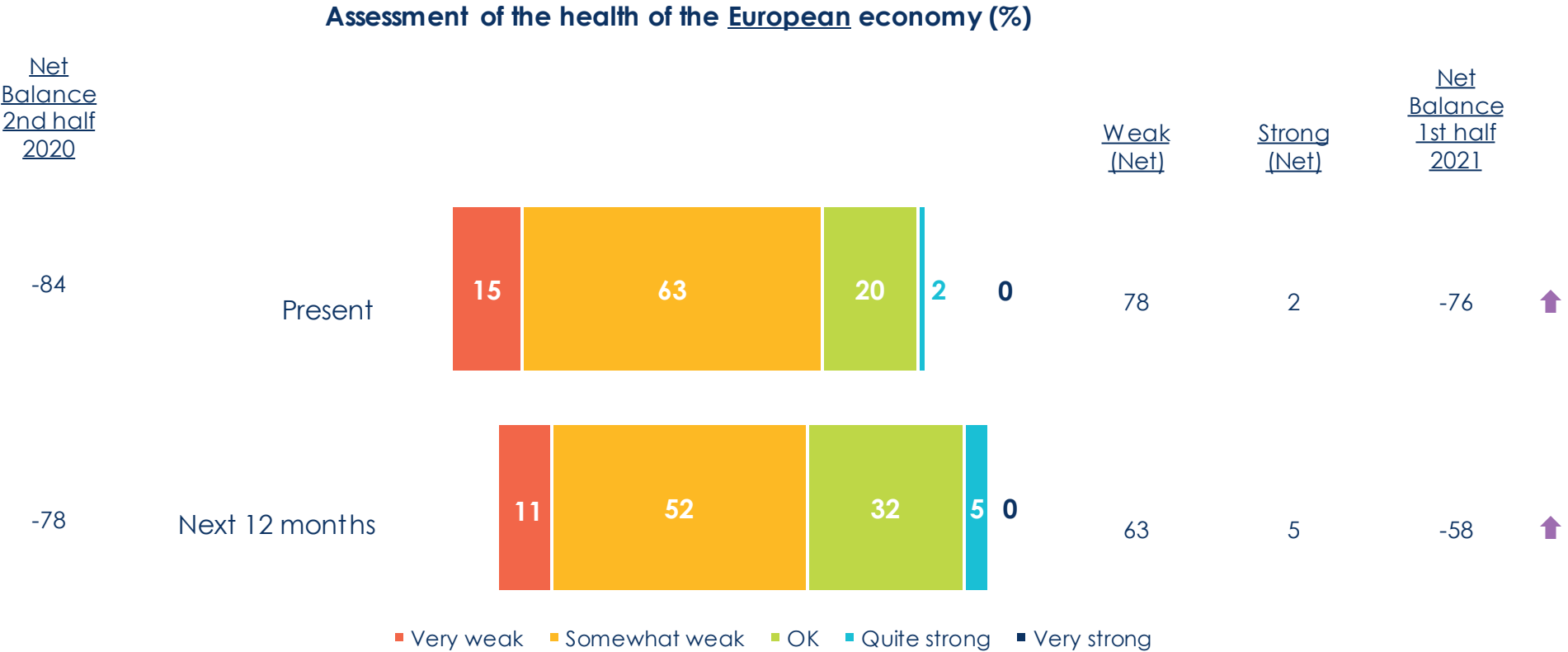
4. What is your assessment of the health of the Chinese economy?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the European economy

Assessment of the European economy at present and over next 12 months looks more positive than in second half of 2020, however both remain negative likely due to continued issues controlling outbreaks impacting economic recovery.

DIRECTOR SENTIMENT INDEX



RESEARCH FINDINGS FIRST HALF 2021

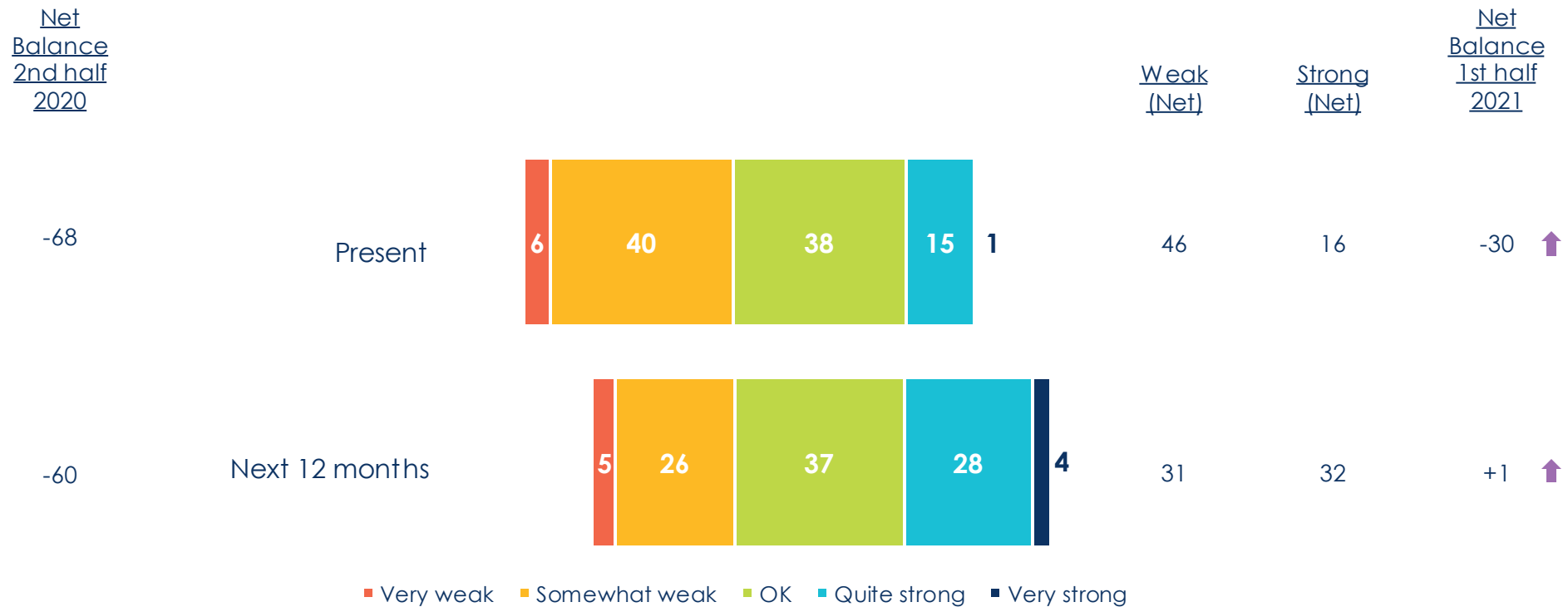
5. What is your assessment of the health of the European economy?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Health of the US economy

Current assessment of the US economy at present is stronger than the second half of 2020, however remains negative overall. Sentiment regarding the health of the economy over the next year is neutral, a significant improvement, potentially as a result of a change in administration and initiatives aimed at controlling COVID-19.

Assessment of the health of the US economy (%)



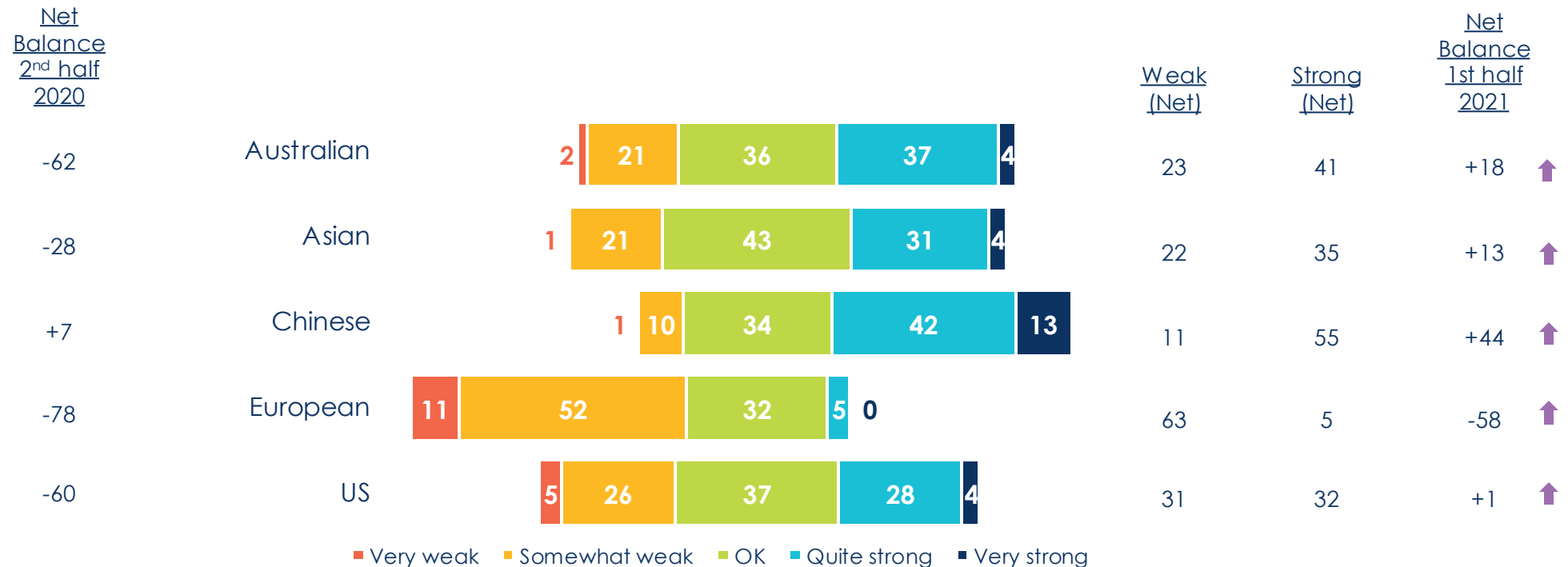
6. What is your assessment of the health of the US economy?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd 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, suggesting optimism is rising as governments look to control outbreaks and roll out plans for economic recovery. Outlook is currently weakest for the European economy.

Next 12 months health of economies (%)

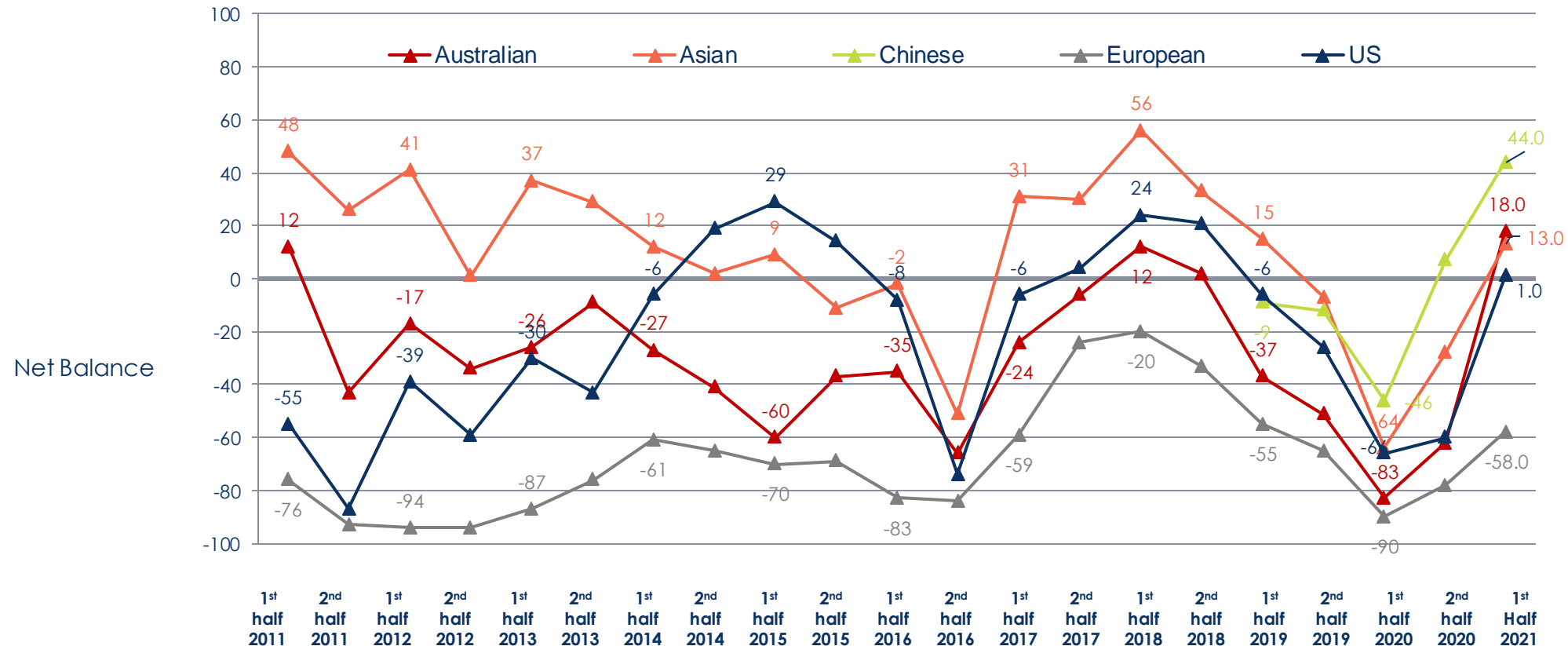


Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Next 12 months health of economies – semi-annual trend

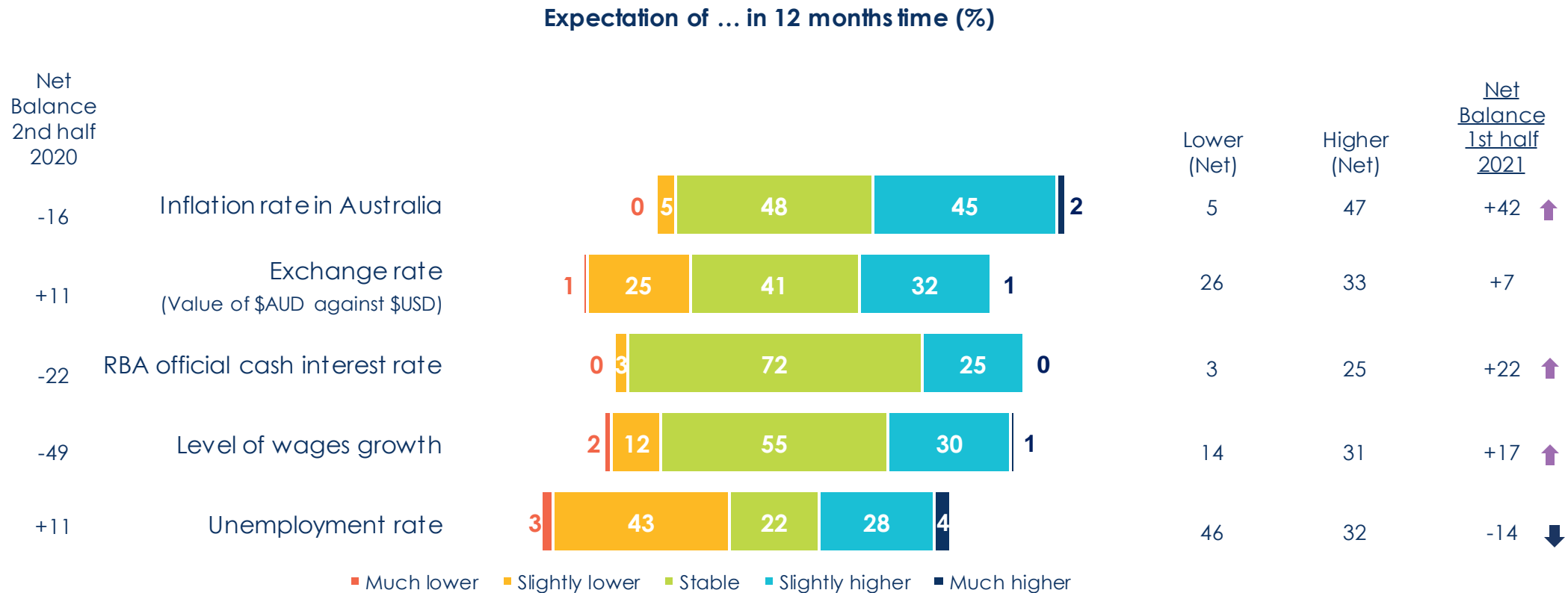
The previous dip (the second half of 2020) saw slight uplifts in outlook of global economies for the next 12 months, and this trajectory has continued in this survey.



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, W 2 2020 n=1777, W 1 2021 -n=1589

Economic indicators (Australia) – expectations in next 12 months



7. What is your expectation of ... ?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Expected change to ASX ALL Ordinaries index – next 12 months

Expectations regarding the ASX All Ordinaries index sees positive movement, with only 20% of directors expecting the index to fall in the next 12 months.

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

Net
Balance
2nd half
2020

-5



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

Fall
(Net)

20

Rise
(Net)

61

Net
Balance
1st half
2021

+41

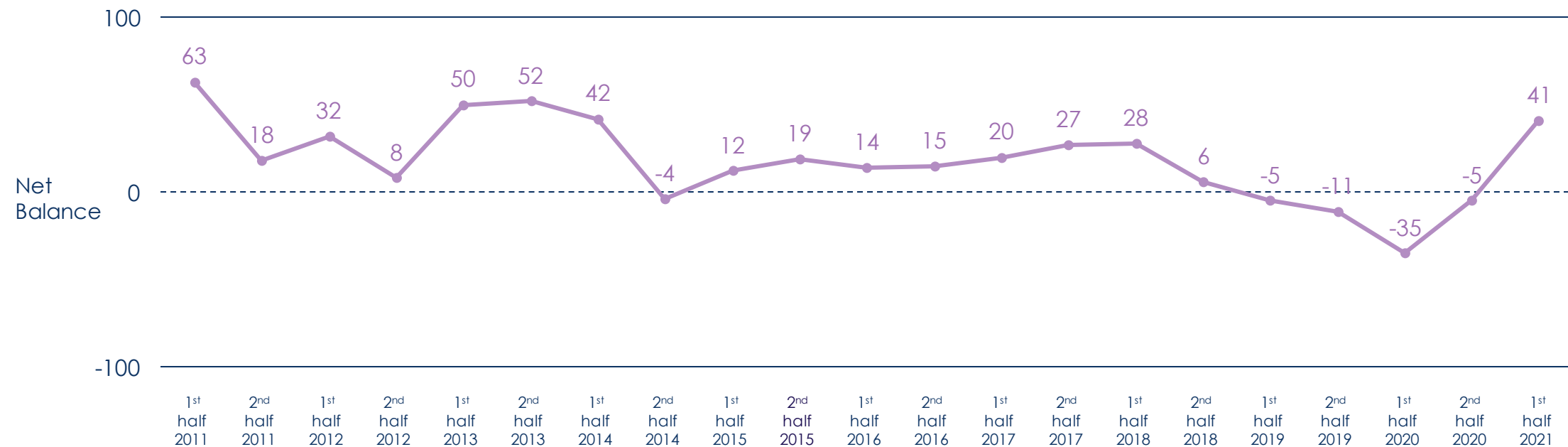


18. What is your expectation of change to the ASX All Ordinaries index over the next 12 months?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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

The recovery of expectations regarding the ASX All Ordinaries index sees sentiment at its highest level since 2014.

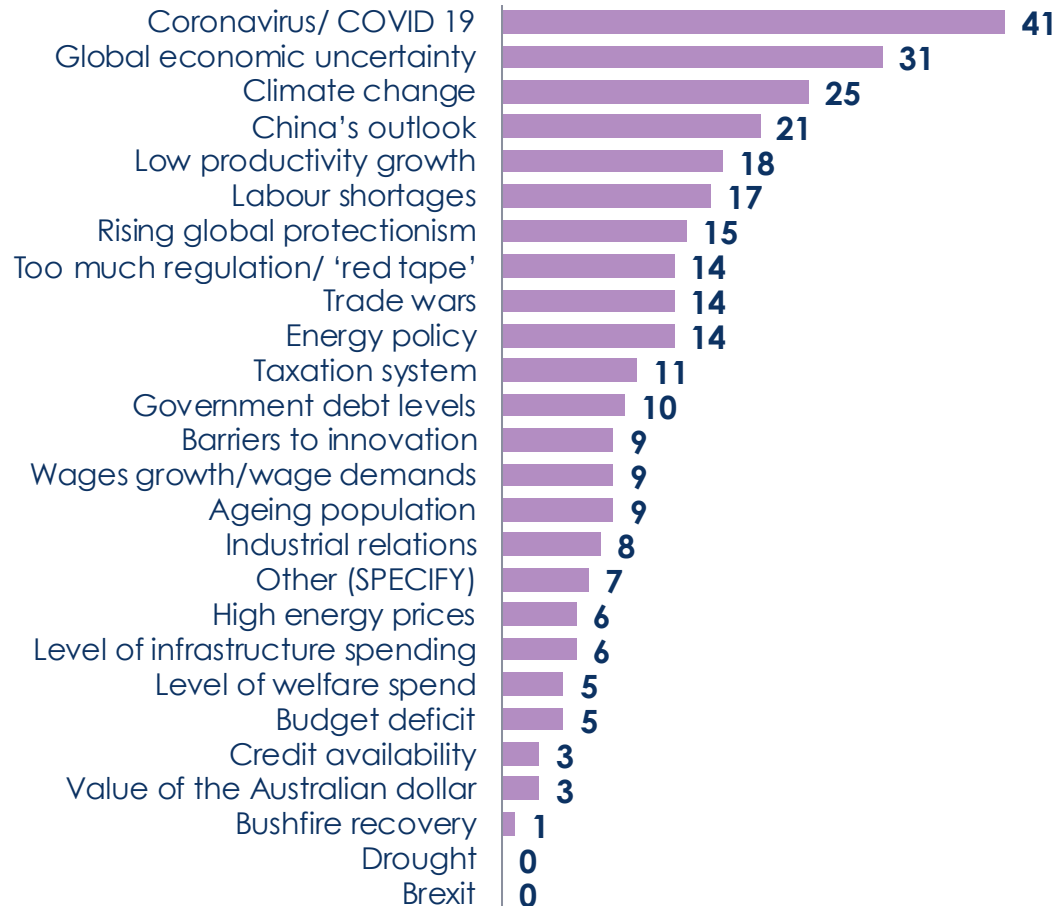


Source: I9

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, W1 2021 n=1589

While overall there is positivity for economic indicators, expected challenges remain the same, with COVID-19, Global economic uncertainty and Climate change the leading economic challenges facing Australian businesses. Labour shortages has increased in prominence since last year.

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



Base: All, respondents 2nd half 2020 n=1777,
1st half 2021 n=1589

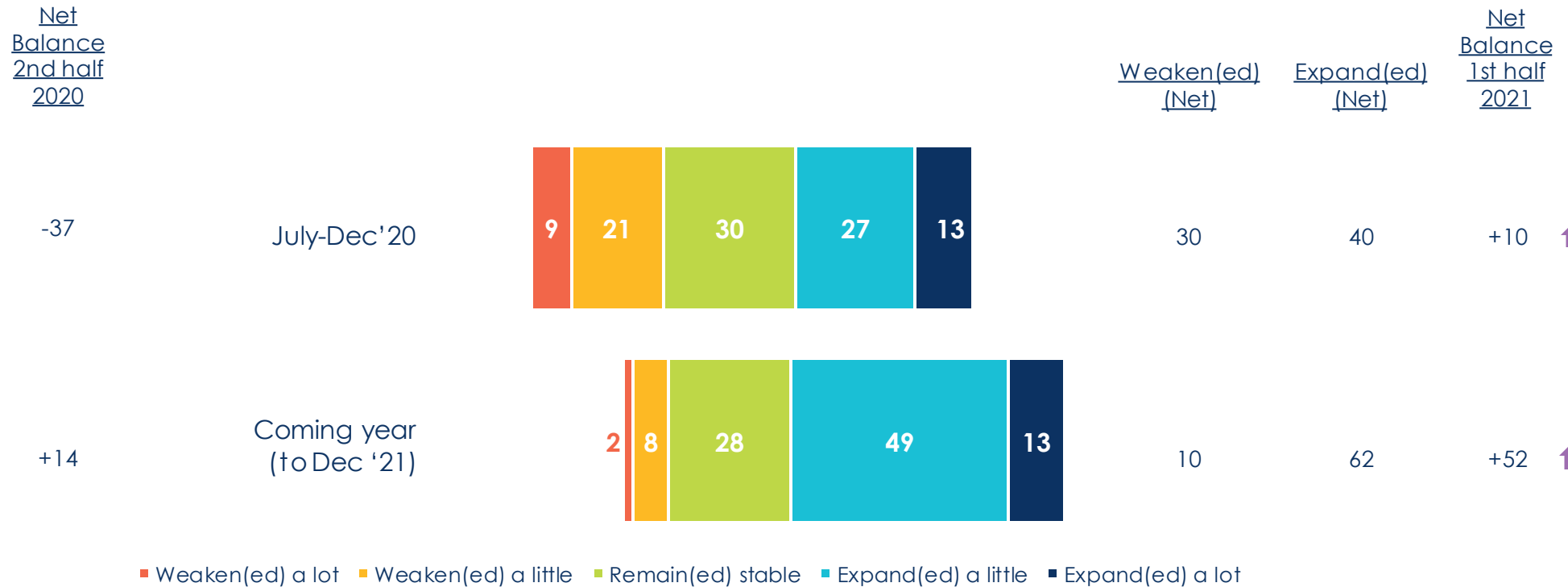
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Business Forecast

Growth of the business (primary directorship company)

Directors are feeling particularly optimistic about the growth of their business in the coming year.

Growth of the business – past and future (%)



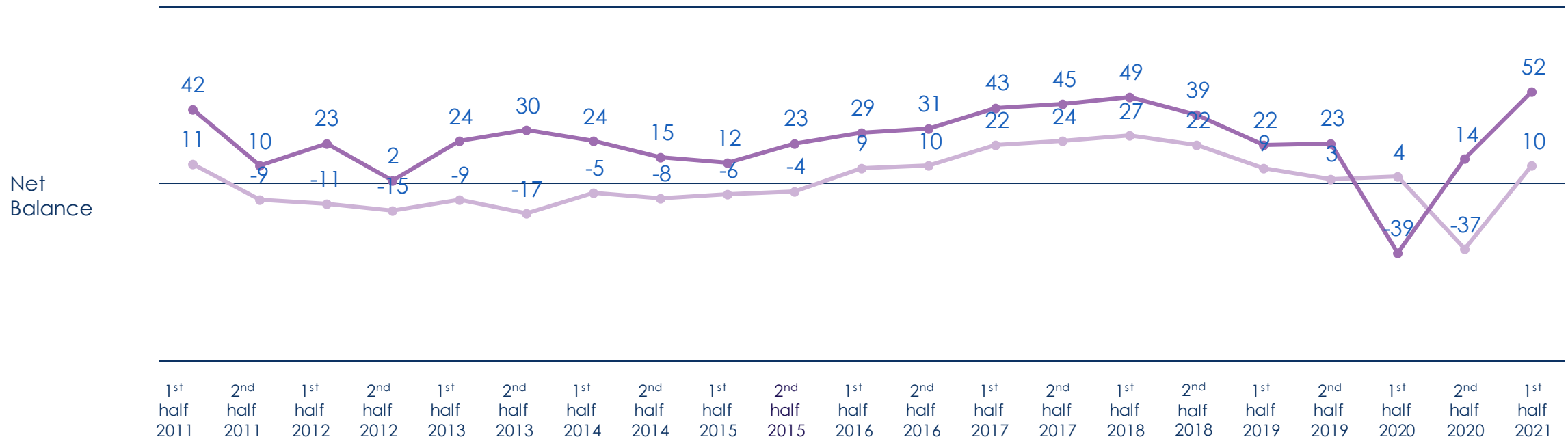
9. Which best describes the growth or otherwise of the business over the period July to December 2020?
 10. What is your expectation of the growth or otherwise of the business over the coming year (to December 2021)?
 Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Past and future growth of business – semi-annual trend

After steep declines in anticipated growth in the first half of 2020 expectations for expansion are the highest seen since the beginning of the index, a reflection of optimism around economic recovery in Australia.

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

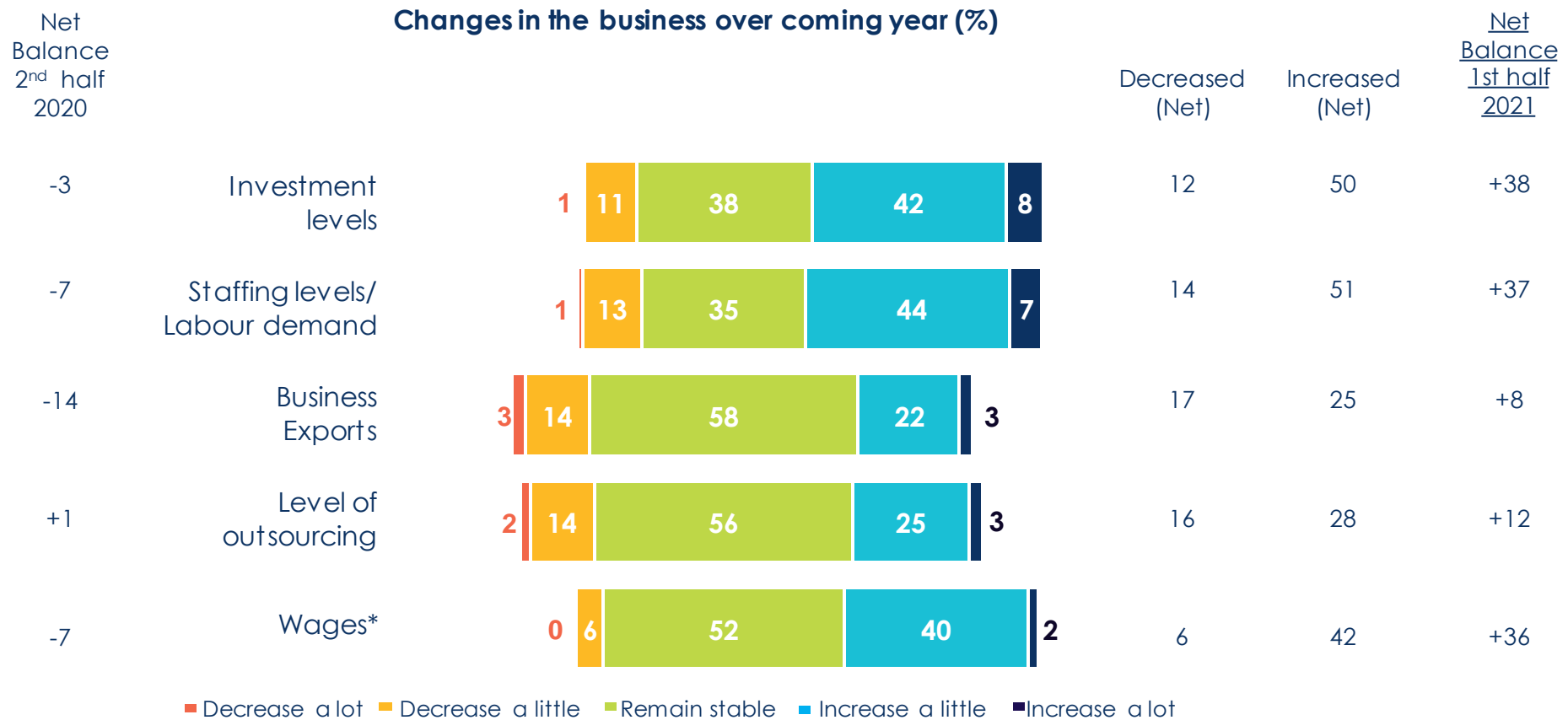


Source: 8 – 9

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, W2 2020 n=1777, W1 2021 n=1589

Changes in business – coming year

Directors expect to see an increase in Investment levels, staffing levels and wage growth in the coming year.

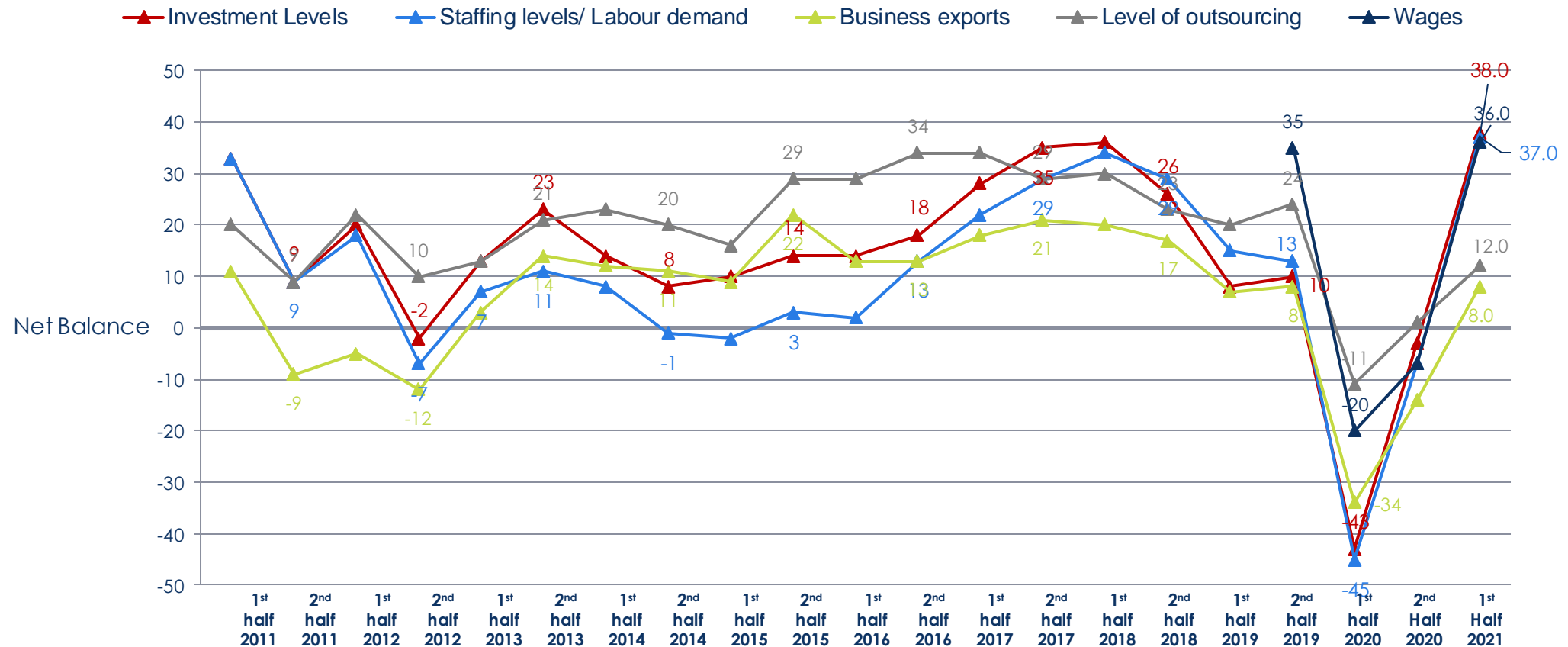


11. To what extent, if any, do you expect these things to change over the coming year (to December 2021)? *Wages added in H2'19
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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

Expectations of changes to business in the coming year not only show positive movement but strong recovery, with investment levels, staffing levels and wages increase expectations some of the highest levels seen since inception of tracking.



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, W2 2020, 1777, W1 2021 n=1589

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Profits for current six months compared to ...

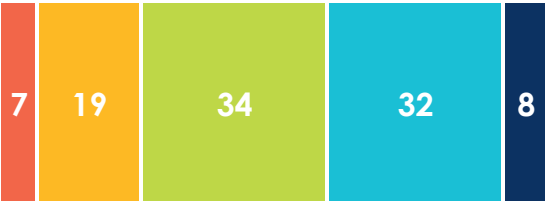
More directors expect profits above budget forecast (39%) vs. those expecting lower profits (21%), putting net expectations in positive territory.

Actual profits for current six months (Jan to June 2021) compared to ... (%)

Net
Balance
2nd half
2020

-18

Profits for the previous 6 months (July to Dec 2020)



Below
(Net)

26

Up
(Net)

40

Net
Balance
1st half
2021

+14



-16

Budget forecast for the current 6 months (Jan to June 2021)



21

39

+18



Significantly below Slightly below About the same Up slightly Up significantly

12. How do you expect your actual profits for the current 6 months, January to June 2021, to compare to ... ?
Base: All respondents n=1589



Significantly higher vs. 2nd half 2020 @ 95% confidence level



Significantly lower vs. 2nd half 2020 @ 95% confidence level

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

More directors expecting increase in profits than those seeing decrease (net 19% for current 6 months and net 22% for Jul-Dec 21).

Actual profits for the second half of this financial year (Jul- Dec '21) compared to ... (%)

Net
Balance
2nd half
2020

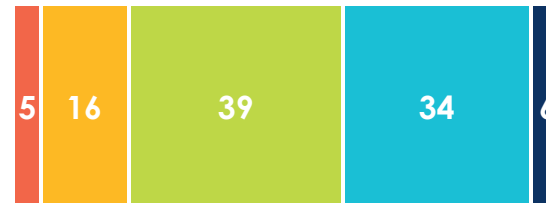
Below
(Net)

Up
(Net)

Net
Balance
1st half
2021

-1

Profits for the current 6 months (Jan to June 2021)



21

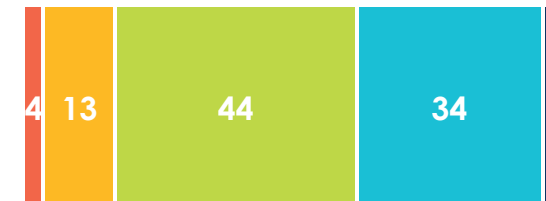
40

+19



-4

Budget forecast for first half of the FY (Jul to Dec 2021)



17

39

+22



■ Significantly below ■ Slightly below ■ About the same ■ Up slightly ■ Up significantly

13. How do you expect your actual profits for the first half of this financial year, July to December 2021, to compare to ... ?
Base: All respondents n= 1589

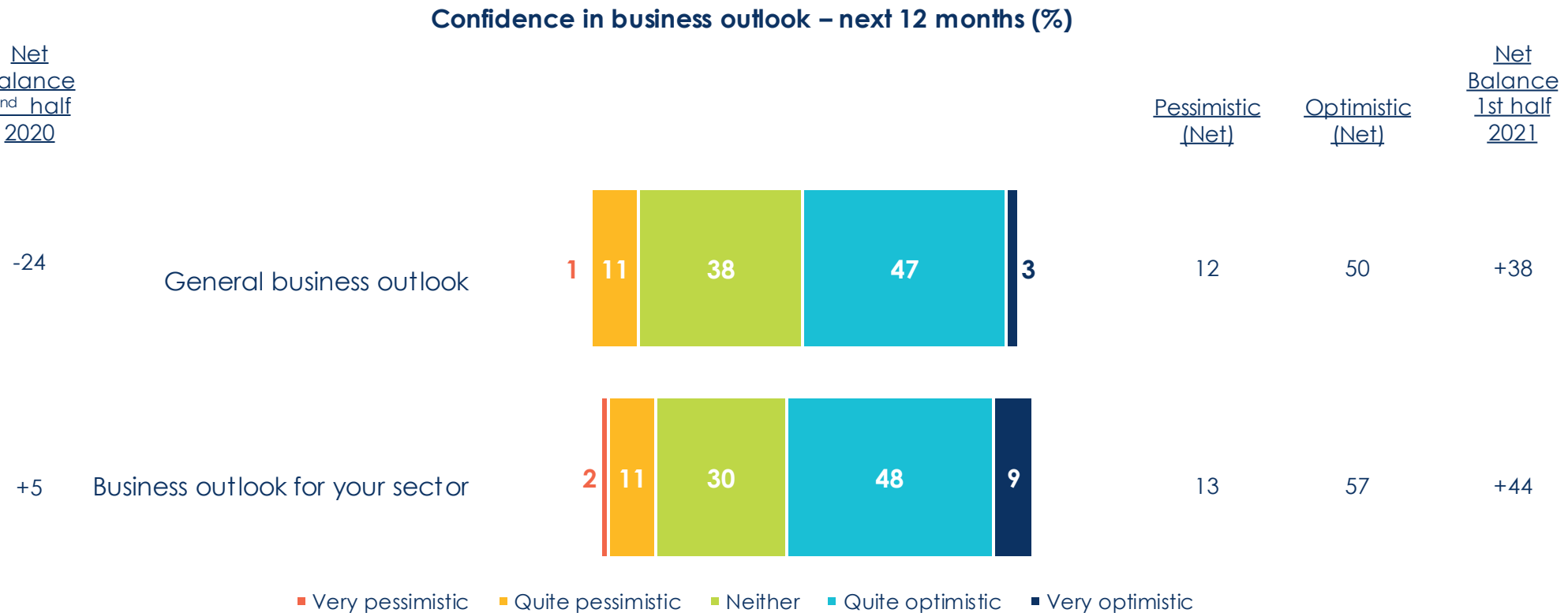
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Confidence in business outlook – next 12 months

Overall optimism is reflected in directors' confidence regarding the business outlook in the next 12 months, with 50% of directors feeling confident about general business outlook and 57% feeling confident about outlook in their sector.

RESEARCH FINDINGS FIRST HALF 2021

DIRECTOR SENTIMENT INDEX

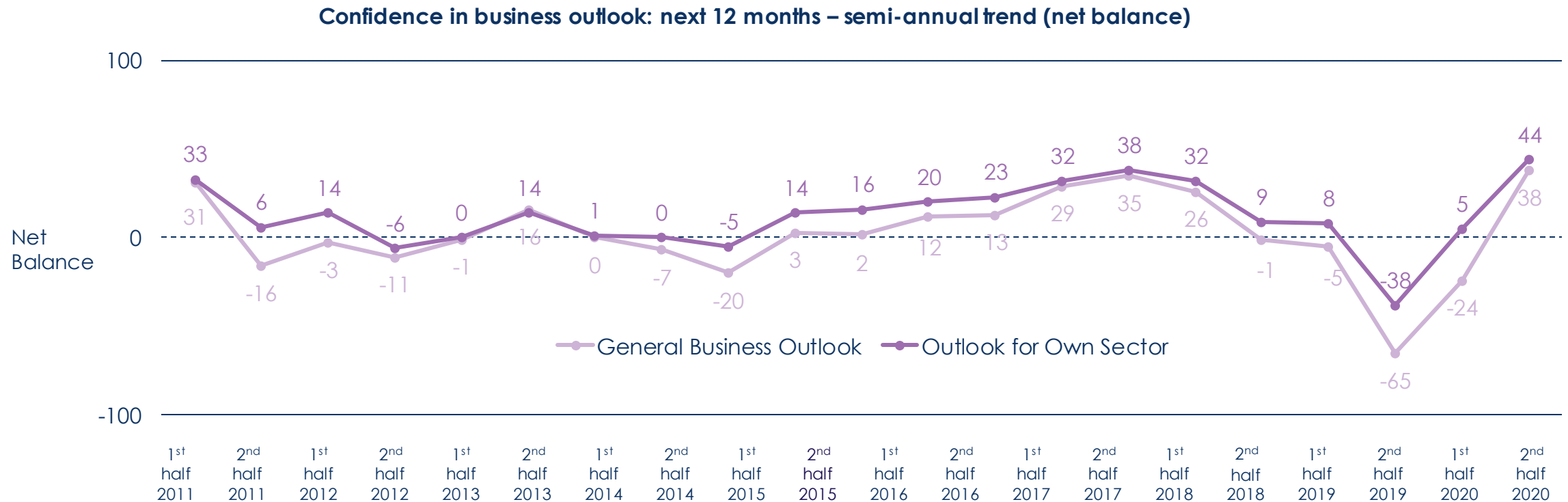


14. Overall, how confident or otherwise are you about....?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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

Recovery in confidence continues, with confidence in general business outlook and for own sector now at highest levels seen since the beginning of the Index.



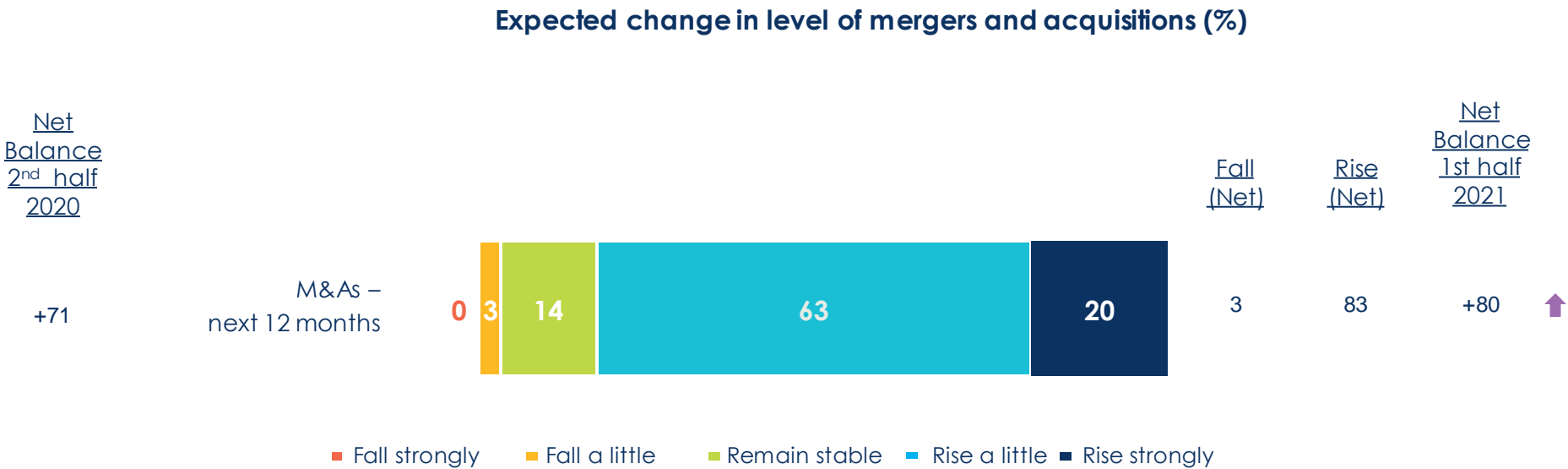
14. Overall, how confident or otherwise are you about ... ?

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, W 2 2020 n=1777, W 1 2021 n= 1589

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

83% of directors expect a rise in the level of mergers and acquisitions over the coming year.

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19. What is your expectation of changes in the level of mergers and acquisitions activity over the next 12 months?
Base: All respondents n= 1589

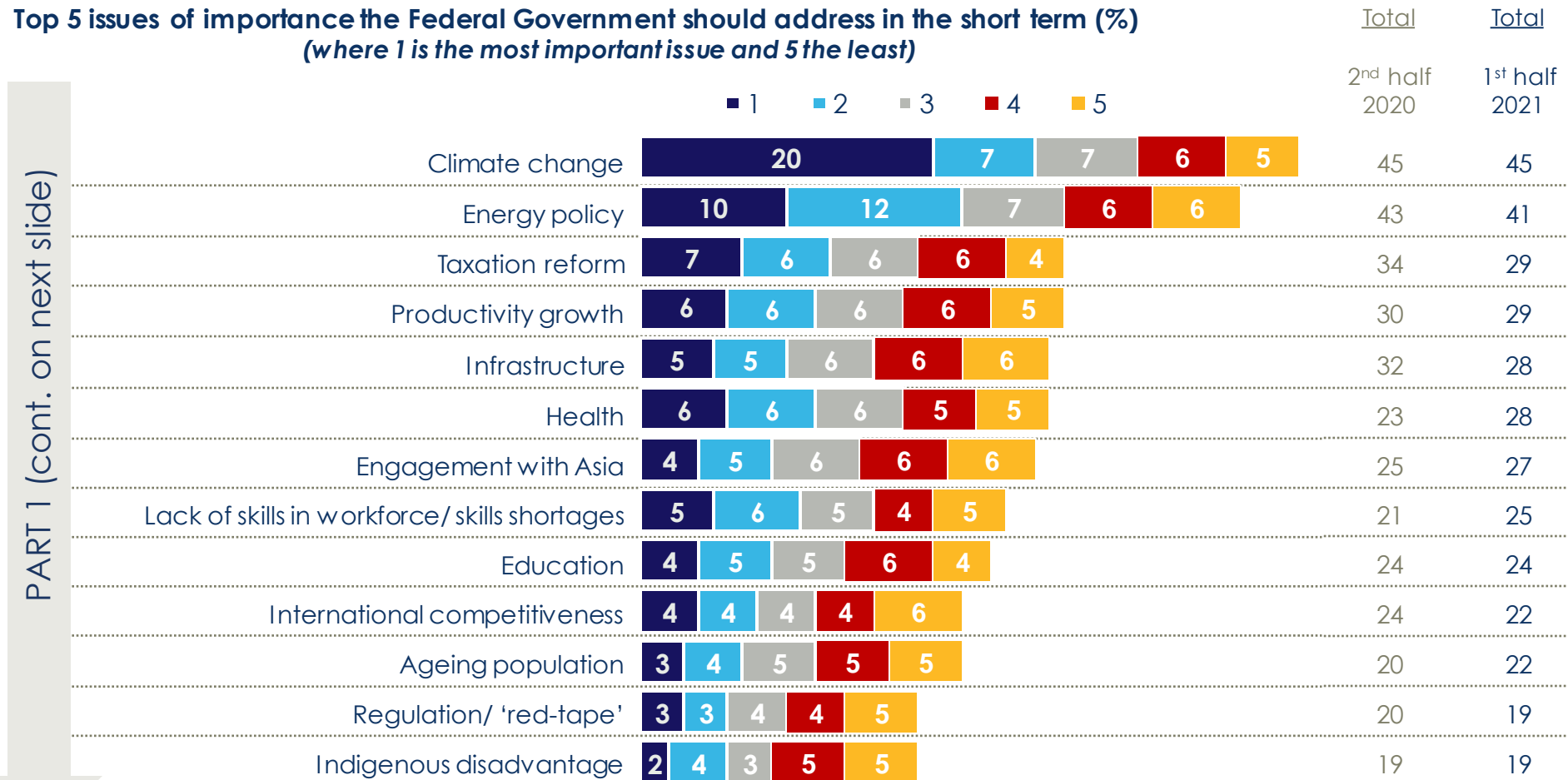
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Government Policy Budgetary

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

Climate change, energy policy and tax reform continue to be top issues that directors feel the Federal Government should be focused on.

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)



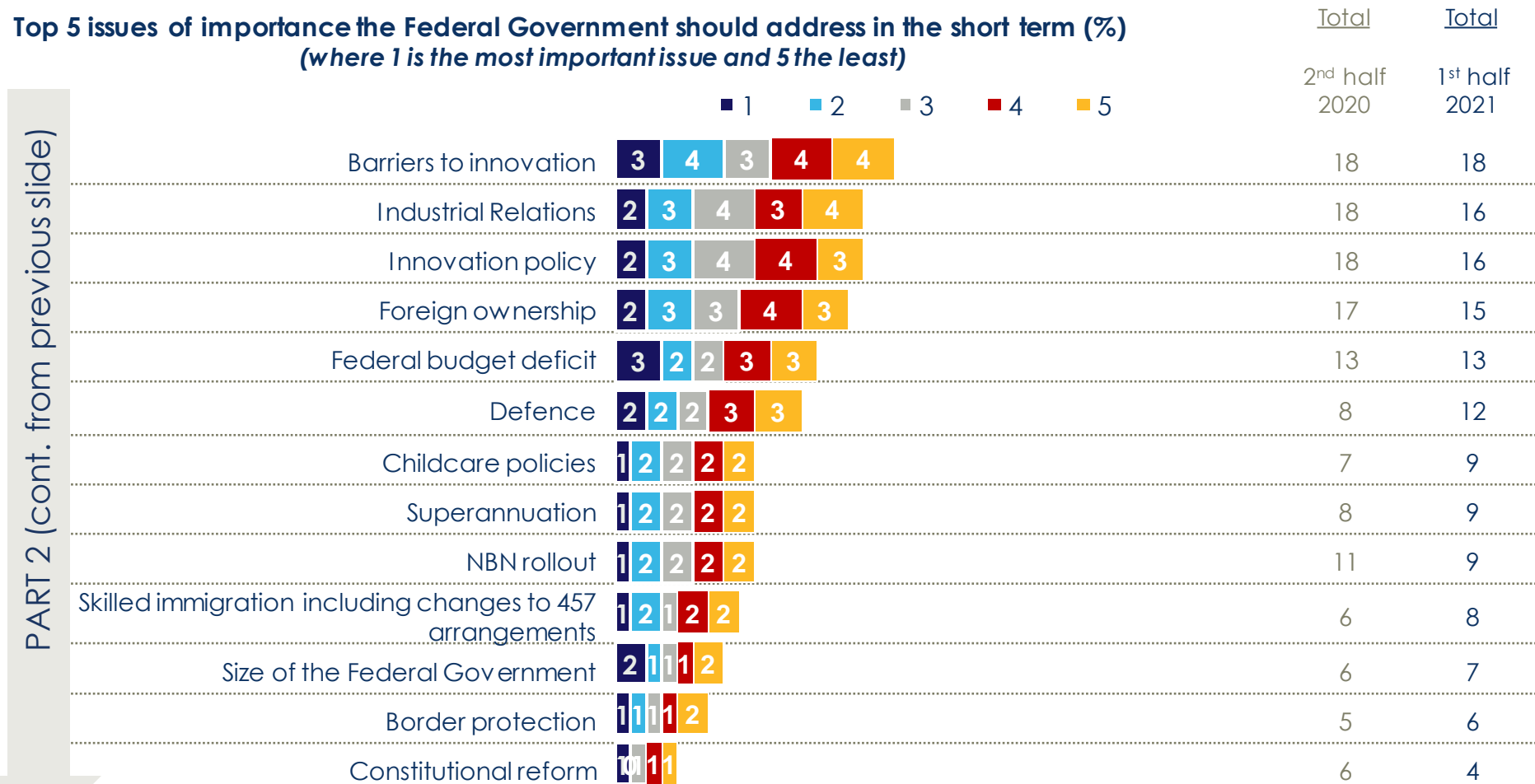
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level

↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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, 2nd half 2020 n=1777, 1st half of 2021 n=1589

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)



↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level

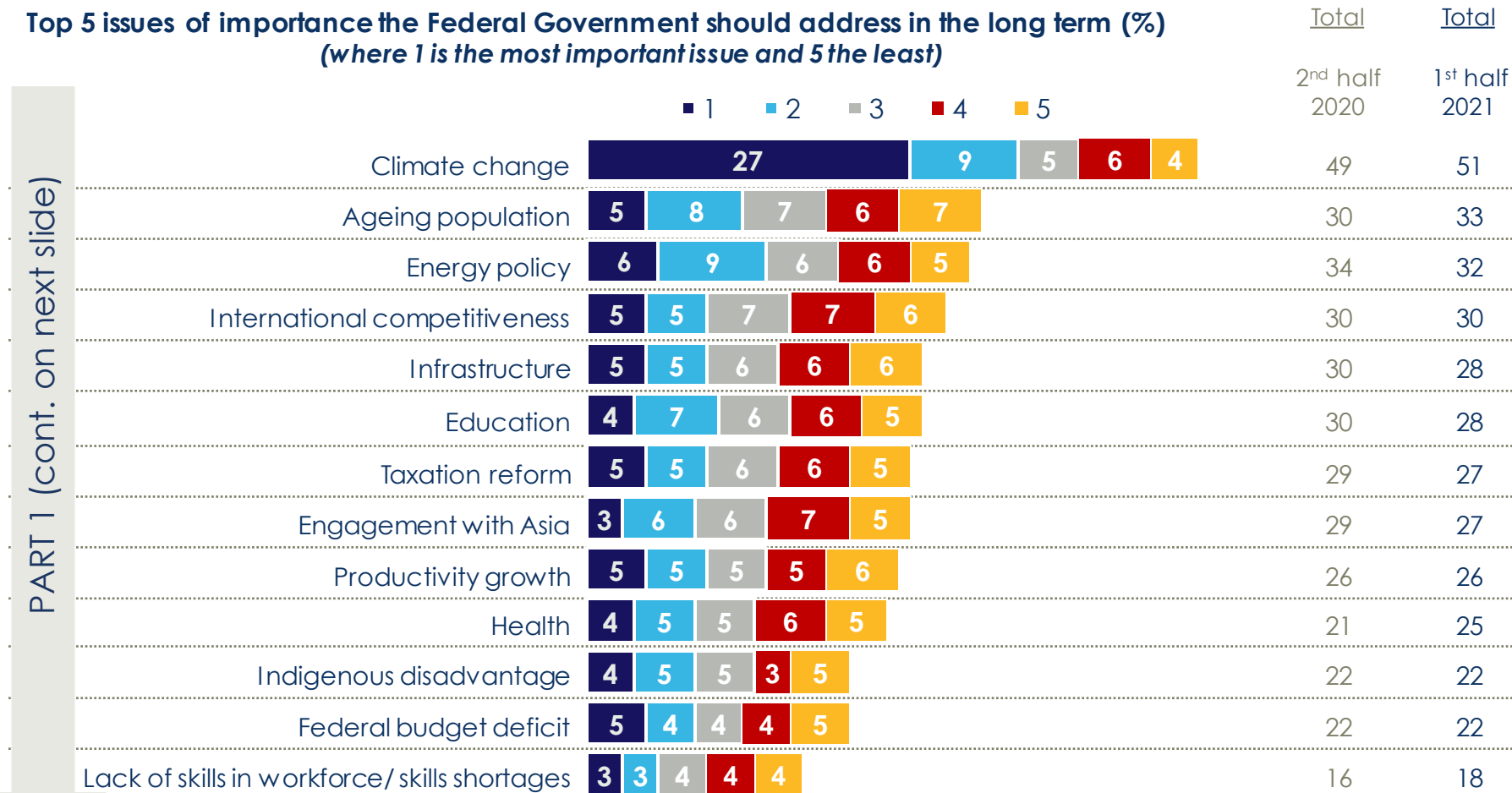
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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, 2nd half 2020 n=1777, 1st half of 2021 n=1589

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

Climate change continues to be the key area that directors feel the Federal Government should be looking to address in the long-term. The ageing population, energy policy as well as international competitiveness are also seen as priorities.

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)

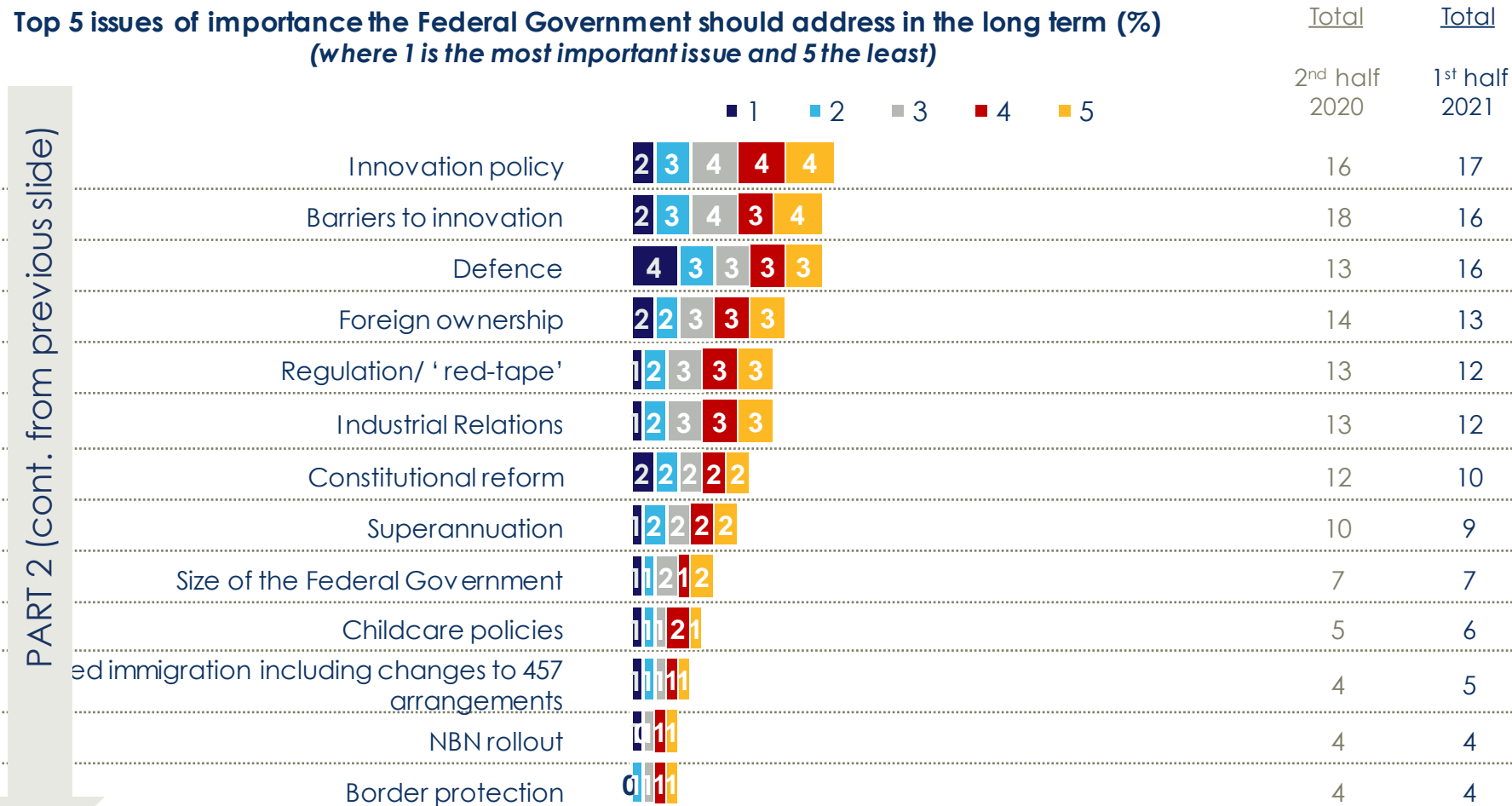


26. Please nominate the top 5 issues of importance, in your opinion, that the federal government should address in the long term (i.e. in the next 10-20 years), where 1 is the most important issue and 5 is the least important
Base: All respondents, 2nd half 2020 n=1777, 1st half of 2021 n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd 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)



↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level

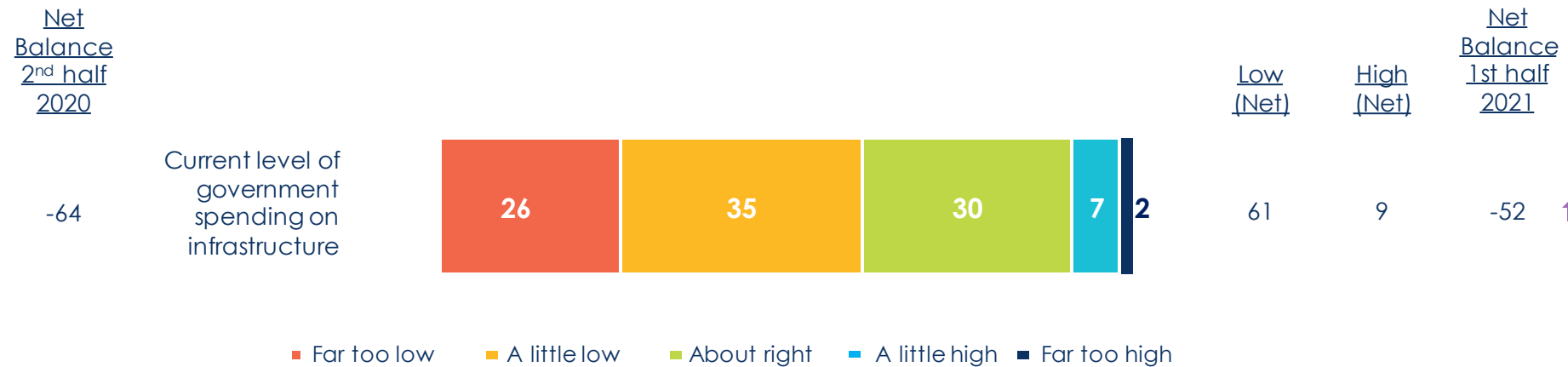
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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 issue
Base: All respondents, 2nd half 2020 n=1777, 1st half of 2021 n=1589

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 (%)



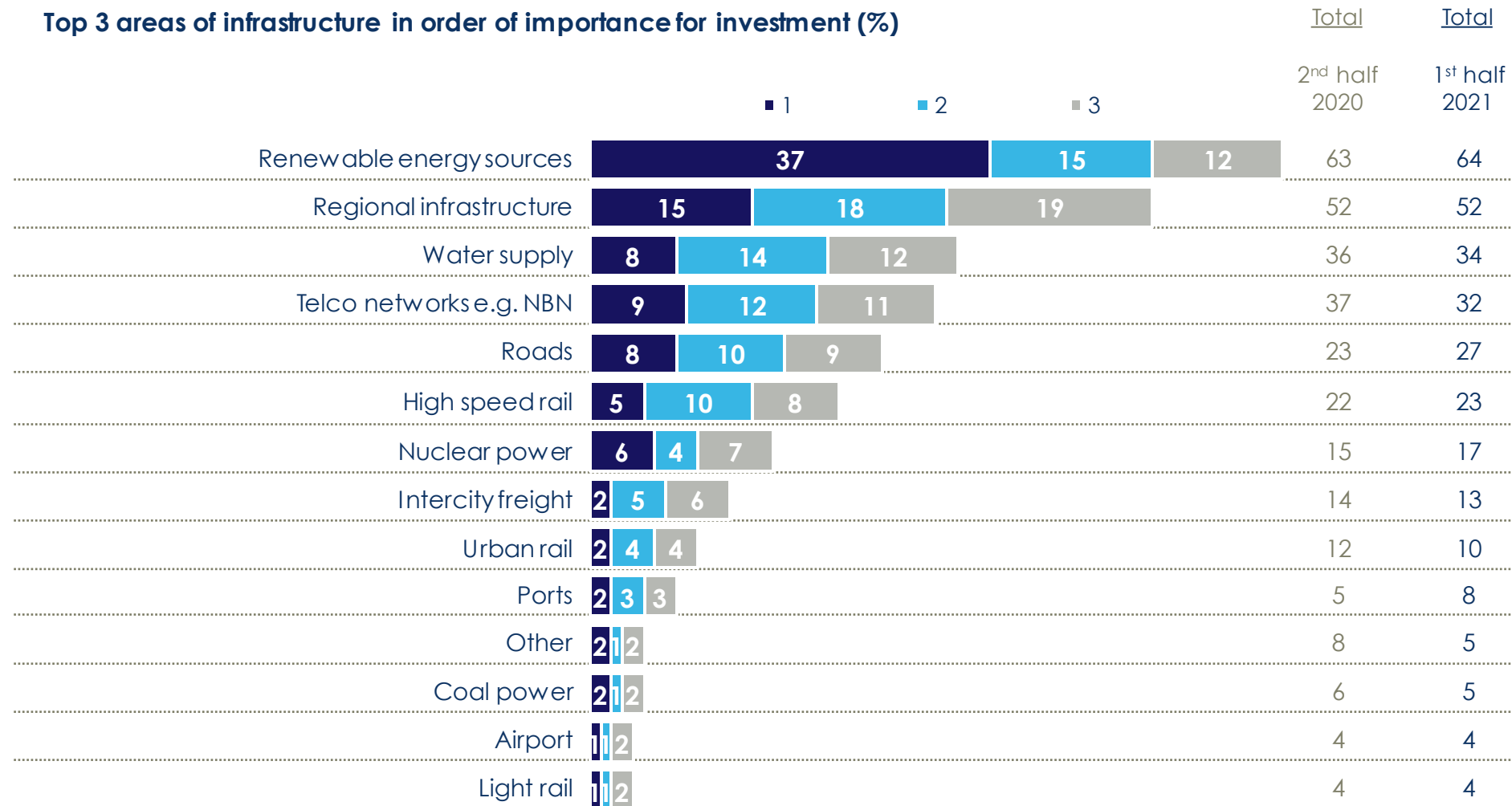
20. In your opinion, is the current level of government spending on infrastructure...?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Investment in Infrastructure (Top 3)

Directors continue to prioritise renewable energy sources, regional infrastructure and water supply as the top priorities for infrastructure investment.

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 2020 n=1777, 1st half of 2021 n=1589

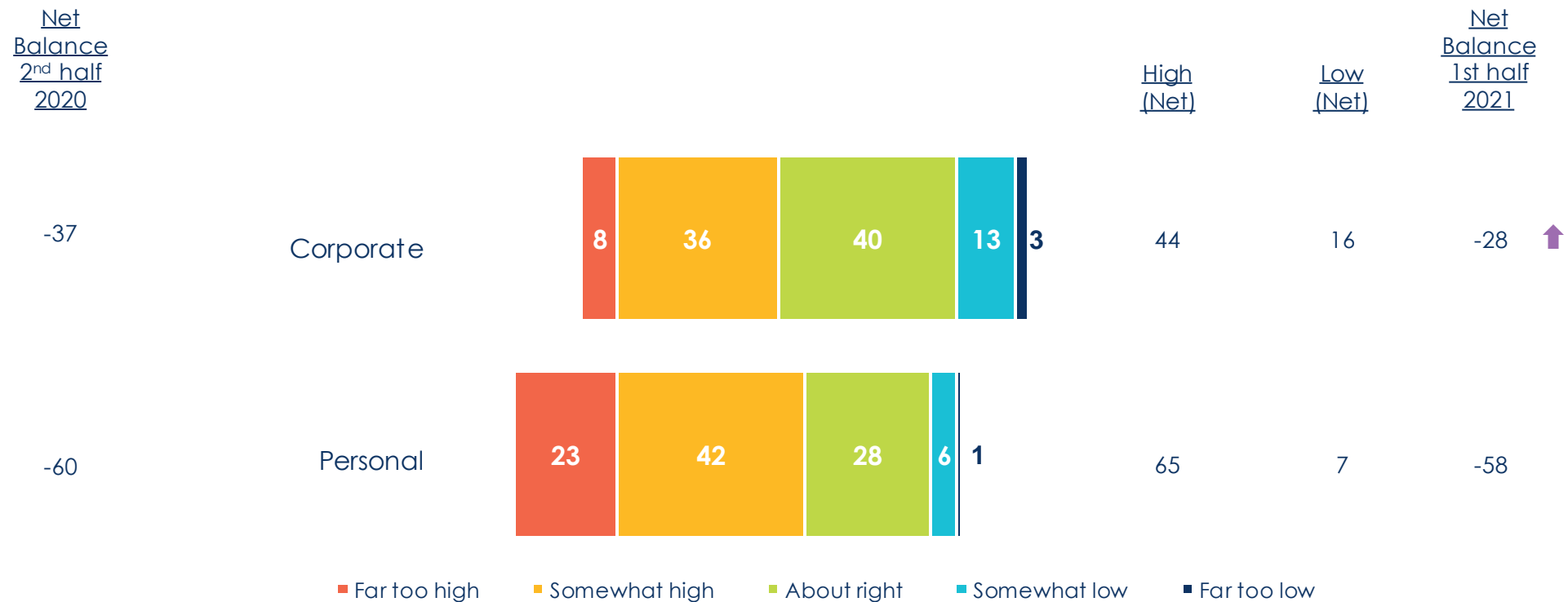
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Government Policy Taxation

Level of taxation in Australia

Directors continue to feel that on balance, levels of corporate and personal taxation are too high, with personal tax particularly felt to be 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= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

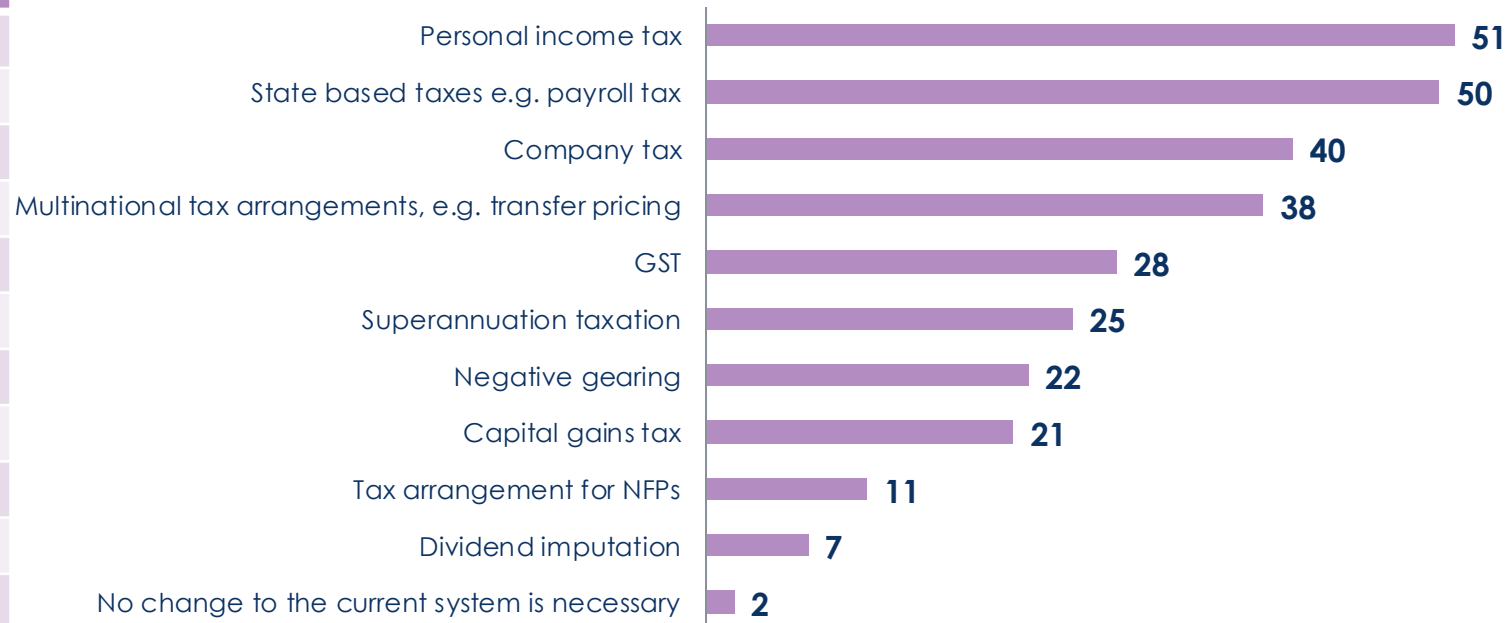
Reform of taxation system

In line with perceptions that personal income tax is too high, Directors see this as an area to focus on for reform, followed by state based taxes.

Dip on dip comparison

Total 2 nd half 2020	Total 1 st half 2021
54	51
50	50
45	40
36	38
34	28 ↓
22	25
20	22
18	21
9	11
7	7
2	2

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



27. 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 of 2020 n=1777, 1st half 2021 n=1589

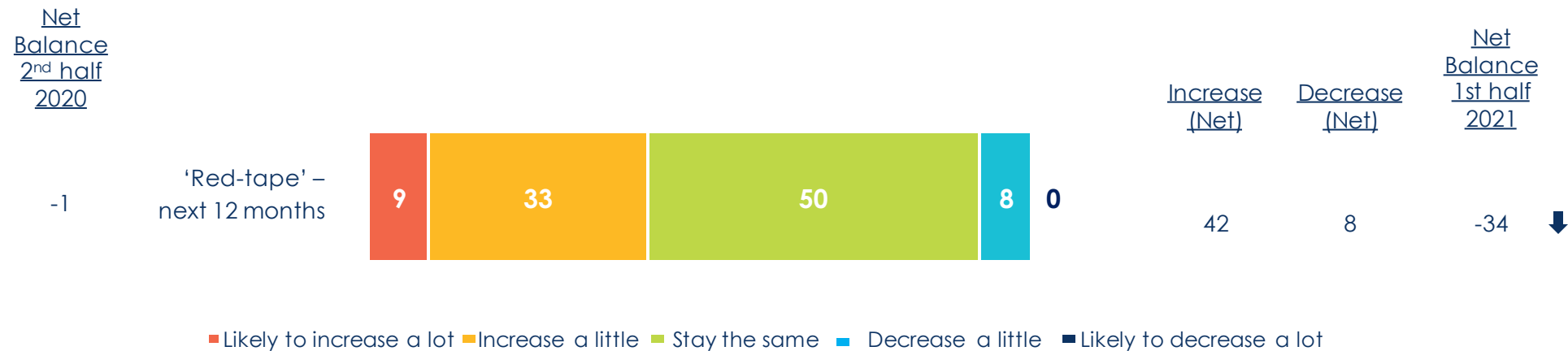
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Government Policy Regulation

Level of 'red-tape' in next 12 months

While 50% of directors expect the level of red tape to remain the same in the next 12 months, 42% expect it to increase vs. just 8% expecting a decrease, resulting in an overall net expectation of increase.

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

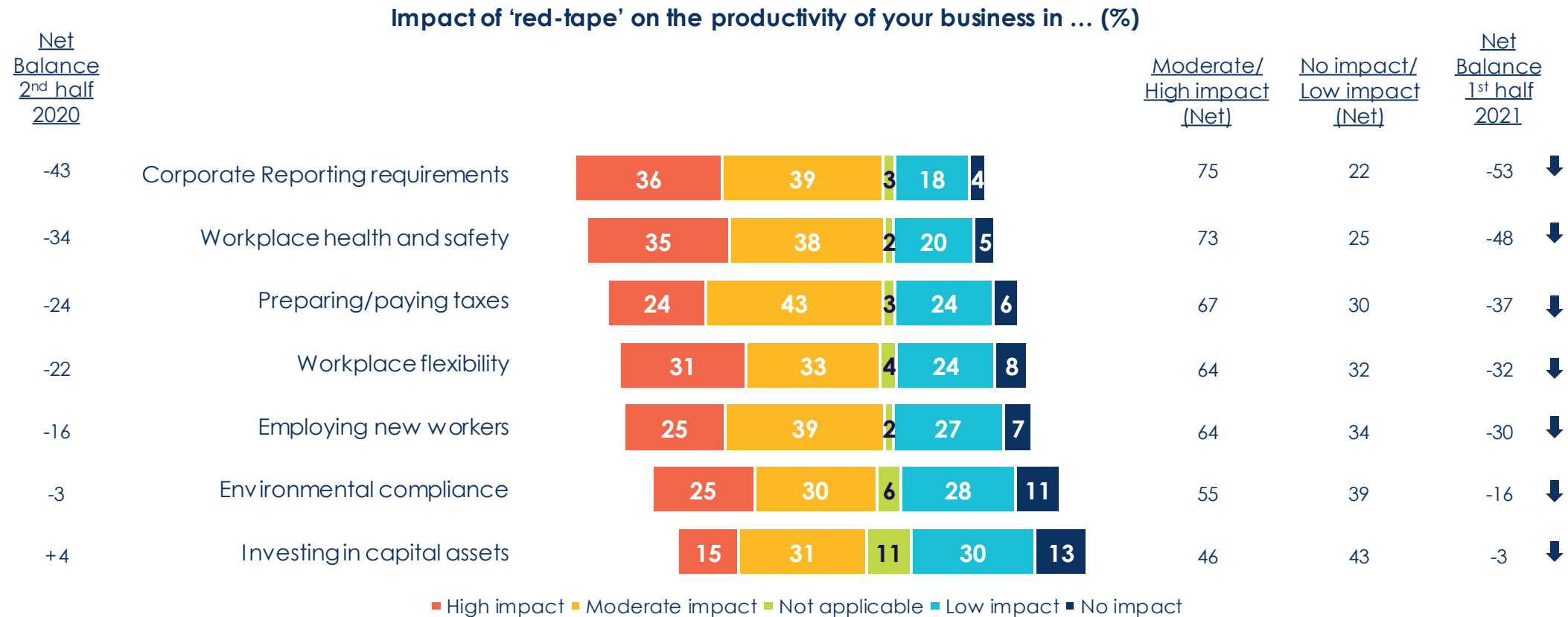


22. What is your expectation of changes in the level of "red-tape" over the next 12 months?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Impact of 'red-tape' on business productivity

Red tape continues to have an overall net negative impact on business productivity (except investing in capital assets), with the impact more pronounced than in the second half of 2020.



23. What impact (cost/time) does 'red-tape' have on the productivity of your business in the following areas?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Main measure to lift national productivity

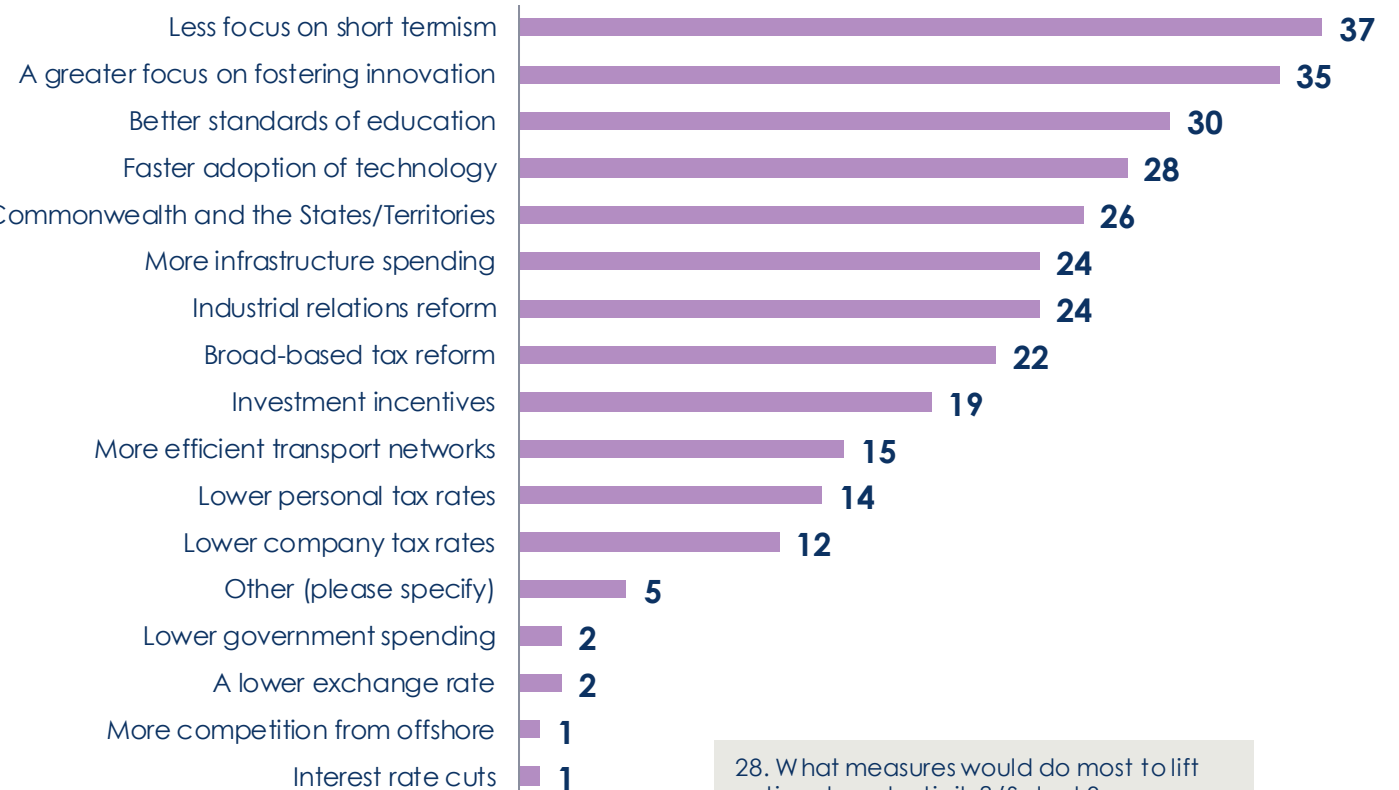
As seen in the second half of 2020, directors feel that less focus on short termism and greater focus on fostering innovation are key areas that have the potential to boost national productivity.

Dip on dip comparison

Total 2 nd half 2020	Total 1 st half 2021
37	37
33	35
28	30
28	28
28	26
27	24
24	24
25	22
20	19
13	15
13	14
12	12
5	5
2	2
2	2
1	1
1	1

Improved outcomes between the Commonwealth and the States/Territories

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



28. What measures would do most to lift national productivity? (Select 3 answers only)

Base: All respondents, 2nd half of 2020
n=1777, 1st half 2021 n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level

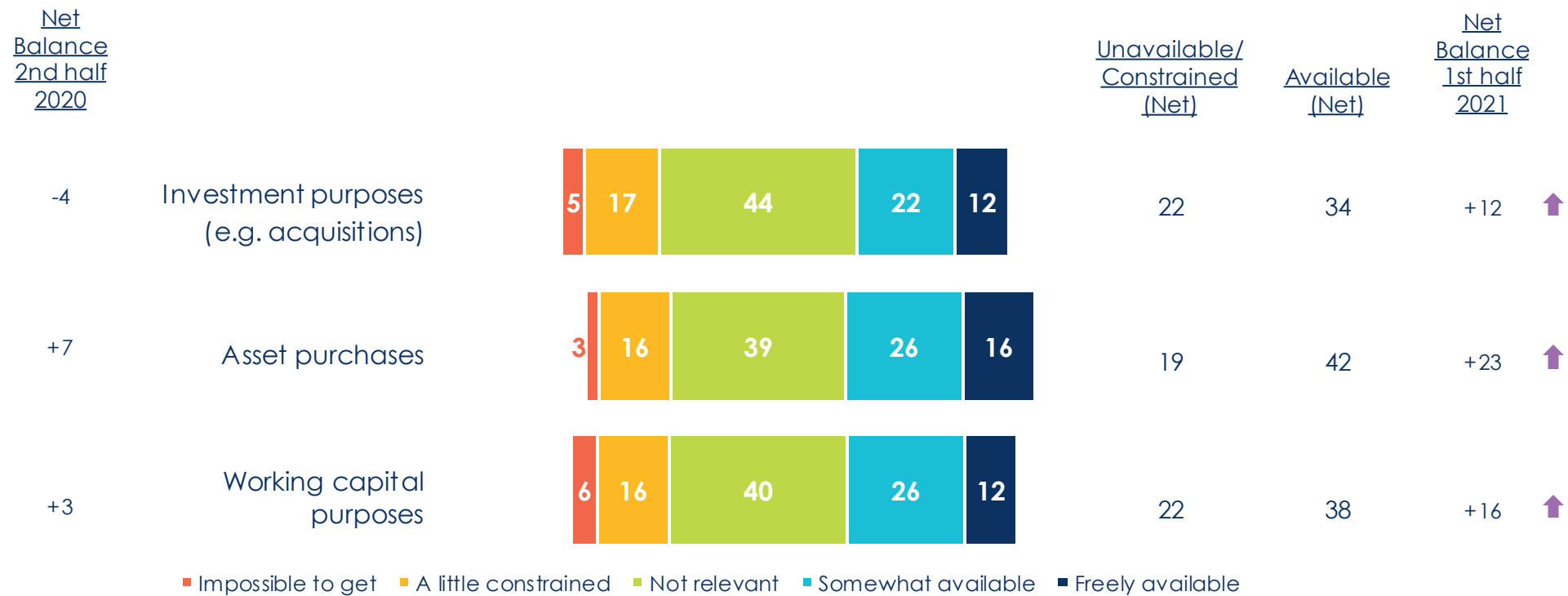
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Government Policy Credit Availability

Credit availability for business – Jul-Dec'20

Directs have experienced increased credit availability in Jul-Dec 2020. Credit availability for investment purposes, asset purchases and working capital all sit in net positive space.

Credit availability for business – Jul-Dec'20 (%)



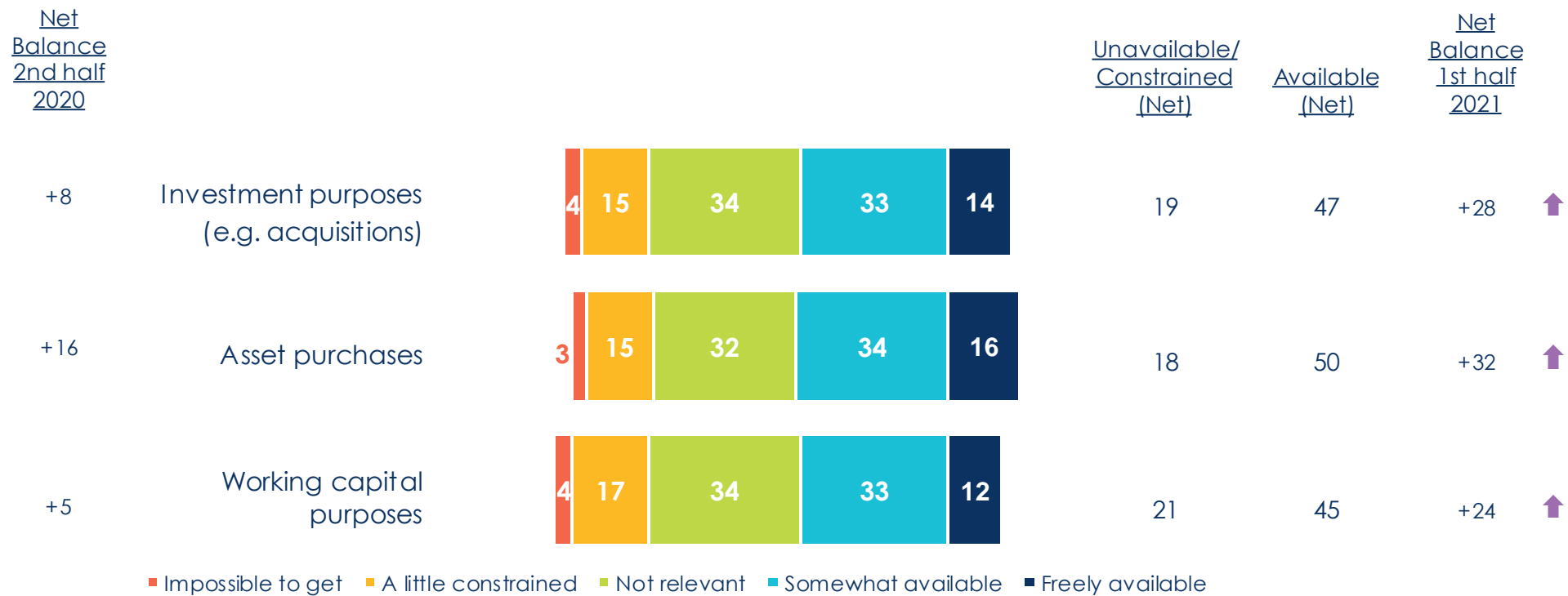
16. For the business, what has been the experience over the period July to December 2020 relating to...?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Credit availability for business – next 12 months

Expectations of Credit Availability for business over next 12 months have also continued to improve, with increase in net positive balance for each area.

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=1589

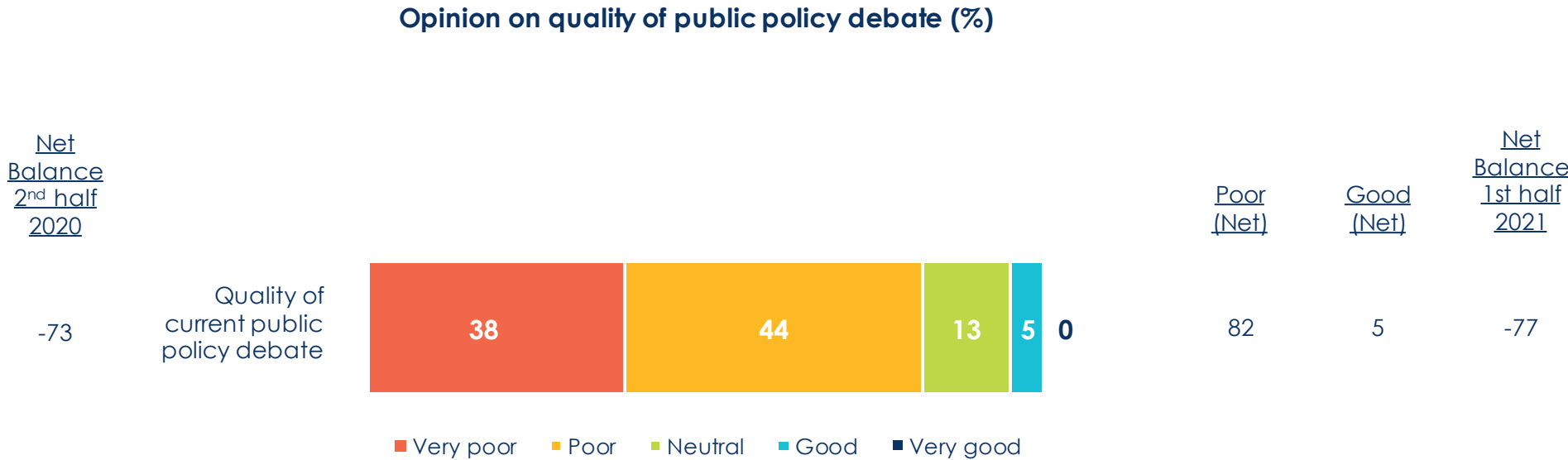
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Public Policy

Quality of public policy debate in Australia

Perceptions of quality of debate around public policy have not seen any improvement, with a majority of directors rating public policy debate as poor or very poor.

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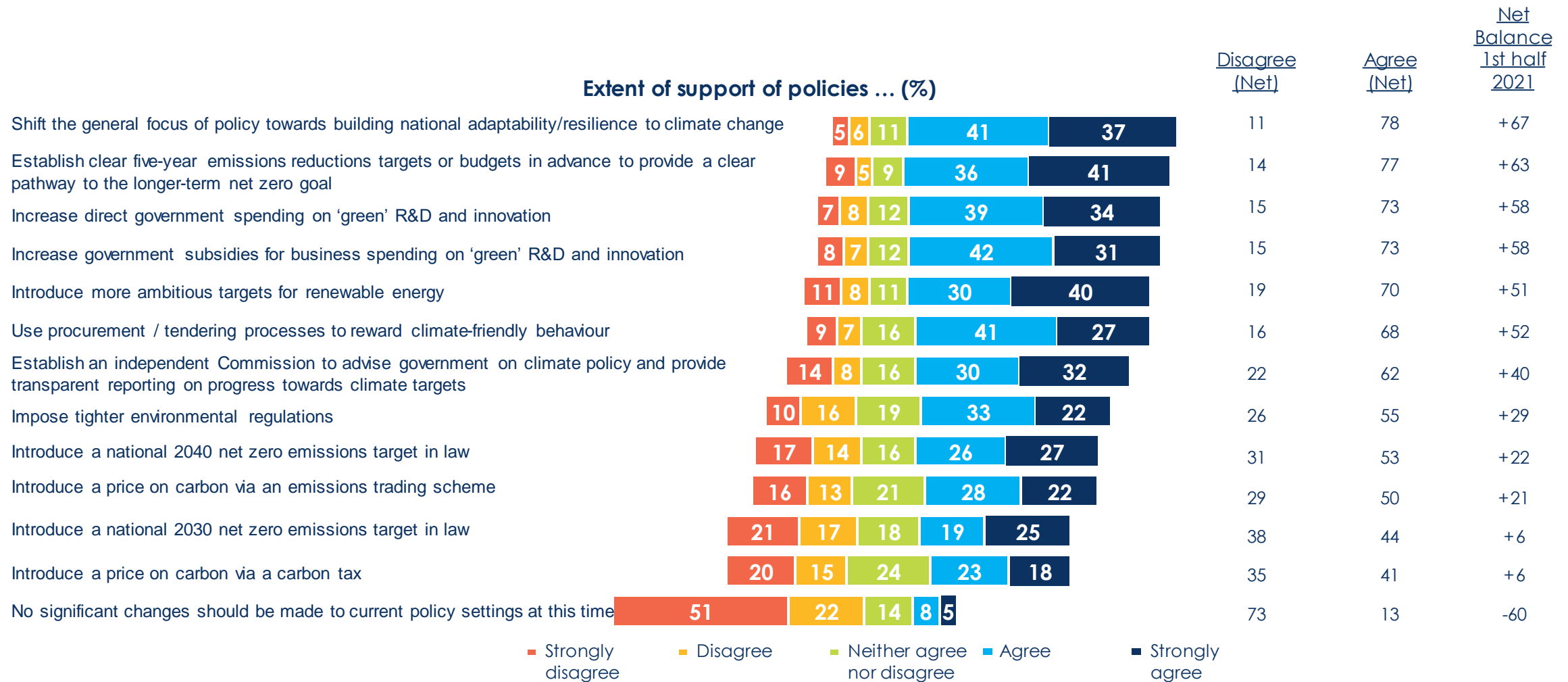


RESEARCH FINDINGS FIRST HALF 2021

PP1. How would you rate the current quality of public policy debate in Australia?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

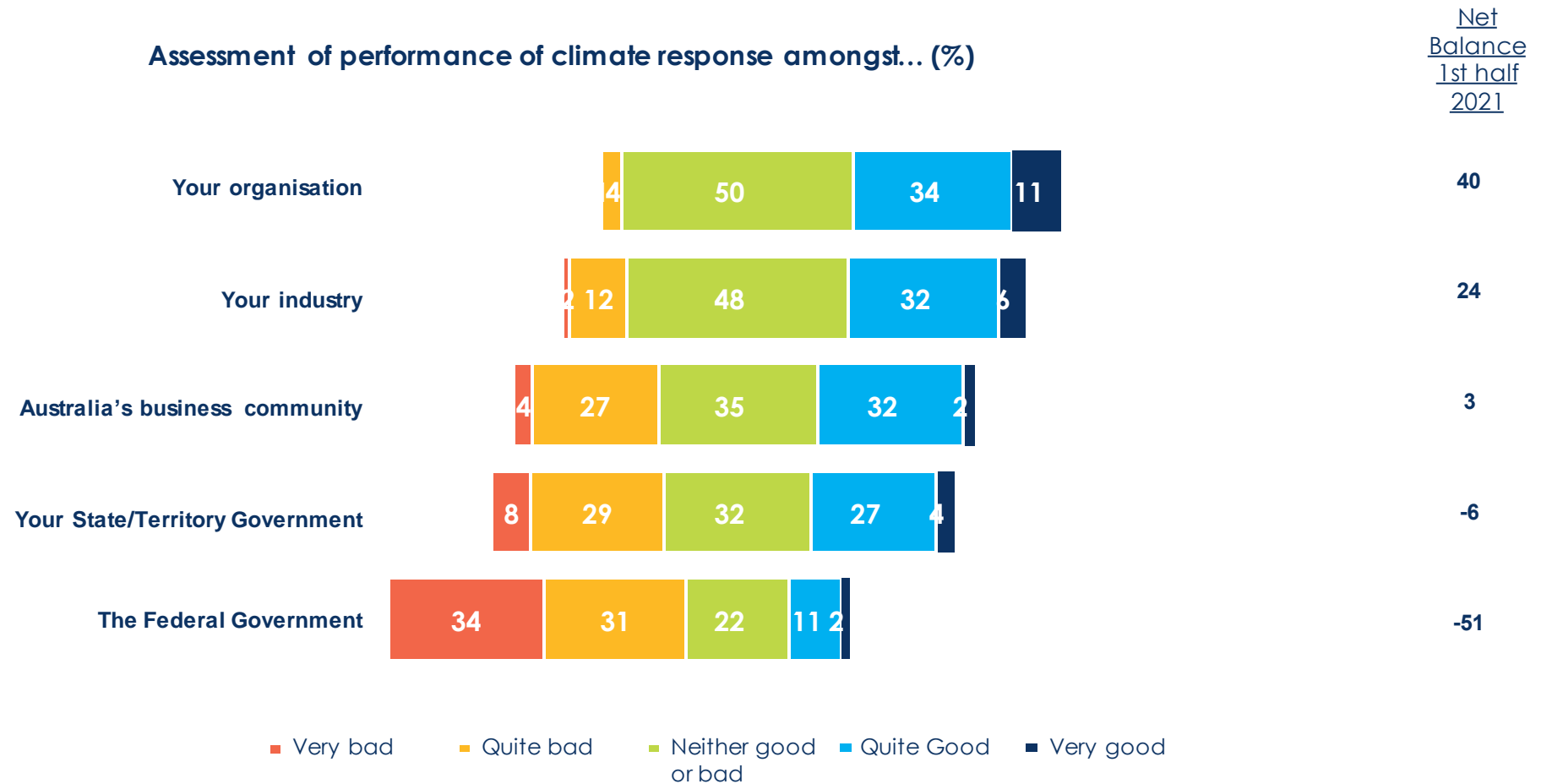
Climate change: policy support



L11. There are a wide range of policy actions that governments have considered to tackle climate change. How supportive would you be of the following proposals at the federal level...??
 Base: All respondents n=1589

Current climate response assessment

Assessment of performance of climate response amongst... (%)



L2. How do you judge the current response to climate change of each of the following
 Base: All respondents n=1589

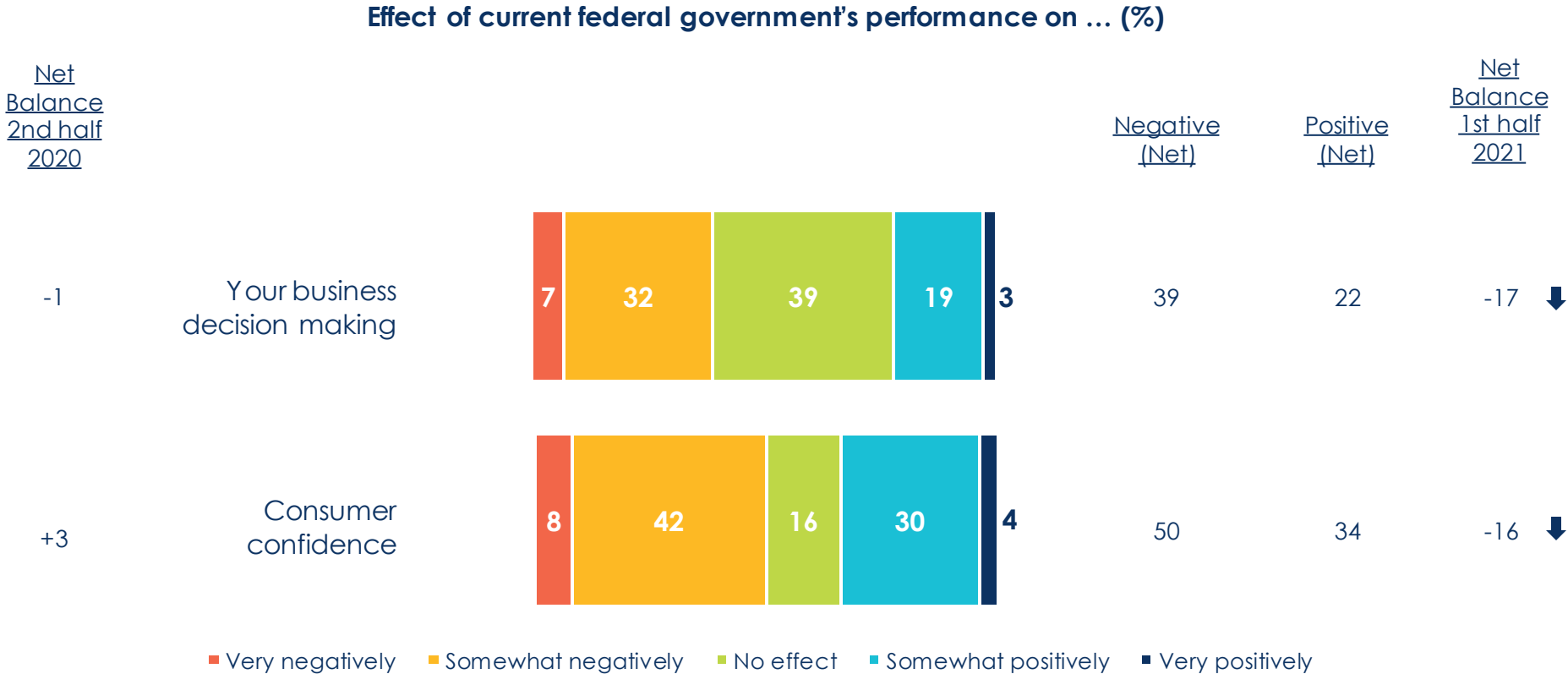
Government Policy Performance and Business Understanding

Impact of Federal Government's performance on business

The Federal Government's performance is seen to have a net negative impact on directors' business decision making, a decrease vs. scores in the second half of 2020.

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS FIRST HALF 2021



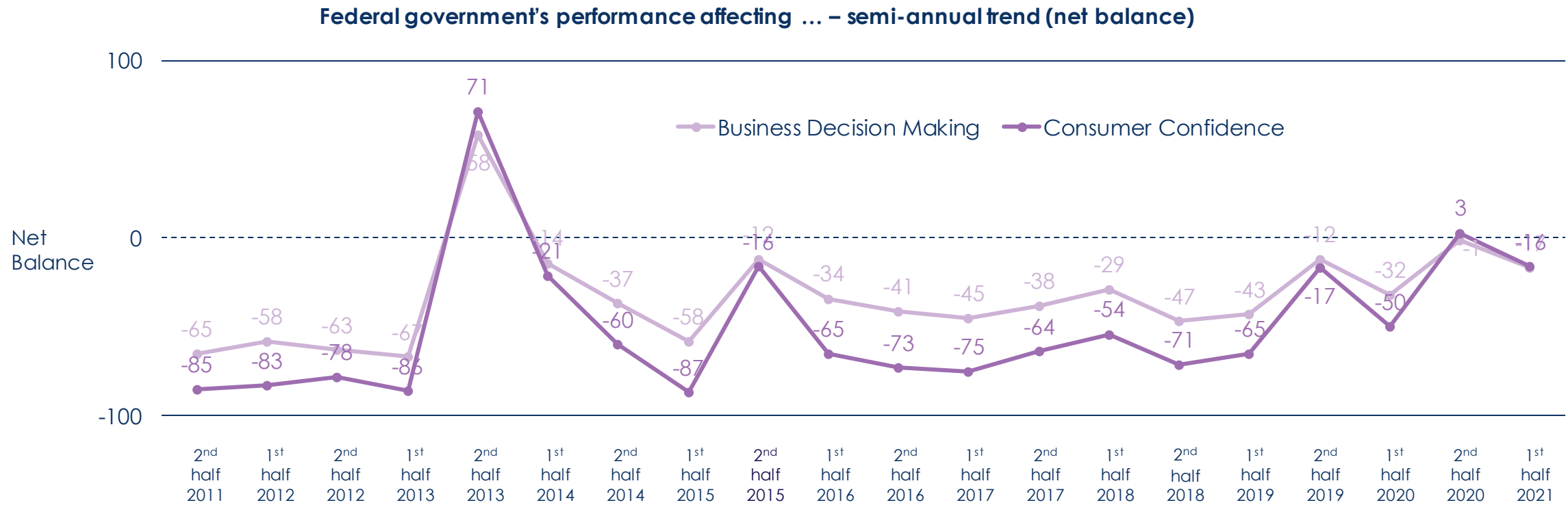
27. How is the current federal government's performance affecting ...?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Impact of federal government on business - semi-annual trend

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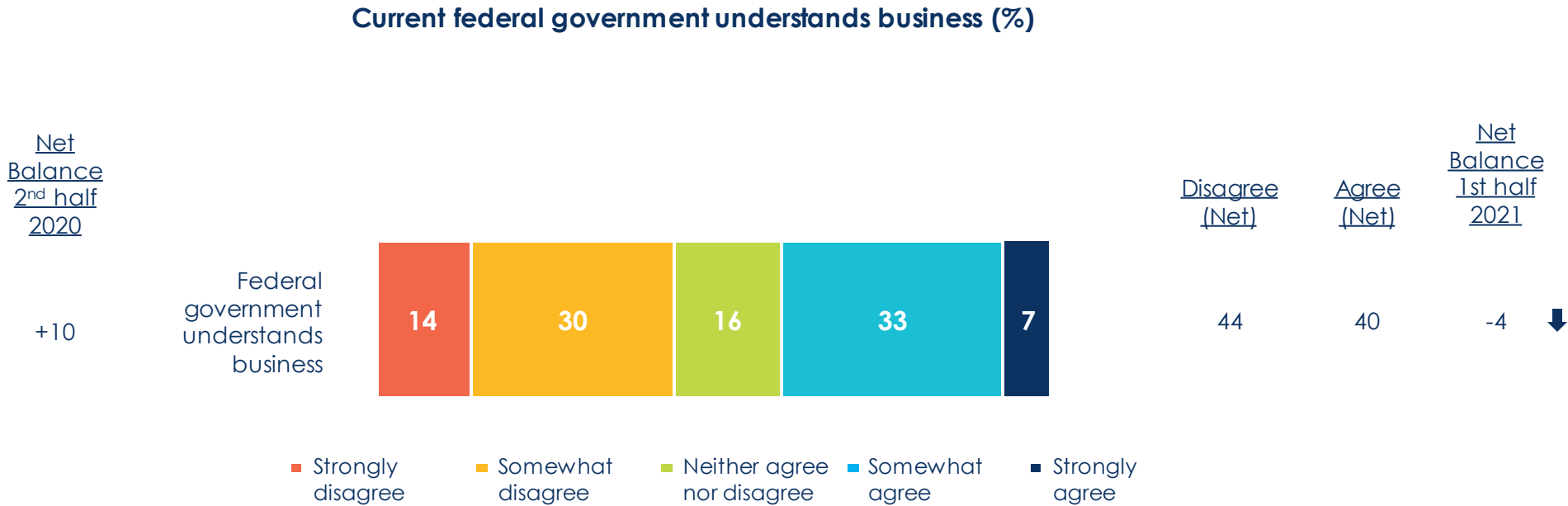
Source: 27
Base: All respondents; W 2 2011 n= 523; W 1 2012 n= 554; W 2 2012 n=540; W 1 2013 n=504; W 2 2013 n=527; W 1 2014 n=525; W 2 2014 n=501; W 1 2015 n=540; W 2 2015 n=521; W 1 2016 n=833; W 2 2016 n=987; W 1 2017 n=1106; W 2 2017 n=973; W 1 2018 n=945; W 2 2018 n=1252, W 1 2019 n=927, W 2 2019 n=1489, W 1 2020 n=1014, W 2 2020 n=1777

Federal government’s understanding of business

There has been a decrease in perceptions that the Federal Government understands business, with 44% of Directors disagreeing with the statement vs. 40% agreeing.

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24. To what extent do you agree or disagree with the statement "The current Federal Government understands business"?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

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



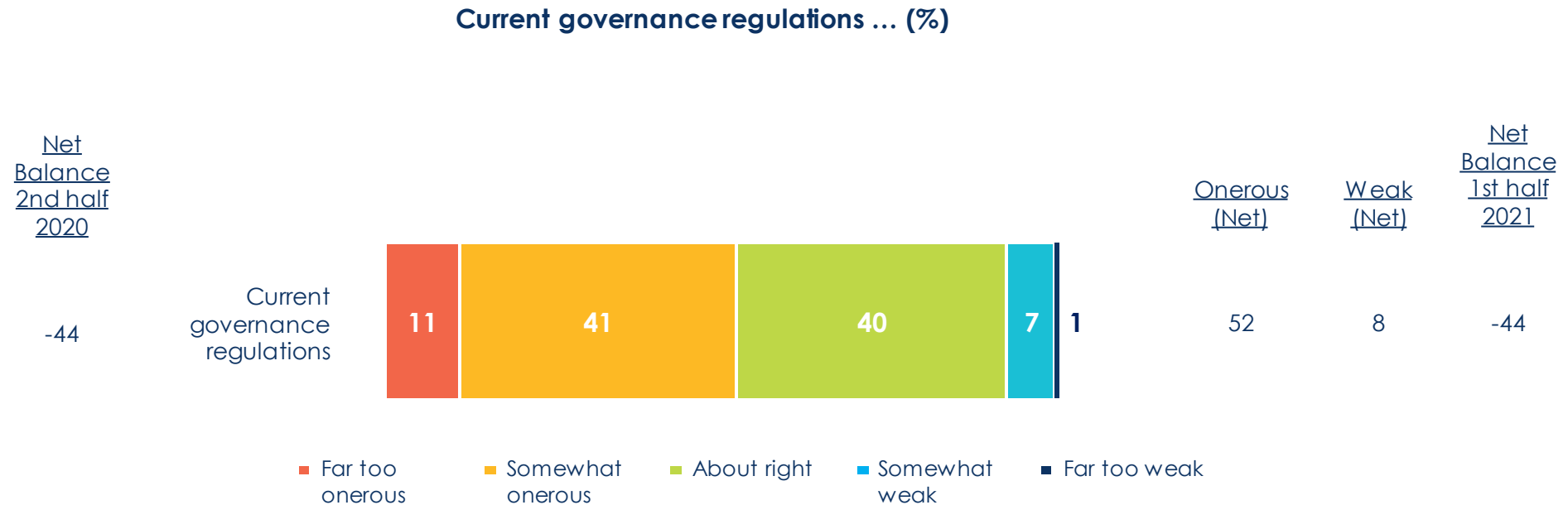
Source: 24

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, W 2 2020 n=1777

Key Issues for Directors and Boards

Current governance regulations

Directors continue to perceive current governance regulations as too onerous, with net balance (-44) in line with previous reporting period. Only 8% of directors see these regulations as too weak.



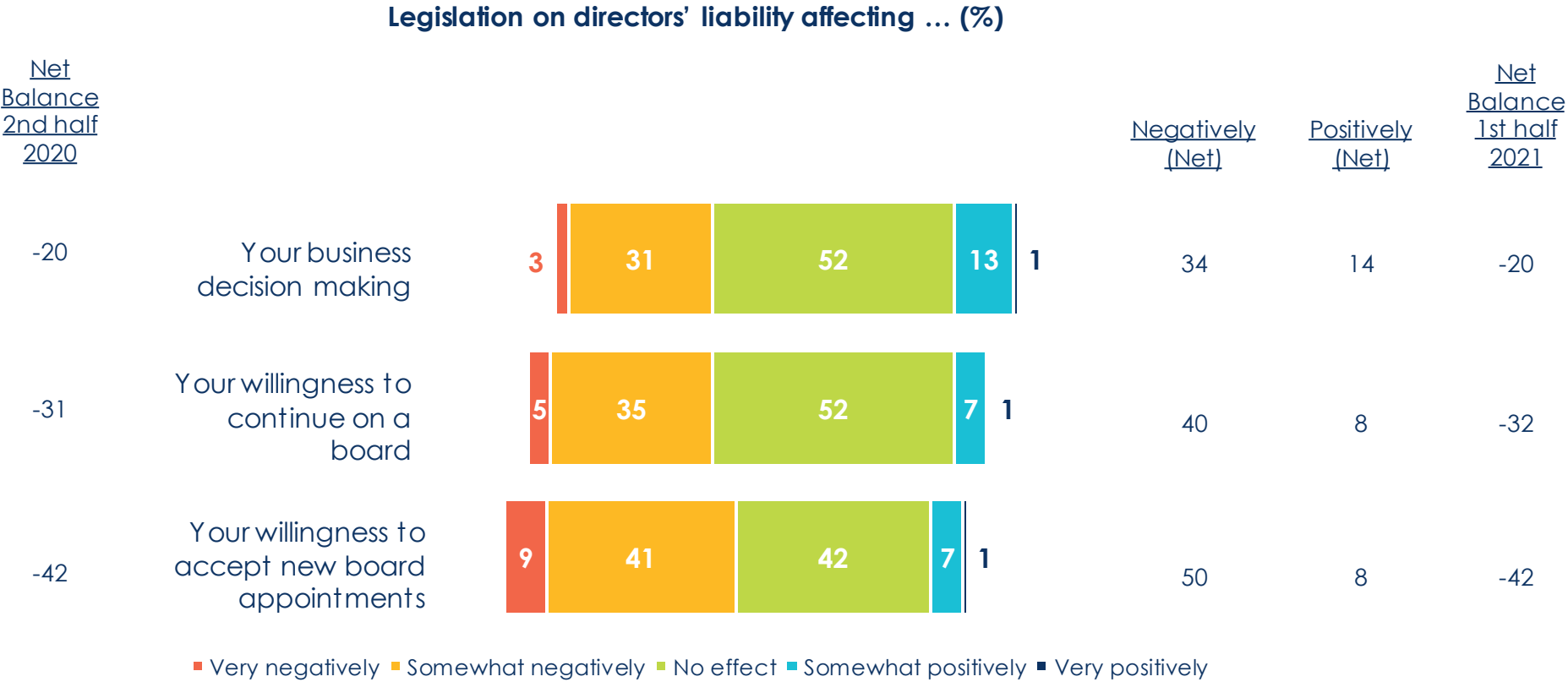
29. In your opinion, are current governance regulations ...?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Impact of legislation on director liability

Relative to the second half of 2020 there are no changes in the impact of director liability on decision making and willingness to accept new board appointments. Overall net balance for impact of directors liability remains negative across each area.

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RESEARCH FINDINGS FIRST HALF 2021

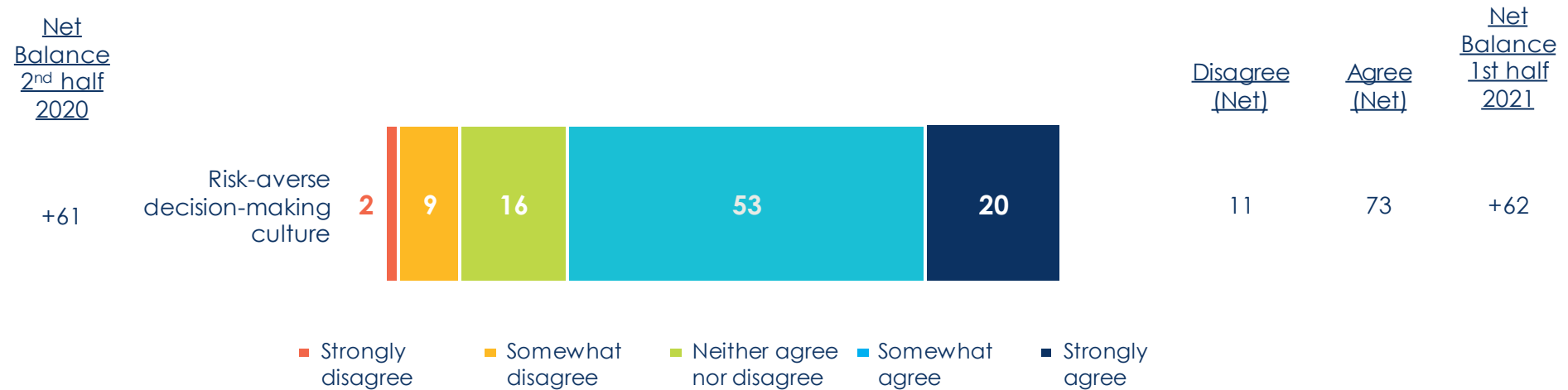
30. How does legislation on Directors' liability affect ... ?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Business decision making and risk aversion

Directors continue to feel that there is a risk-averse decision making culture on Australian boards, with over 70 per cent of directors agreeing with this statement.

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



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=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

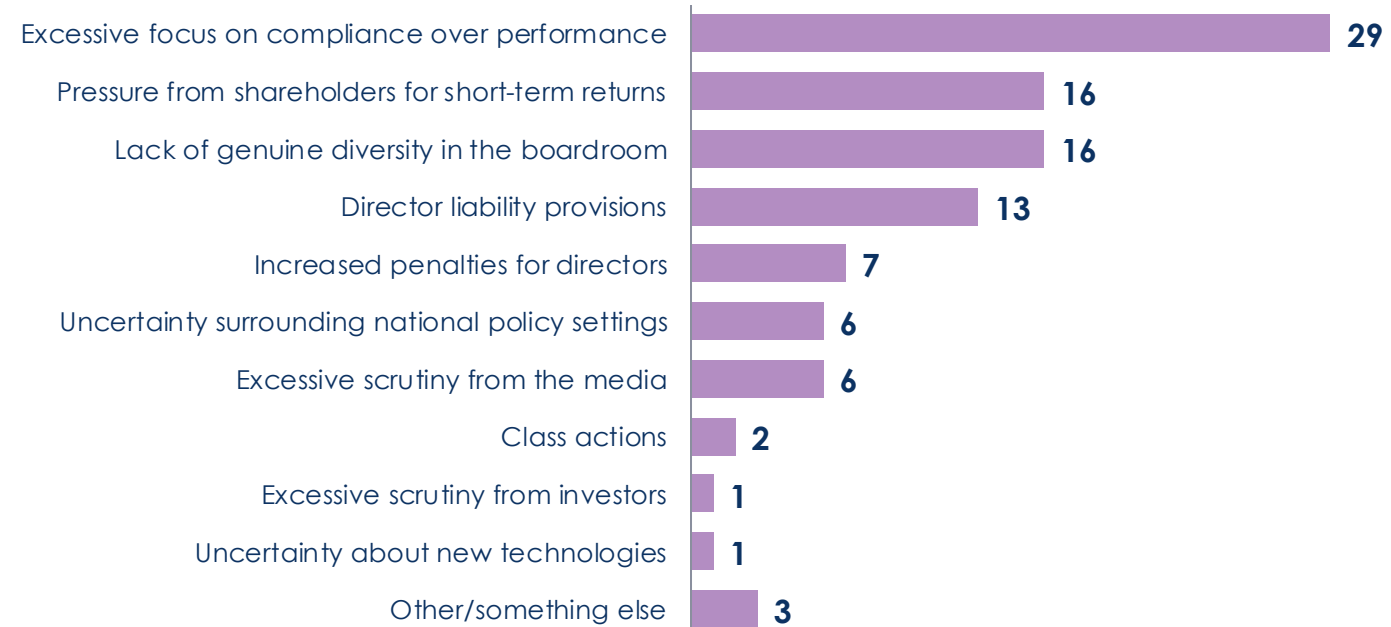
Reason for risk-averse decision making culture

The main reasons for risk averse decision making are an excessive focus on compliance over performance, followed by pressure from stakeholders and a lack of genuine diversity in the boardroom.

Dip on dip comparison

<u>Total</u> 2 nd half 2020	<u>Total</u> 1 st half 2021
32	29
16	16
16	16
12	13
7	7
4	6
4	6
2	2
2	1
1	1
4	3

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

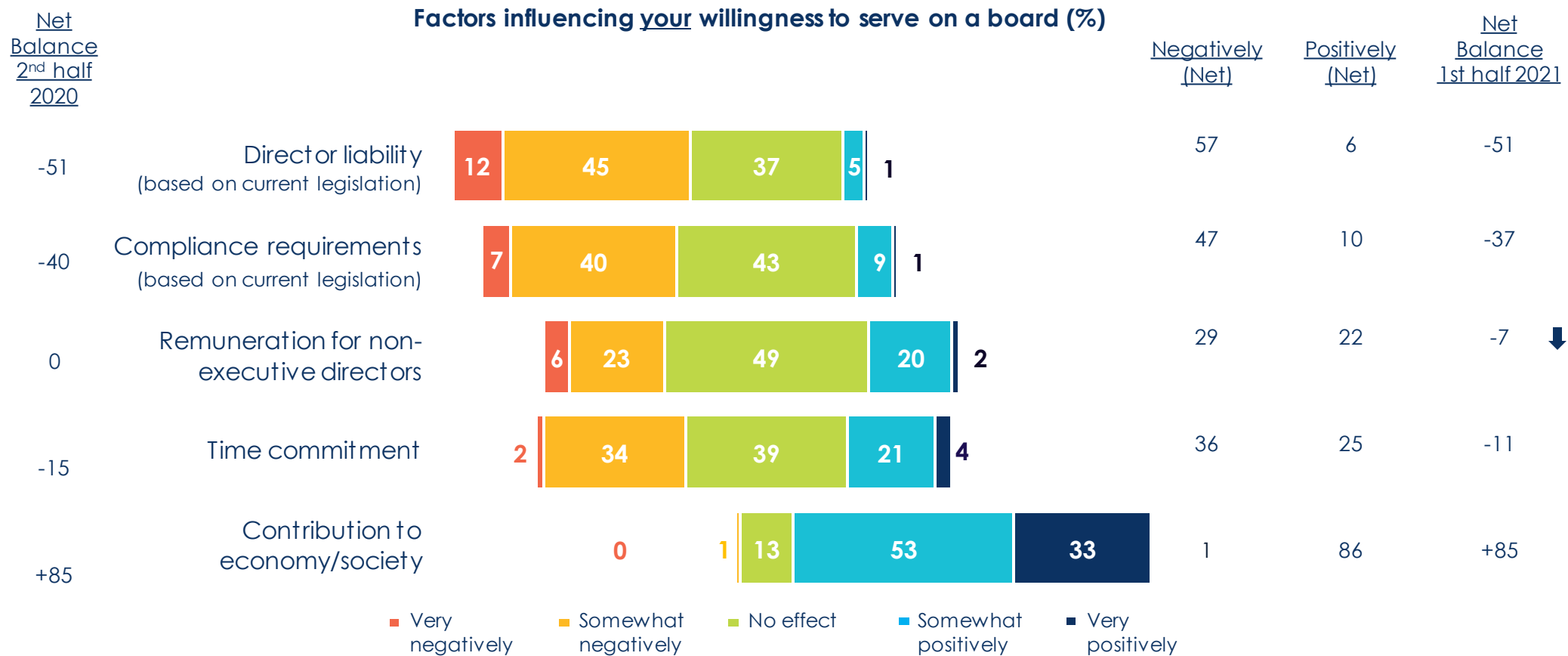


32. What do you feel is the main reason that there is a risk averse decision-making culture on Australian boards?
Base: Those who agree that there is a risk-averse decision making culture on Australian boards 1st half of 2021 n=1160

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Factors influencing your willingness to serve on a board

Of the factors that influence Directors' willingness to serve on a board, contribution to economy/ society continues to be the leading positive influence. Remuneration for non-executive directors has seen a decrease in net influence. Director liability is stable but continues to have a negative influence.



36. How do the following things influence your willingness to serve on a Board?
Base: All respondents n=1589

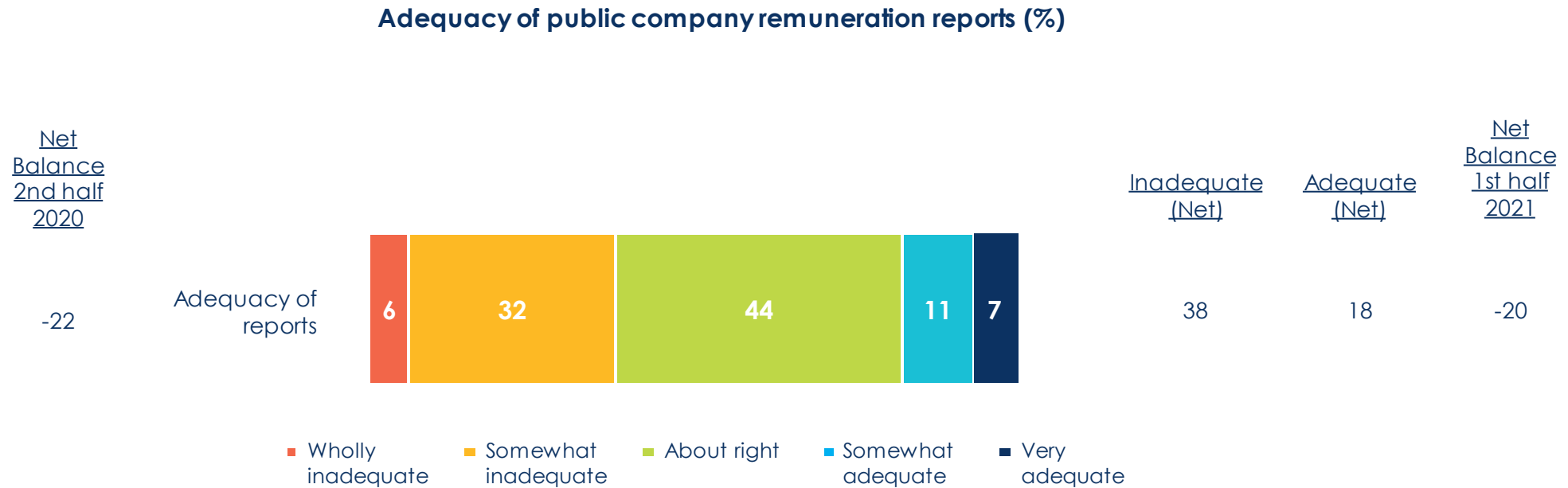
↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Adequacy of public company remuneration reports

No change in director perceptions on adequacy of public company remuneration reports, with net balance remaining negative at -20.

DIRECTOR SENTIMENT INDEX

RESEARCH FINDINGS FIRST HALF 2021

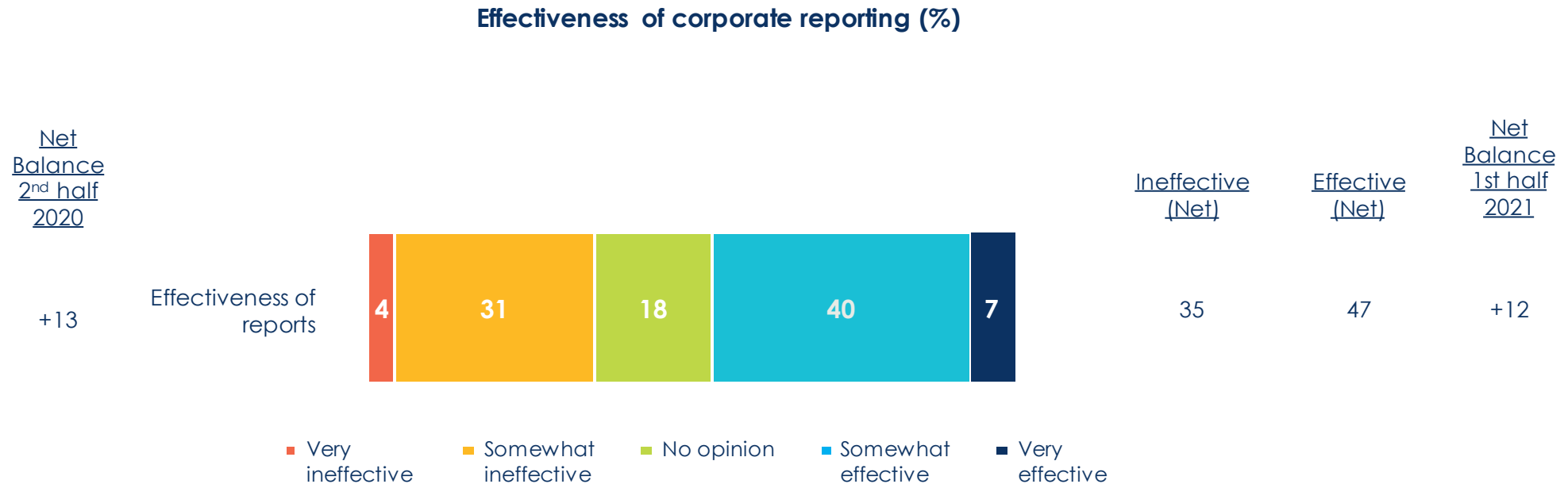


RI1. What is your view of the adequacy of public company remuneration reports?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Effectiveness of corporate reporting

The net balance for effectiveness of corporate reporting remains positive, with 47 per cent of directors stating they perceive corporate reporting as effective vs. only 35 per cent stating they find it ineffective.

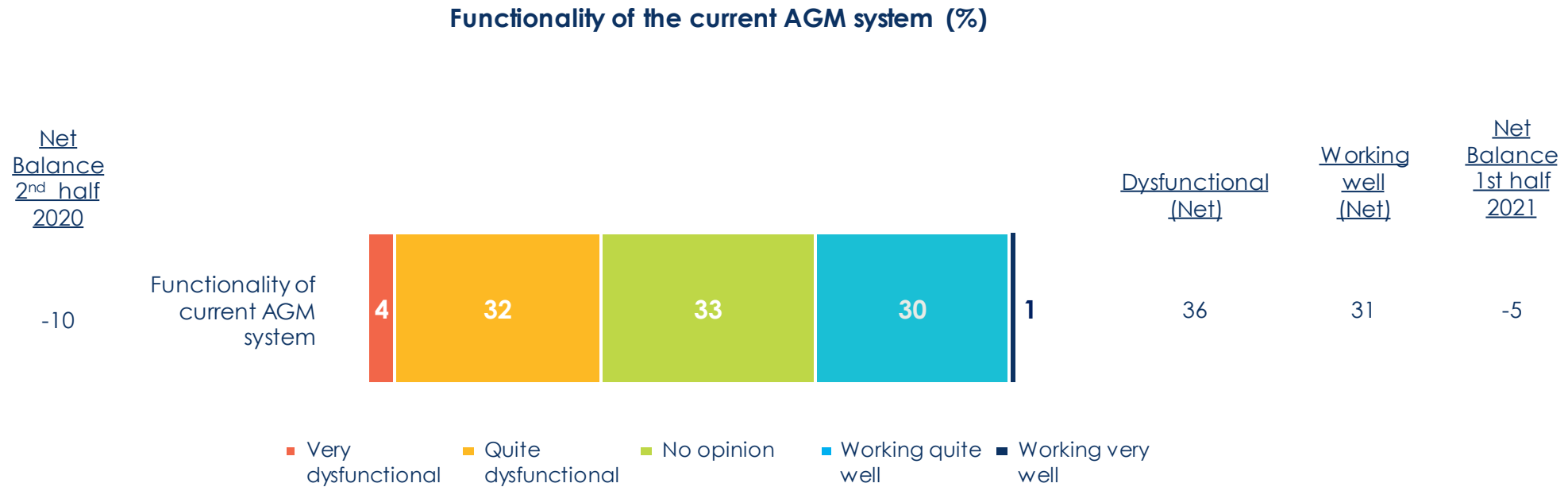


33. In your opinion, how would you rate the effectiveness of corporate reporting in Australia?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
 ↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Current AGM system

Sentiment regarding the current AGM system is relatively neutral.



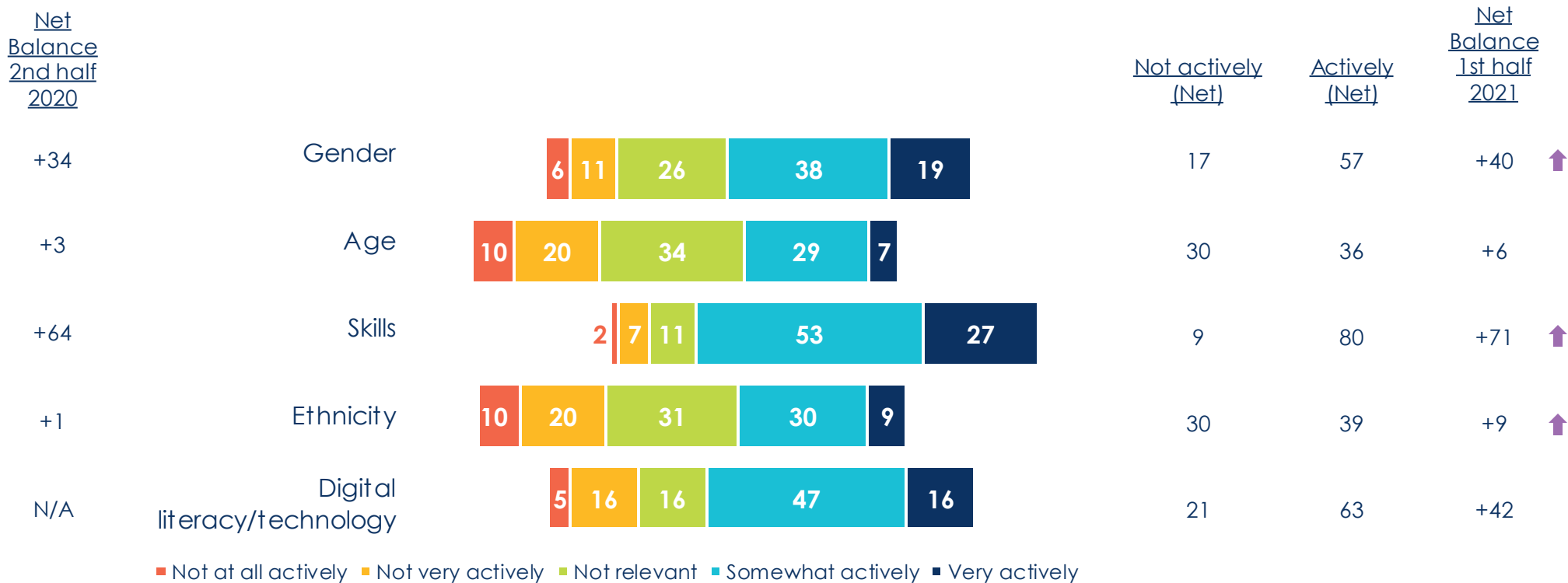
34. In your opinion, is the current AGM system ... ?
Base: All respondents n= 1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Board diversity: policy and efforts to increase

There is an increase in directors feeling the board is actively seeking diversity, with Gender, Skills and Ethnicity seeing an uplift. Directors also feel that boards are actively looking to increase digital literacy. Age is seen to be an area where boards are less actively seeking diversity, however net balance is still positive.

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



35. To what extent is your Board actively seeking to increase diversity in the following areas?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Extent Board is trying to effect change in culture

The majority of directors feel the board is trying to effect some culture change in their organisation, with only 12 per cent stating that their board is making no effort.

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



BD9. To what extent is your Board trying to effect change in culture within the organisation?
Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

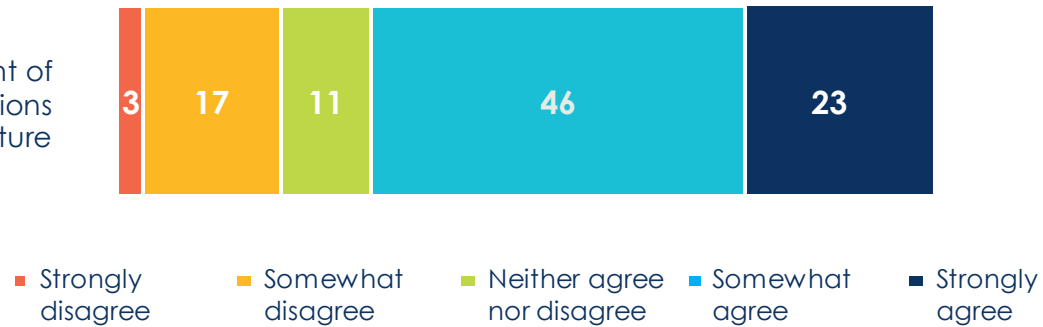
Oversight of Organisations Culture

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

Net
Balance
2nd half
2020

+49

Oversight of
organisations
culture



Disagree
(Net)

20

Agree
(Net)

69

Net
Balance
1st half
2021

+49

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level
↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

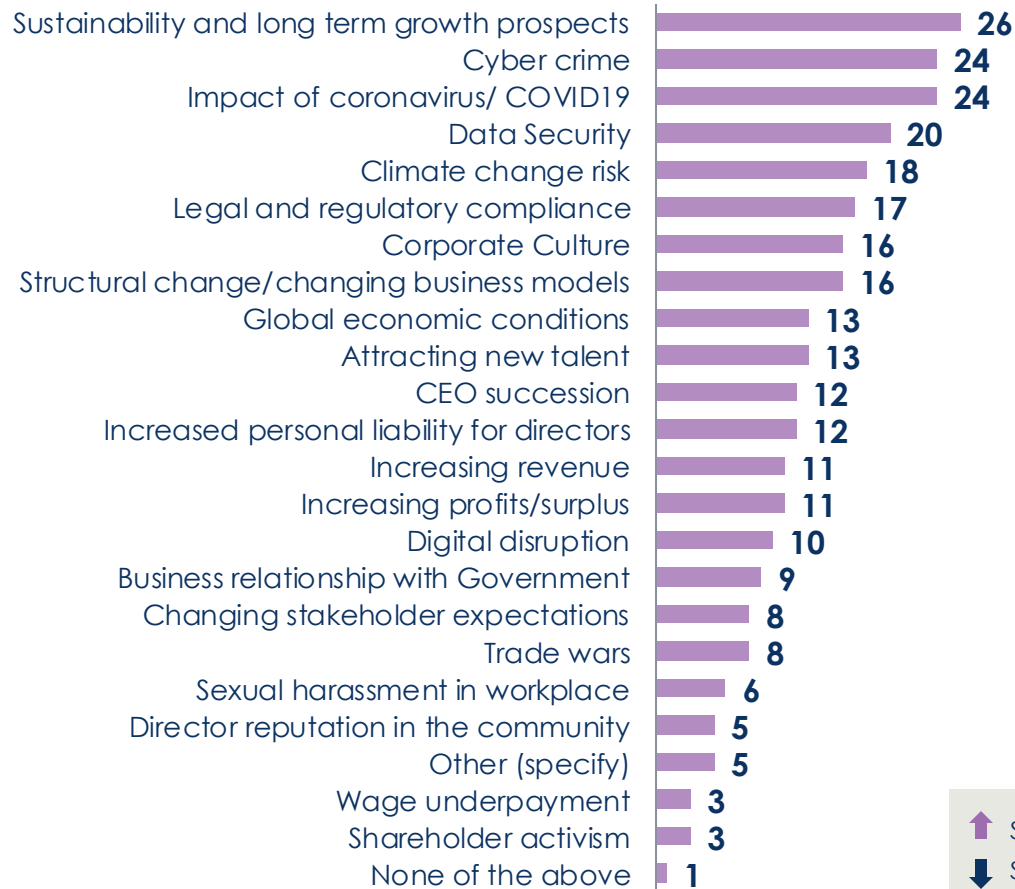
BD12. To what extent do you agree the with following statement “Our board has sufficient oversight of the culture of our organisation”?
Base: All respondents n= 1589

Topical Issues



COVID-19 has slipped down from being the top issue keeping directors awake at night, with sustainability and long-term growth prospects now taking top spot, with COVID 19 in joint second place with Cyber crime.

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

<u>Total</u> 2 nd half 2020	<u>Total</u> 1st half 2021
30	26
20	24
41	24 ↓
14	20 ↑
20	18
16	17
11	16
16	16
23	13 ↓
9	13
13	12
13	12
10	11
9	11
9	10
7	9
7	8
6	8
N/A	6
4	5
4	5
3	3
2	3
1	1



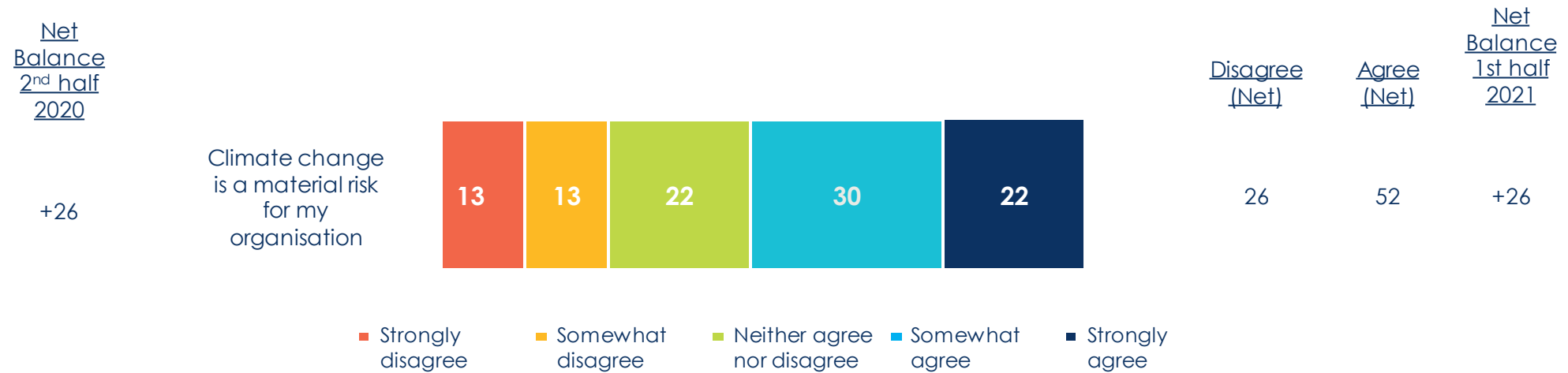
Base: All respondents, 2nd half of 2020
n=1777, 1st half 2021 n=1589

 Significantly higher vs. 2nd half 2020 @ 95% confidence level
 Significantly lower vs. 2nd half 2020 @ 95% confidence level

Effect of climate change

Climate change continues to be a material risk to organisations, with 52 per cent of directors agreeing or strongly agreeing with the statement, vs. only 26 per cent disagreeing or strongly disagreeing.

Climate change is a material risk for my organisation? (%)



TQ2. To what extent do you agree or disagree that 'Climate change is a material risk for my organisation'?

Base: All respondents n=1589

↑ Significantly higher vs. 2nd half 2020 @ 95% confidence level

↓ Significantly lower vs. 2nd half 2020 @ 95% confidence level

Summary of Key Indicators

Summary of key indicators (1/6)

Indicator (expected change in coming 12 months)	Scale	1 st half 2021 net balance	2 nd half 2020 net balance
Economic conditions			
Health of the Australian economy	Weak/strong	+18 ↑	-62
Health of the Asian economy	Weak/strong	+13 ↑	-28
Health of the Chinese economy	Weak/strong	+44 ↑	+7
Health of the European economy	Weak/strong	-58 ↑	-78
Health of the US economy	Weak/strong	+1 ↑	-60
Inflation rate (Australia)	Lower/higher	+42 ↑	-16
Exchange rate (value of AUD versus USD)	Lower/higher	+7	+11
RBA cash rate	Lower/higher	+22 ↑	-22
Level of wages growth	Lower/higher	+17 ↑	-49
Unemployment rate	Lower/higher	-14 ↓	+11
Expected change in ASX All Ordinaries index	Fall/rise	+41 ↑	-5

↑ 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	1 st half 2021 net balance	2 nd half 2020 net balance
Economic conditions			
Growth of primary directorship business	Weak/strong	+52 ↑	+14
Change in business investment levels	Decrease/increase	+38 ↑	-3
Change in business staffing levels/labour demand	Decrease/increase	+37 ↑	-7
Change in level of business exports	Decrease/increase	+8 ↑	-14
Change in level of outsourcing	Decrease/increase	+12 ↑	+1
Expectations of profits for Jan- Jul 21 actual versus forecast*	Below/up	+18 ↑	-16
Expectations of profits for Jul- Dec 21 actual versus forecast*	Below/up	+22 ↑	-4
Confidence in general business outlook*	Pessimistic/opt	+38 ↑	-24
Confidence in business outlook for primary directorship sector*	Pessimistic/opt	+44 ↑	+5
Expected change in level of mergers and acquisitions	Fall/rise		+71
Infrastructure			
Perception of level of government spending on infrastructure*	Low/high	+52 ↑	-64

↑ 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	1 st half 2021 net balance	2 nd half 2020 net balance
Taxation			
Perception of current level of corporate taxation	High/low	-28 ↑	-37
Perception of current level of personal taxation	High/low	-58 ↑	-60
Expected change in level of 'red-tape' in coming 12 months	Increase/decrease	-34 ↓	-1
Impact of 'red-tape' on preparing/ paying taxes	High impact/low impact	-37 ↓	-24
Impact of 'red-tape' on workplace health/safety	High impact/low impact	-48 ↓	-34
Impact of 'red-tape' on workplace flexibility	High impact/low impact	-32 ↓	-22
Impact of 'red-tape' on employing new workers	High impact/low impact	-30 ↓	-16
Impact of 'red-tape' on corporate reporting requirements	High impact/low impact	-53 ↓	-43
Impact of 'red-tape' on environmental compliance	High impact/low impact	-16 ↓	-3
Impact of 'red-tape' on investing in capital assets	High impact/low impact	-3 ↓	+4

↑ 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	1 st half 2021 net balance	2 nd half 2020 net balance
Tax, credit, M&A			
Credit availability for investment purposes	Constrained/available	+28 ↑	+8
Credit availability for asset purchases	Constrained/available	+32 ↑	+16
Credit availability for working capital	Constrained/available	+24 ↑	+5
Public Policy			
Quality of current Public Policy debate in Australia*	Poor/good	-77	-73
Regulation, legal issues, reporting			
Agreement with 'Federal Government understands business'*	Disagree/agree	-4 ↓	-10
Regulation, legal issues			
How is the current Federal Government's performance affecting your business decision making?*	Negatively/positively	-17 ↓	-1
How is the current Federal Government's performance affecting consumer confidence?*	Negatively/positively	-16 ↓	+3





↑ 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	1 st half 2021 net balance	2 nd half 2020 net balance
Regulation, legal issues			
Perception of governance regulations	Onerous/weak	-44	-44
Extent legislation on directors affect your business decision-making	Negatively/positively	-20	-20
Extent legislation on directors affect your willingness to continue on a board	Negatively/positively	-31	-31
Extent legislation on directors affect your willingness to accept new board appointments	Negatively/positively	-42	-42
Risk-averse decision-making culture on Australian boards	Disagree/agree	+61	+61
Adequacy of public company remuneration reports	Inadequate/adequate	-20	-22
Effectiveness of corporate reporting	Ineffective/effective	+12	+13
Functionality of current AGM system	Dysfunctional/functional	-5	-10

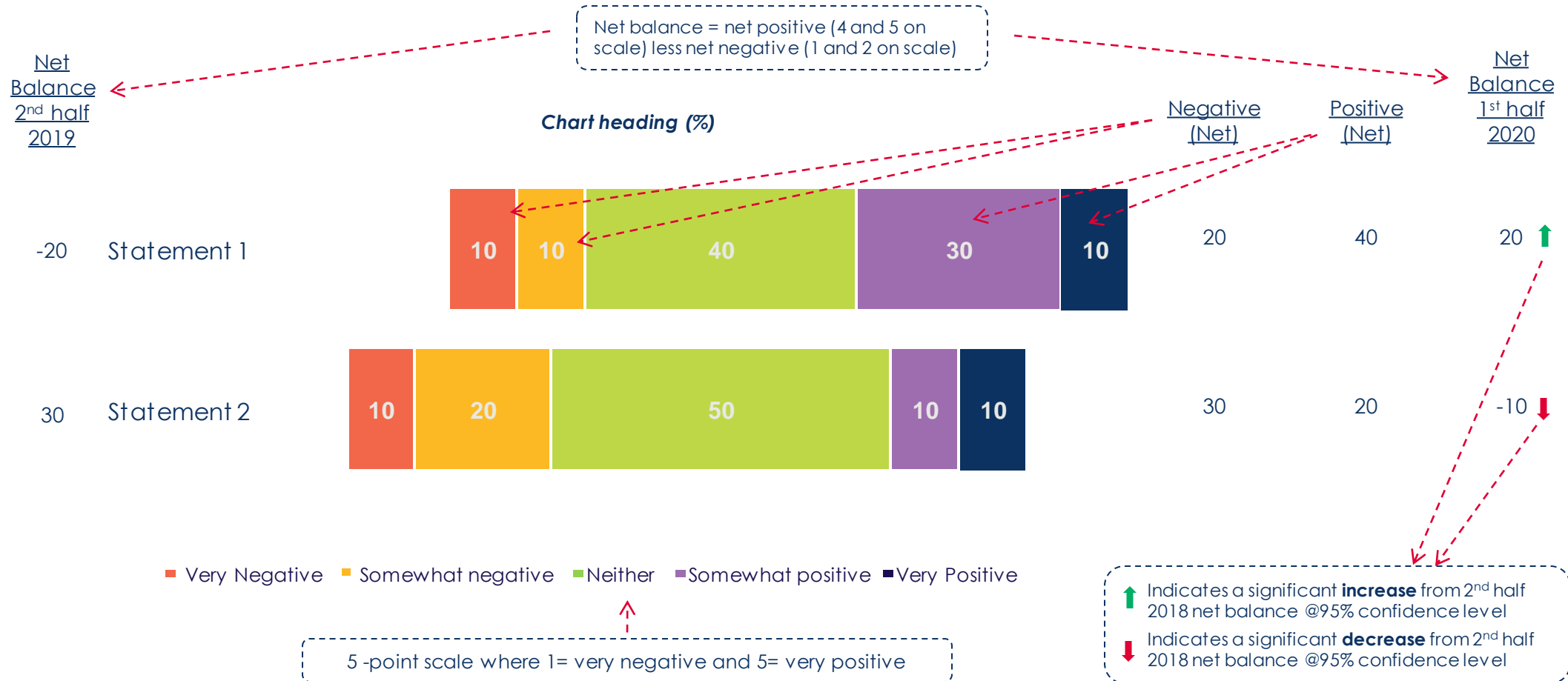
 Significantly higher vs. 1st half 2020 @ 95% confidence level
 Significantly lower vs. 1st half 2020 @ 95% confidence level

Summary of key indicators (6/6)

Indicator (expected change in coming 12 months with the exception of *)	Scale	1 st half 2021 net balance	2 nd half 2020 net balance
Board diversity			
Board actively seeking to increase diversity of gender on board	Not actively/actively	+40 	+34
Board actively seeking to increase diversity of age on board	Not actively/actively	+6	+3
Board actively seeking to increase diversity of skills on board	Not actively/actively	+71 	+64
Board actively seeking to increase diversity of ethnicity on board	Not actively/actively	+9 	+1
Impact of directors' liability on willingness to serve on a board	Negatively/positively	-51	-51
Impact of compliance requirements on willingness to serve on a board	Negatively/positively	-37	-40
Impact of remuneration on willingness to serve on a board	Negatively/positively	-7 	0
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	-11	-15

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

Explanations of charts – example only





QUESTIONS



THANK YOU