

Australian Institute of **Company Directors**



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Director Sentiment Index Survey 2nd Half 2021

APPENDIX REPORT

FULL RESEARCH RESULTS

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What is the DSI?

Quantifying experience and opinion

The Director Sentiment Index (DSI) represents the breadth of Australian Institute of Company Director (AICD) member opinions on a range of issues covering the Australian and global economies, government policy and governance regulations.

The DSI has tracked business and economic attitudes for the past 10 years, indicating shifts in business sentiment, and delivering robust and context-driven insights and trends.

DSI Survey Reports

This Appendix Report includes detailed question-by-question analysis. A summary Insights Report and a database with full research results are also available.

Update to 2nd Half 2021 DSI

The survey questionnaire and DSI were updated in the 2nd Half 2021 wave to better reflect current issues and to provide more precise and targeted insights.

The updated DSI provides greater focus on director perceptions of the health of local and international economies, the impact of government policy and support, and current business conditions. Less weight is now placed on business investment, labour demand, exports, wage growth, unemployment, outsourcing, profit, changes in ASX, the exchange rate, and inflation.

Despite all efforts having been made to ensure that results in the updated DSI are broadly comparable with previous waves, the changes in questions and the Index calculation methodology mean that the updated DSI is not directly comparable with previous waves.

Survey topics

Directors shared opinions on a broad range of topics

DSI TOPICS

Economic outlook

- Australia now and in the next 12 months
- Major global economies today and in 12 months

Business conditions

- What it's like doing business in Australia, the states, and across sectors
- What top issues do businesses face?

Structural policy settings

- Do state and Federal Government understand business needs?

Macro policy settings

- Do the budget deficit, fiscal policies and monetary policy impact business?

Directorship issues

- The state of corporate governance, priorities, management, liability and risk

OTHER TOPICS

Covering topical issues and deep dives

- How diverse are Australia's boardrooms?
- What should be the Federal Government's top short- and long-term priorities?
- What issues keep directors awake at night?
- What are national tax reform priorities?
- What infrastructure investments does the country need?
- How does flexible working impact business?
- What risks and opportunities are present in climate governance?
- How much support does an emissions trading scheme have among directors?

Executive summary

Australia sees robust growth expectations as lockdowns abate and businesses get back to work

Confidence in the Australian economy is relatively high as 2021 winds up, with 58% of AICD directors believing the country is in a strong position—notably higher for the Australian economy than for overseas economies. Director perceptions of the strength of the economy of each Australian state varied considerably.

High vaccination rates and better-than-expected national finances in the aftermath of rolling lockdowns suggest the Australian economy is returning to healthy growth.

The perspective on next year is more bullish, with two-thirds (67%) of directors confident the country's 12-month economic outlook is strong, again notably higher than overseas economies.

Business sentiment optimistic for 2022

Hand-in-hand with the economy, business is recovering. Half of all directors (52%) see strong Australian business conditions currently. In 12-months' time 64% believe business will be on sure footing, with positive indicators like investment, turnover and profits expected to grow.

Overall, directors more optimistic than pessimistic

The AICD Index is in positive territory with more director optimism than pessimism at a score of +17.9.

Finding and keeping good staff is a problem

Over half (55%) of directors face labour shortages and 63% were impacted by a difficult labour market. The trend looks to continue into the next 12 months—69% expect labour demands to increase and 41% think the skills shortage should be a government priority in the near term. Though lockdowns and closed borders are gone, the hangover is likely to last well into 2022.

Climate change should be the Federal Government's top priority

Responding to climate change should be Canberra's most important priority over the next three years, according to almost half (48%) of all directors. This rises to 59% when considered over the next 10 to 20 years. Furthermore, 60% of directors support an emissions trading scheme for the Australian economy.

The Federal Government is expected to lead. Half of all directors (50%) believe climate change is a material risk to their organisation, but at the same time 49% see the uncertainty around climate change policy settings as a barrier to achieving climate governance at an organisational level.

Executive summary

Infrastructure investment should focus on renewables

Tying closely in with concerns over climate change, the top priority for public infrastructure investment should be in renewable energy sources, think 70% of directors—an overwhelming majority.

Interestingly, 28% believe infrastructure investment focus should be in nuclear energy, showing a broad desire for development of a diverse and low-carbon energy matrix in Australia.

In addition, over a third of directors (36%) think the government should invest in telecommunication networks, including internet infrastructure, indicating dissatisfaction in current connectivity capacity in Australia.

The post-pandemic office

It seems you can't put the genie back in the bottle and flexible working arrangements will become a permanent fixture. While directors found this to have positive effects on staff retention (57%), wellbeing (53%), productivity (45%) and even attracting new talent (53%), there are concerns.

Over half (52%) believe having employees working from home leads to more complicated cyber security for their organisation.

Workplace vaccine mandates supported by three out of four directors

Sitting squarely within considerations around how and what the future of on-site work will look like, community health remains top of mind for a majority of directors (76%) who believe COVID-19 vaccines should be obligatory for all staff in their sector.

Skill sets need diversifying, with an eye on digital abilities

When it comes to diversity, the top concern for directors is skills. Almost three-quarters (73%) agree that their board needs to have more diverse skill sets. Within that, there's a specific focus (59%) on digital capabilities.

Generally, 57% thought the current level of diversity on Australian boards is unsatisfactory, and half (51%) are seeking a greater balance of gender.

What keeps you up at night?

The big issue keeping executives from getting a good night's rest is cyber security. Clearly a global issue of concern across the public and private sectors, 41% of directors said cyber crime and data security are front of mind in the small hours of the morning. At the same time, 86% are confident they understand the risks and opportunities presented by technology and 53% believe their board has enough oversight over cyber threats.

METHODOLOGY

METHODOLOGY

Who took part?

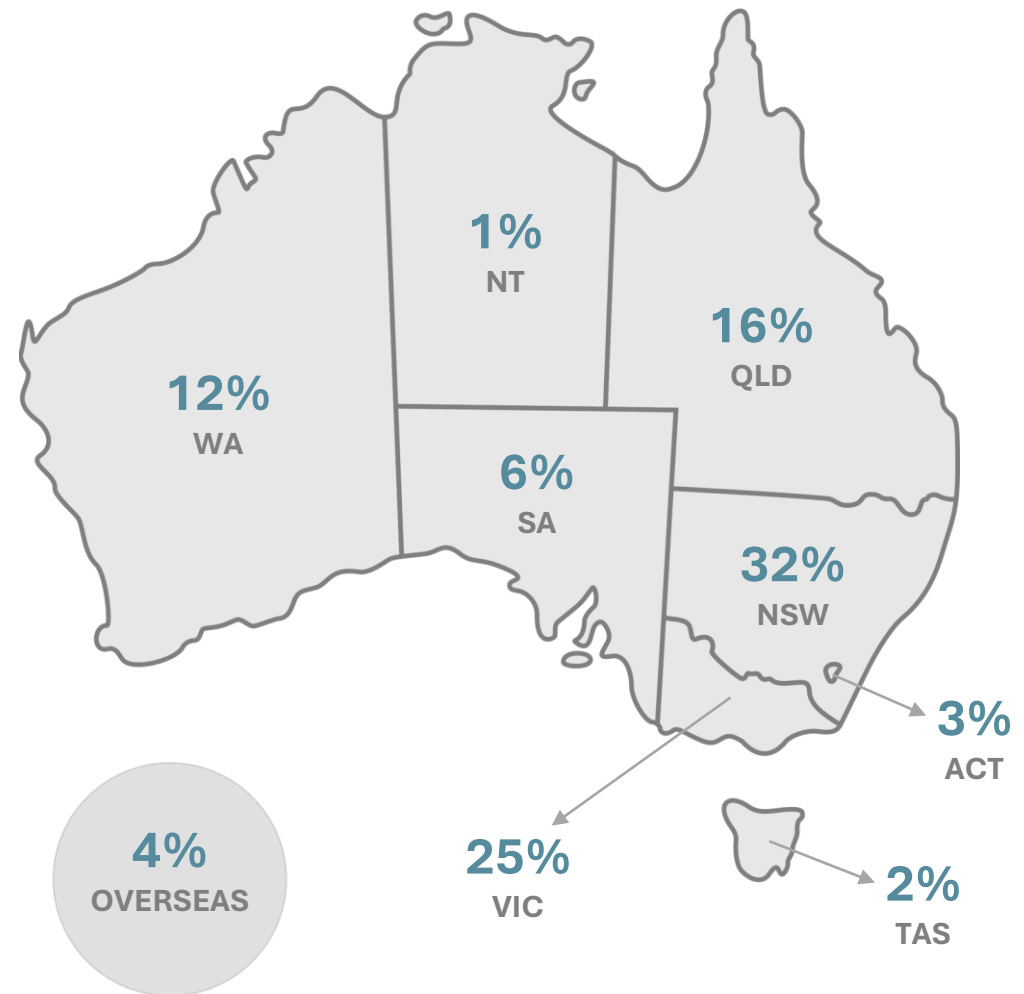
- The DSI survey was conducted online with a representative sample of 1645 respondents across Australia between 28 October - 8 November, 2021
- Respondents were AICD members with current directorships
- Sample profile information follows. Survey responses were weighted by gender to reflect the AICD member profile when analysing results.

71% **28%**
MALE FEMALE



1% OTHER / PREFER NOT TO SAY

PRIMARY DIRECTORSHIP BASED



Full sample profile

No. of Current Directorships	%
1	35%
2	27%
3 or more	38%

Position held on Board(s)	%
Executive Director	32%
Non-Executive Director	43%
Chairman	21%
Other	3%
Prefer not to say	1%

Gender	%
Male	71%
Female	28%
Other / Non-Binary	0%
Prefer not to say	1%

Age	%
18-34	1%
35-44	8%
45-54	24%
55-64	40%
65-74	22%
75 or over	4%
Prefer not to say	1%

Primary Directorship Company	%
Publicly listed Australian entity	12%
Private/non-listed Australian entity	43%
Not-for profit entity	34%
Overseas entity	5%
Public sector/ government body	6%
Prefer not to say	0%

Primary Directorship Location	%
New South Wales	32%
Victoria	25%
Queensland	16%
Western Australia	12%
Tasmania	2%
South Australia	6%
Northern Territory	1%
Australian Capital Territory	3%
Overseas	4%

Directorship Business Sector	%
Accommodation and Food Services	2%
Administrative and Support Services	1%
Agriculture, Forestry and Fishing	4%
Arts and Recreational Services	3%
Construction	3%
Education and Training	7%
Electricity, Gas and Water	3%
Financial and Insurance Services	11%
Healthcare and Social Assistance	19%
Information Media and Telecommunications	4%
Manufacturing	5%
Mining	4%
Professional, Scientific and Technical Services	12%
Public Administration and Safety	1%
Rental, Hiring and Real Estate Services	1%
Retail Trade	2%
Transport, Postal and Warehousing or Wholesale Trade	4%
Other Services	7%
Other Sector	9%

DIRECTOR SENTIMENT INDEX

Overall Director Sentiment Index 10Y to 2nd Half 2021



Base: All respondents N= 1645

Note: Revised index from 2nd half 2021 is not comparable with previous index scores.

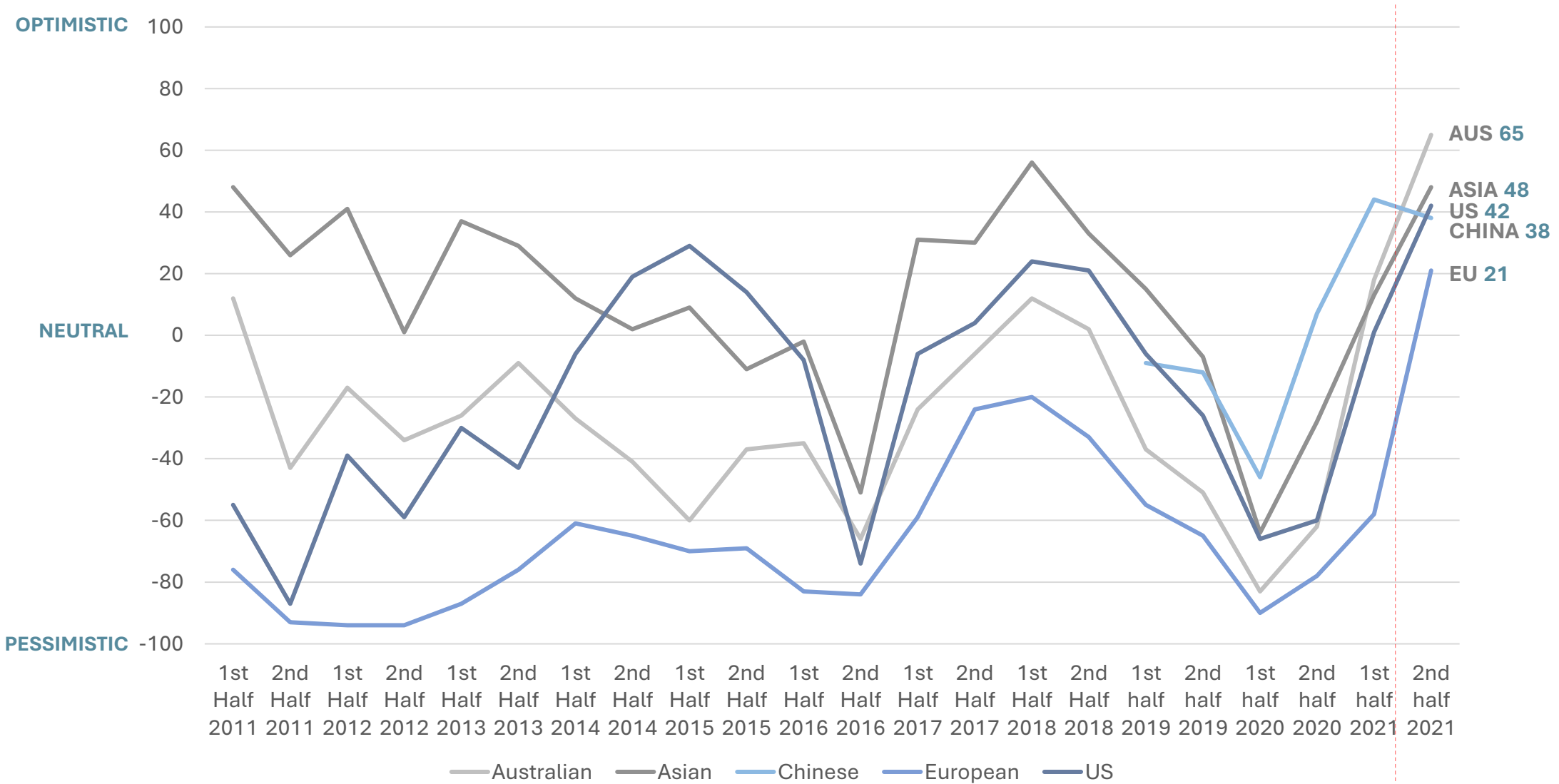
ECONOMIC OUTLOOK

2nd HALF 2021
DSI CATEGORY
SCORE



+38

Major economies expected to rebound strongly, but EU lags



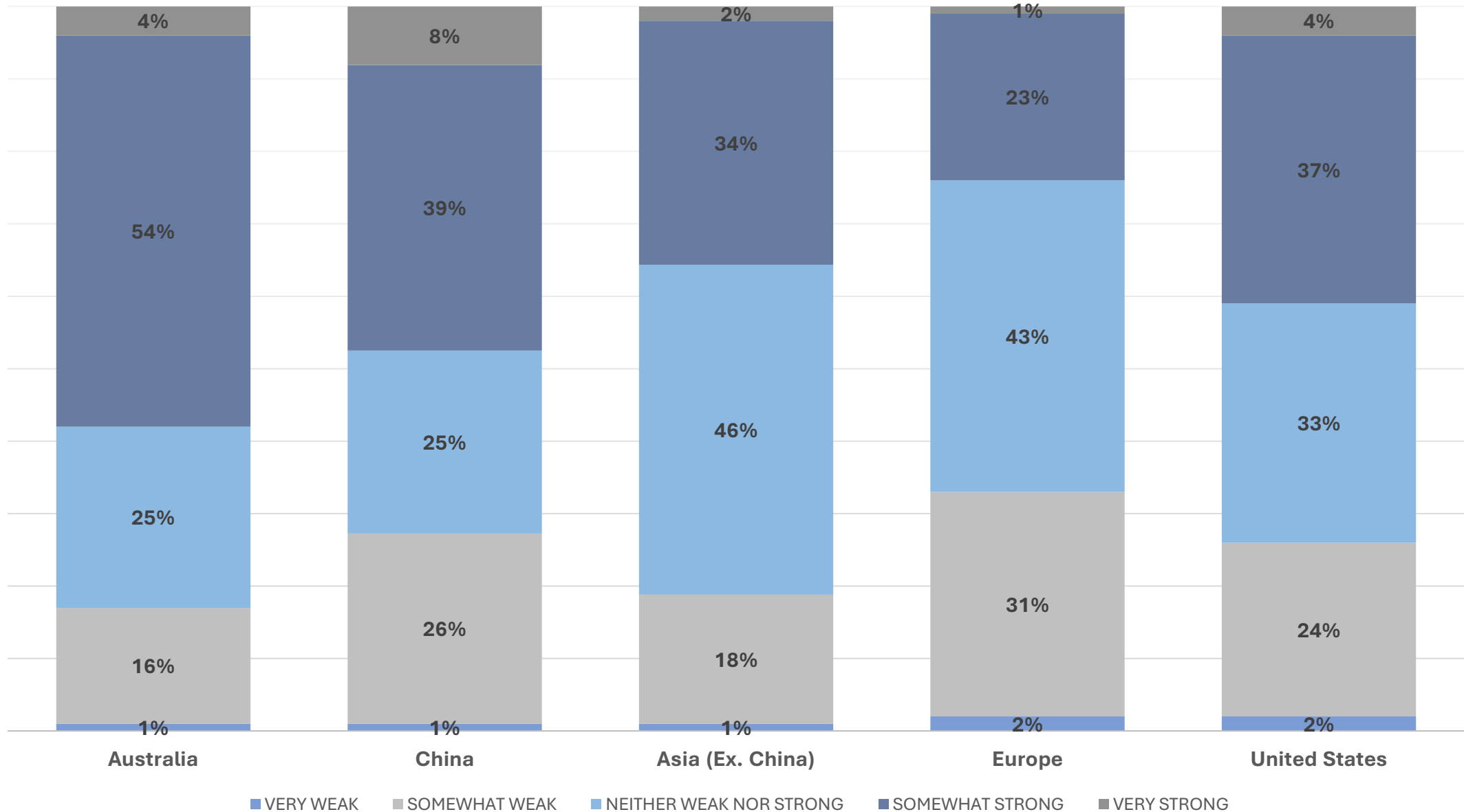
Updated
DSI

Note: Changes to question or response options in 2nd half 2021 may impact comparability with previous results

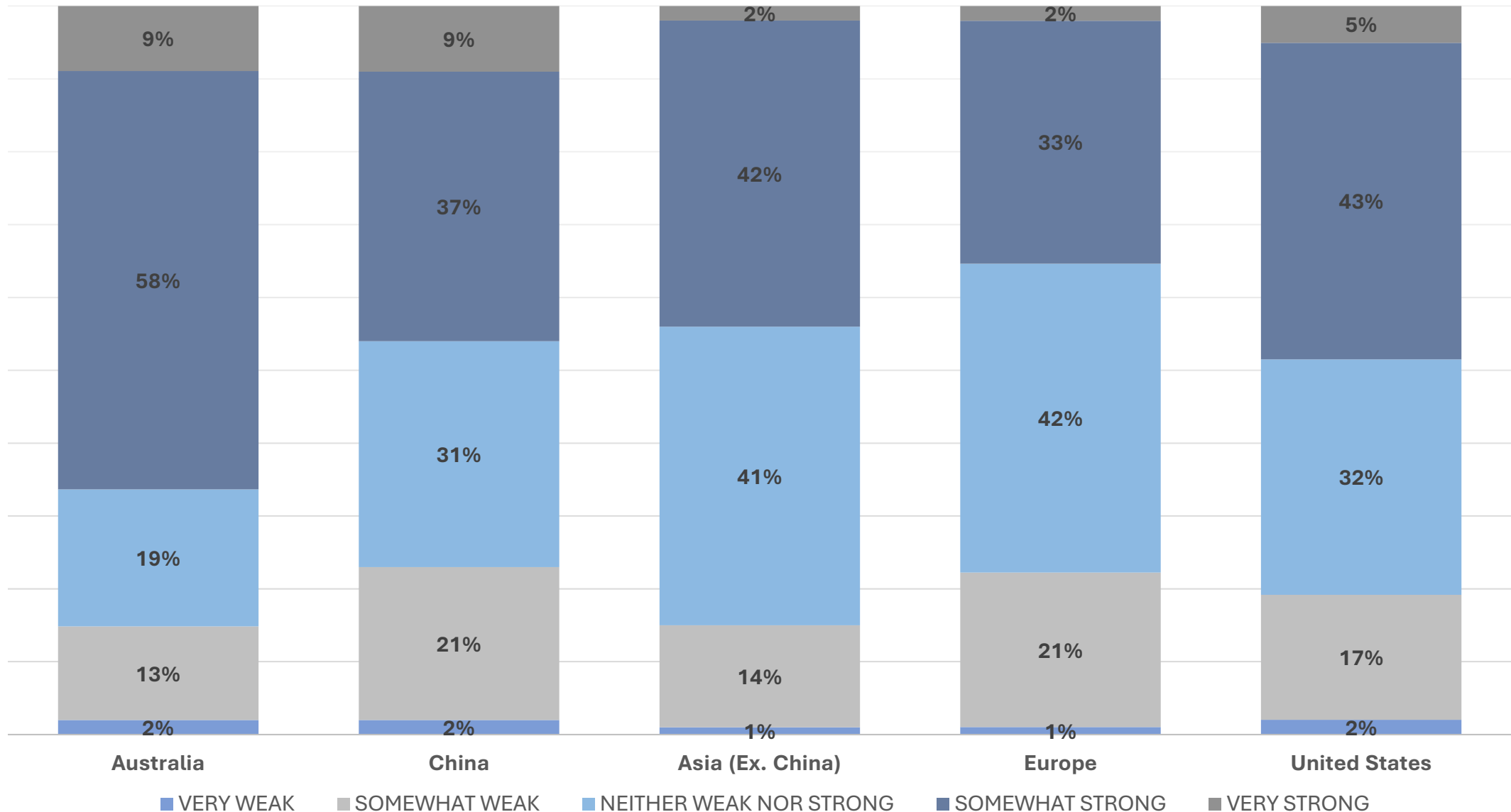
E9. Over the next 12 months, what would be your assessment of the health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat Strong, Very strong)

From 2nd half 2021 Asia excludes China. Base: All respondents N= 1645

What is your assessment of the current health of the following economies...?

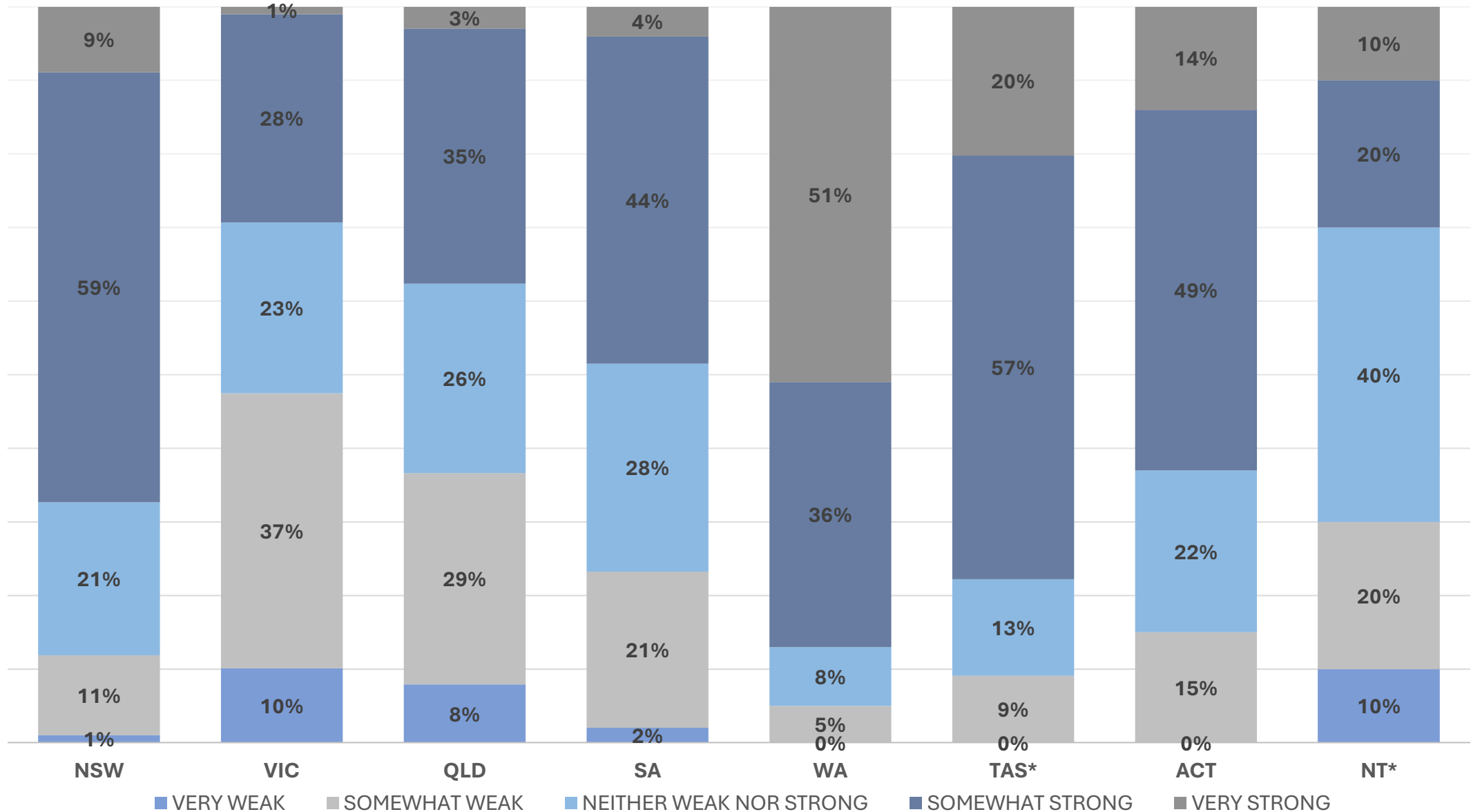


Over the next 12 months, what would be your assessment of the health of the following economies...?



Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.
Base: AICD Directors 18+; n=1,645.

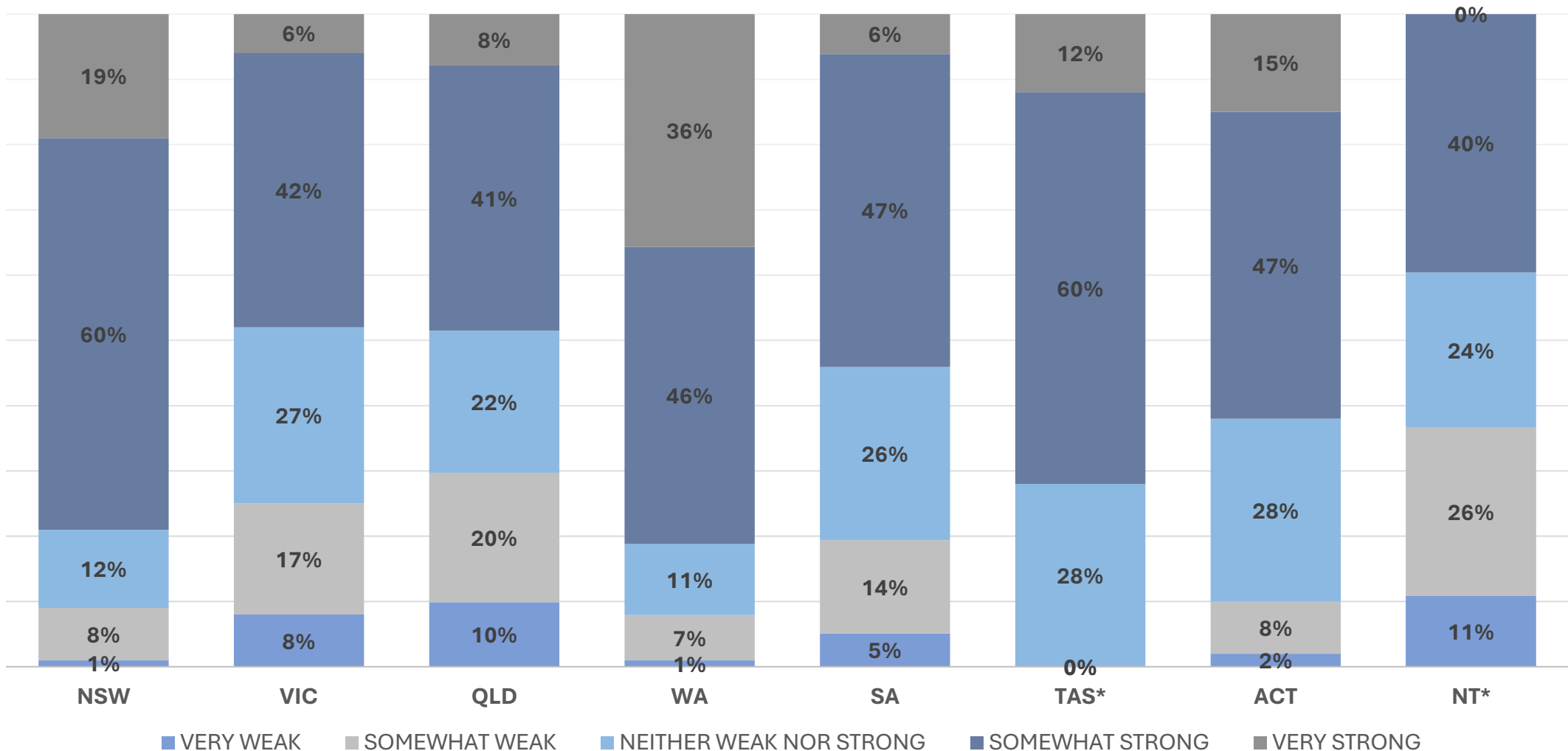
What is your assessment of the current health of the economy in the state where your primary directorship is based?



Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021. Base: AICD Directors 18+; n=1,645, NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

Over the next 12 months, what would be your assessment of the health of the economy in the state where your primary directorship is based?



Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021. Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

DSI score by question

QUESTION	INDEX SCORE
Health of the Australian economy (Now)	+56
Health of the Australian economy (12 months from now)	+65
Health of your state or territory economy (Now)	+35
Health of your state or territory economy (12 months from now)	+56
Health of the Chinese economy (Now)	+33
Health of the Chinese economy (12 months from now)	+38
Health of the Asian economy (excl. China) (Now)	+34
Health of the Asian economy (excl. China) (12 months from now)	+48
Health of the European economy (Now)	-16
Health of the European economy (12 months from now)	+21
Health of the US economy (Now)	+21
Health of the US economy (12 months from now)	+42

BUSINESS CONDITIONS

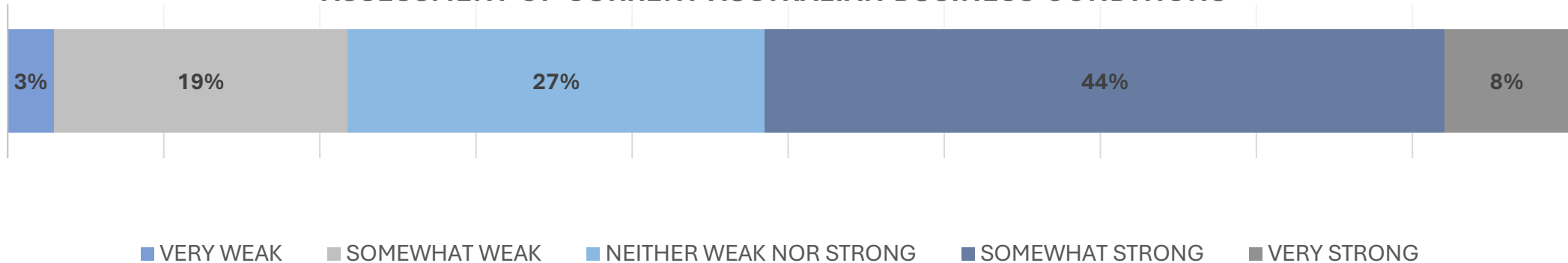
2nd HALF 2021
DSI CATEGORY
SCORE



+53

What is your assessment of current and future business conditions in Australia?

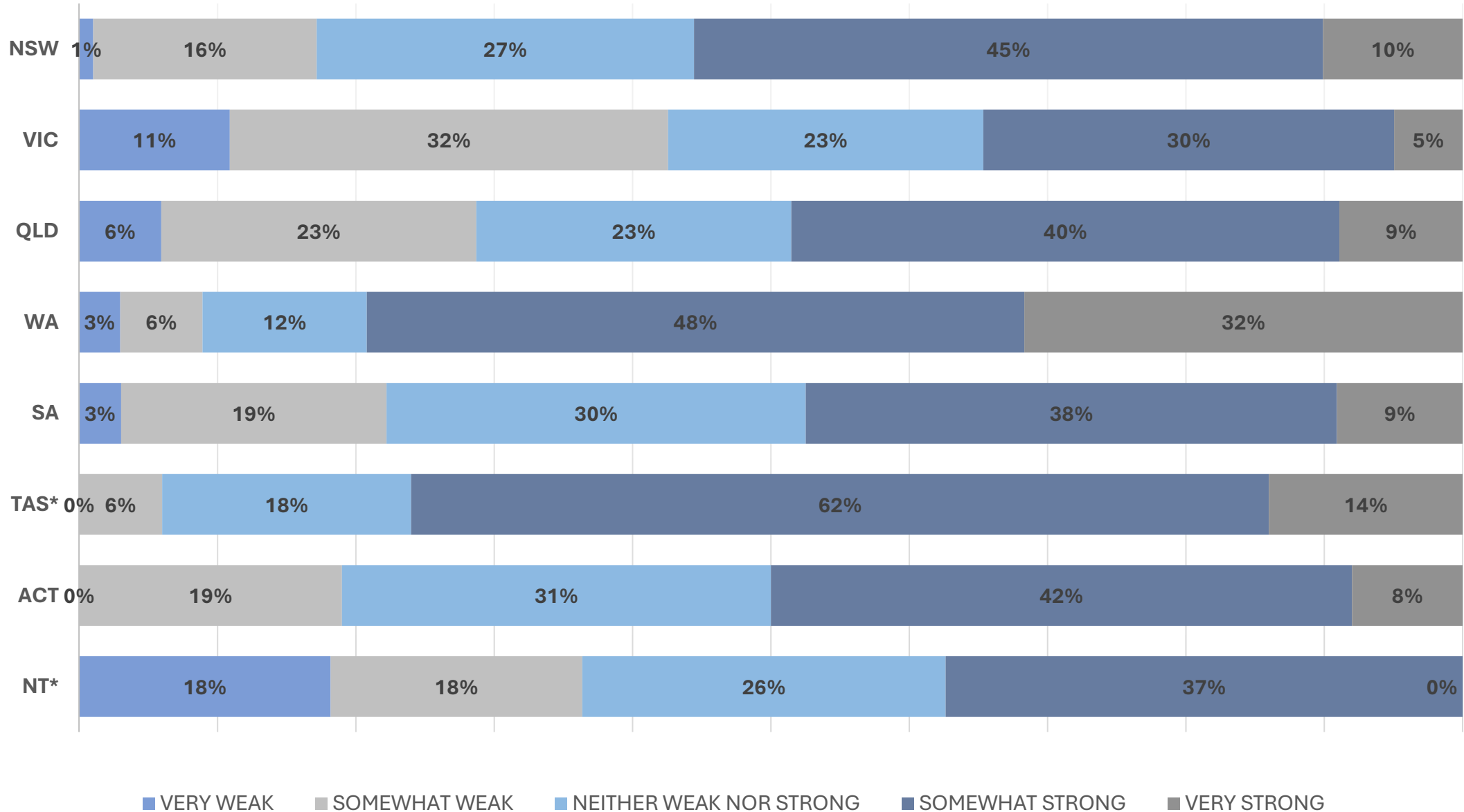
ASSESSMENT OF CURRENT AUSTRALIAN BUSINESS CONDITIONS



ASSESSMENT OF FUTURE (NEXT 12M) AUSTRALIAN BUSINESS CONDITIONS



What is your assessment of current business conditions in the state where your primary directorship is based?

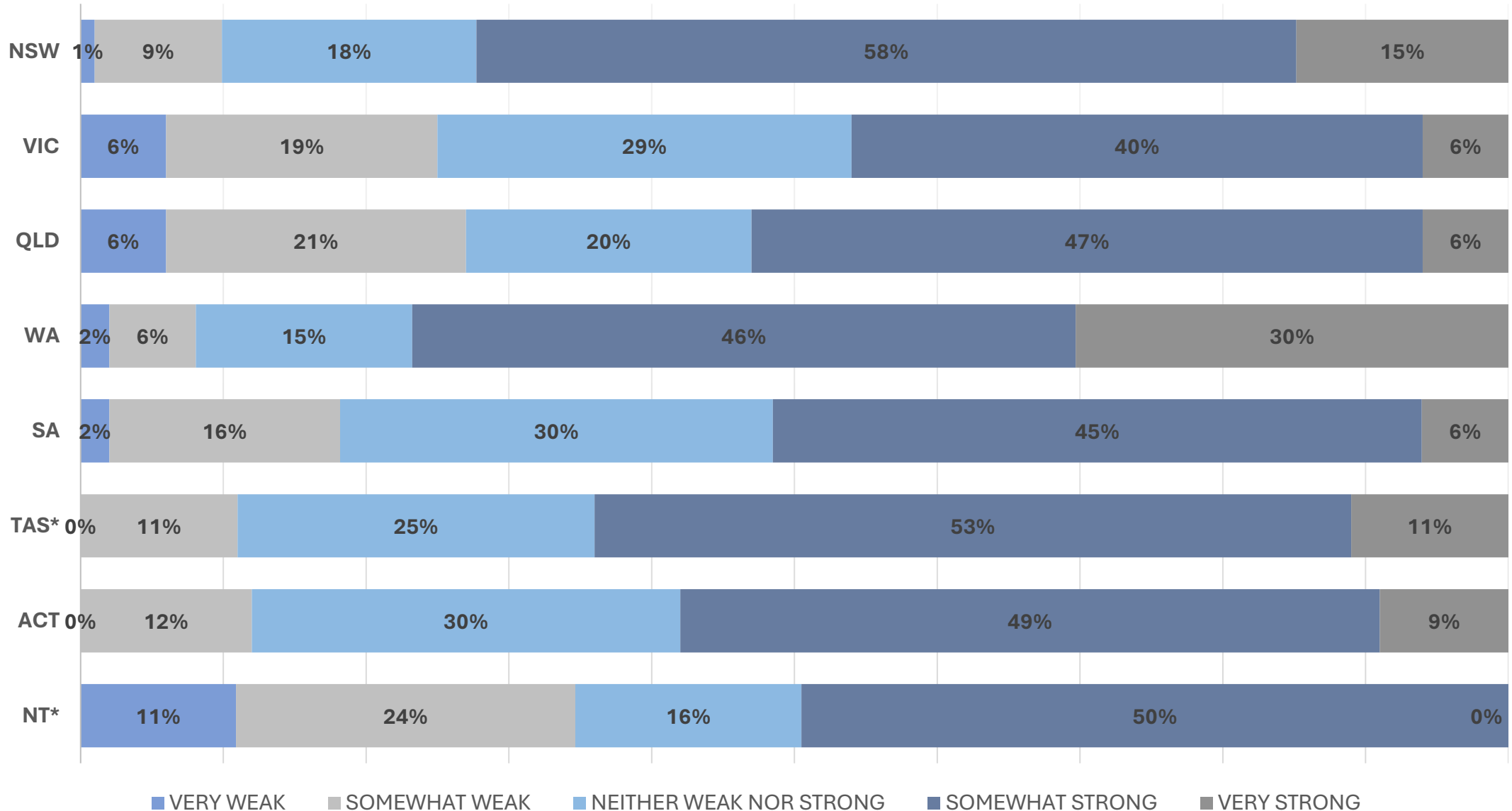


Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

What is your assessment of business conditions over the next 12 months in the state where your primary directorship is based?



Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

What is your assessment of current business conditions in the industry your primary directorship is in?

INDUSTRY	VERY WEAK	SOMEWHAT WEAK	NEITHER WEAK NOR STRONG	SOMEWHAT STRONG	VERY STRONG
Accommodation and Food Services*	18%	36%	14%	26%	6%
Administrative and Support Services*	0%	12%	17%	63%	9%
Agriculture, Forestry and Fishing	0%	7%	9%	49%	36%
Arts and Recreational Services*	27%	32%	15%	24%	3%
Construction	4%	10%	16%	51%	19%
Education and Training	11%	31%	18%	35%	5%
Electricity, Gas and Water	0%	11%	22%	47%	19%
Financial and Insurance Services	2%	8%	29%	45%	16%
Healthcare and Social Assistance	4%	28%	22%	35%	11%
Information Media and Telecommunications	1%	6%	20%	44%	28%
Manufacturing	0%	15%	29%	45%	11%
Mining	0%	3%	5%	49%	43%
Professional, Scientific and Technical Services	2%	9%	18%	51%	20%
Public Administration and Safety*	0%	23%	20%	49%	9%
Rental, Hiring and Real Estate Services*	0%	9%	4%	41%	46%
Retail Trade*	5%	12%	35%	40%	8%
Transport, Postal and Warehousing or Wholesale Trade	4%	10%	8%	53%	26%
Other Sector	6%	13%	26%	42%	13%
Other Services	0%	20%	33%	35%	11%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. Accommodation n=36, Administrative n=11, Agriculture n=58, Arts n=45, Construction n=51, Education n=119, Electricity n=53, Financial n=177, Healthcare n=312, Manufacturing n=76, Mining n=64, Professional n=196, Public Admin n=10, Rental n=22, Retail n=39, Transport n=59, Other services n=110, Other sector n=142

* Indicates small base <50

What is your assessment of business conditions over the next 12 months in the industry your primary directorship is in?

INDUSTRY	VERY WEAK	SOMEWHAT WEAK	NEITHER WEAK NOR STRONG	SOMEWHAT STRONG	VERY STRONG
Accommodation and Food Services*	3%	17%	31%	36%	14%
Administrative and Support Services*	12%	0%	26%	54%	9%
Agriculture, Forestry and Fishing	2%	2%	13%	47%	36%
Arts and Recreational Services*	5%	39%	11%	40%	6%
Construction	6%	6%	12%	55%	21%
Education and Training	7%	23%	21%	44%	5%
Electricity, Gas and Water	0%	5%	23%	57%	15%
Financial and Insurance Services	0%	8%	30%	47%	15%
Healthcare and Social Assistance	4%	22%	25%	36%	13%
Information Media and Telecommunications	0%	0%	14%	53%	33%
Manufacturing	0%	10%	25%	53%	12%
Mining	0%	1%	11%	53%	34%
Professional, Scientific and Technical Services	1%	6%	14%	59%	20%
Public Administration and Safety*	0%	11%	20%	51%	17%
Rental, Hiring and Real Estate Services*	0%	9%	9%	45%	38%
Retail Trade*	2%	5%	31%	53%	8%
Transport, Postal and Warehousing or Wholesale Trade	0%	7%	8%	63%	21%
Other Sector	2%	13%	26%	47%	12%
Other Services	0%	13%	31%	43%	12%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

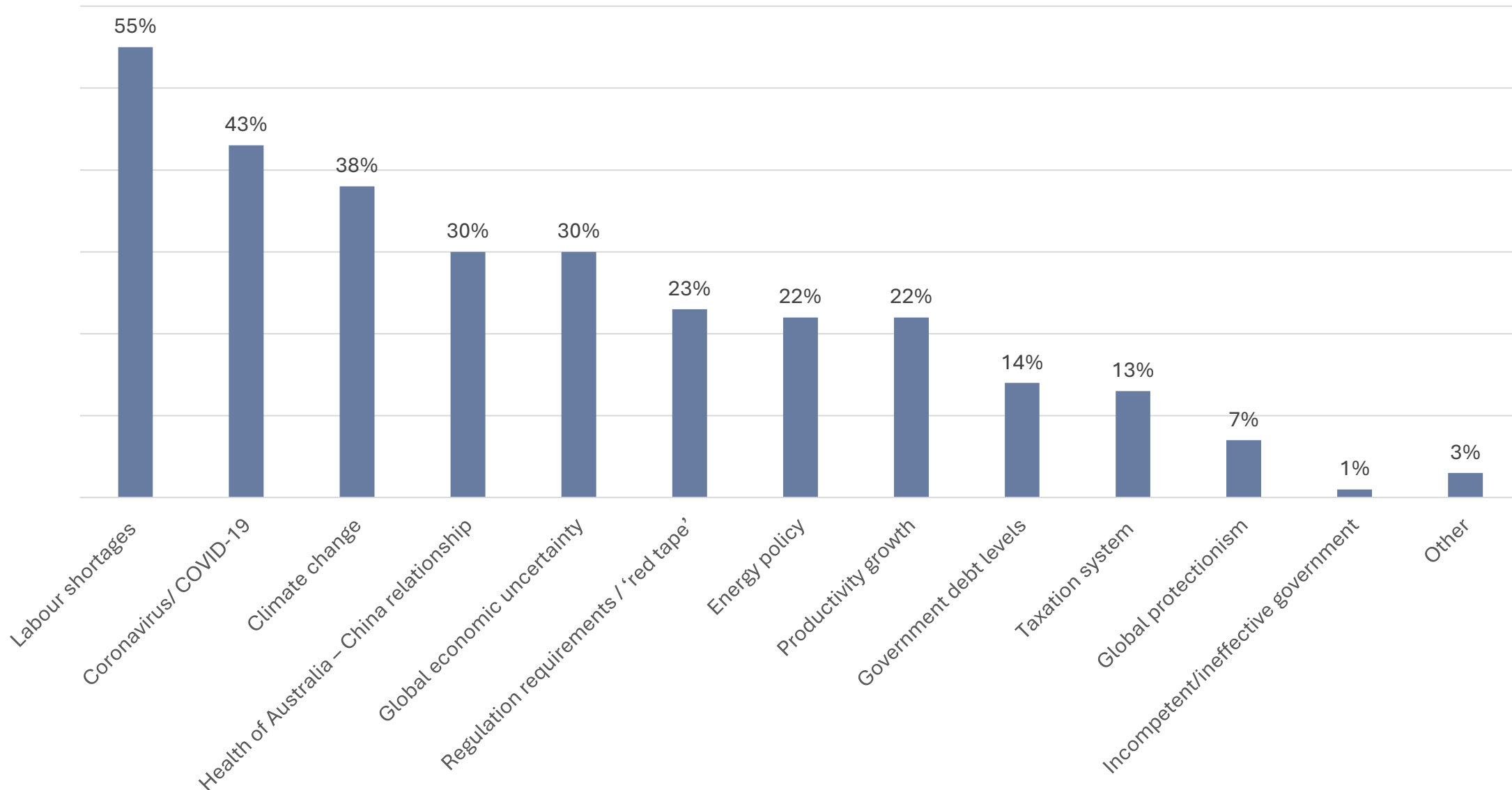
Base: AICD Directors 18+; n=1,645. Accommodation n=36, Administrative n=11, Agriculture n=58, Arts n=45, Construction n=51, Education n=119, Electricity n=53, Financial n=177, Healthcare n=312, Manufacturing n=76, Mining n=64, Professional n=196, Public Admin n=10, Rental n=22, Retail n=39, Transport n=59, Other services n=110, Other sector n=142

* Indicates small base <50

To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?

CONDITION	STRONGLY DECREASE	SLIGHTLY DECREASE	NEITHER DECREASE NOR INCREASE	SLIGHTLY INCREASE	STRONGLY INCREASE
Investment levels	1%	10%	23%	54%	12%
Staffing levels / labour demands	1%	7%	23%	50%	19%
Wage Levels	0%	2%	29%	58%	10%
Costs (e.g. raw materials, energy, etc.)	0%	1%	15%	54%	30%
Turnover / sales	1%	5%	22%	57%	15%
Profitability	2%	16%	31%	43%	8%

What are the top economic challenges currently facing Australian businesses?



DSI score by question

QUESTION	INDEX SCORE
Assessment of business conditions in Australia (Now)	+44
Assessment of business conditions in Australia (12 months from now)	+66
Assessment of business conditions in your state or territory (Now)	+36
Assessment of business conditions in your state or territory (12 months from now)	+56
Assessment of business conditions in the sector of your primary directorship (Now)	+49
Assessment of business conditions in the sector of your primary directorship (12 months from now)	+65

MICRO AND STRUCTURAL POLICY SETTINGS

+

SATISFACTION WITH AUSTRALIAN POLICY SETTINGS

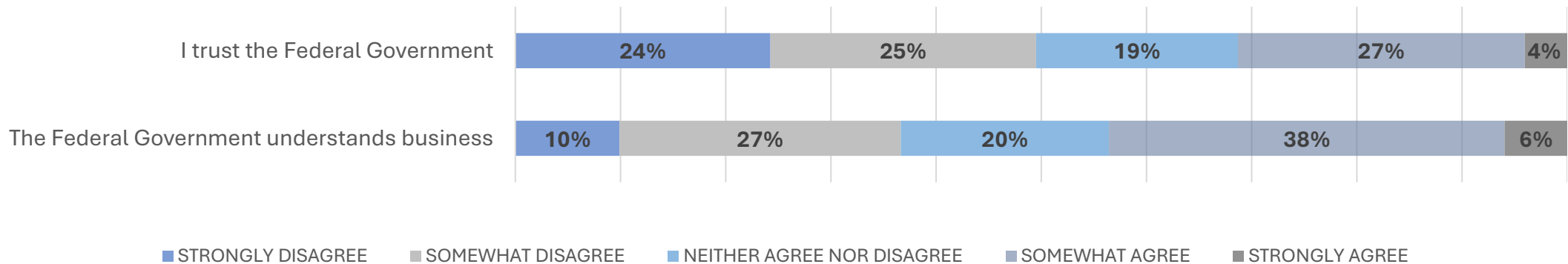
2nd HALF 2021
DSI CATEGORY
SCORE



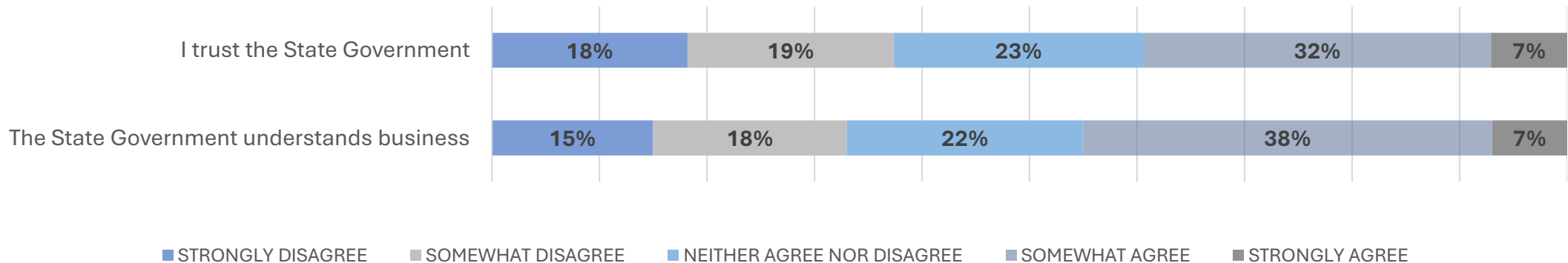
-17

To what extent do you agree or disagree with the following statements about government?

Assessment of Federal Government



Assessment of State Government



To what extent do you agree or disagree that the state government where your primary directorship is based understands business?

STATE	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER DISAGREE NOR AGREE	SOMEWHAT AGREE	STRONGLY AGREE
NSW	2%	8%	19%	57%	14%
VIC	27%	23%	22%	26%	2%
QLD	27%	32%	21%	19%	1%
SA	8%	18%	26%	42%	6%
WA	11%	21%	22%	38%	7%
TAS*	3%	13%	15%	45%	24%
ACT	9%	19%	32%	35%	4%
NT*	37%	8%	37%	18%	0%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

To what extent do you agree or disagree that you trust the state government where your primary directorship is based?

STATE	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER DISAGREE NOR AGREE	SOMEWHAT AGREE	STRONGLY AGREE
NSW	7%	13%	25%	44%	11%
VIC	30%	23%	19%	24%	5%
QLD	28%	34%	18%	18%	2%
SA	11%	12%	28%	41%	7%
WA	19%	18%	25%	27%	11%
TAS*	0%	6%	19%	62%	12%
ACT	10%	9%	28%	45%	8%
NT*	45%	8%	18%	21%	8%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11

* Indicates small base <50

What is your level of satisfaction with the current state of the following Australian policy settings...? If dissatisfied, were these policy settings too high or too low?

POLICY SETTING	VERY DISSATISFIED	SOMEWHAT DISSATISFIED	NEITHER SATISFIED NOR DISSATISFIED	SOMEWHAT SATISFIED	VERY SATISFIED	IS IT...	
						TOO LOW?	TOO HIGH?
Corporate taxation / company tax rates	8%	32%	37%	21%	2%	26%	74%
Personal taxation / personal income tax	14%	34%	32%	19%	1%	13%	87%
GST	7%	21%	41%	26%	4%	76%	24%
Government Spending on Infrastructure	9%	26%	22%	38%	6%	94%	6%

What is your level of satisfaction with the current state of the following Australian policy settings...? If dissatisfied, were these policy settings too high or too low?

POLICY SETTING	VERY DISSATISFIED	SOMEWHAT DISSATISFIED	NEITHER SATISFIED NOR DISSATISFIED	SOMEWHAT SATISFIED	VERY SATISFIED	IS IT...	
						TOO LOW?	TOO HIGH?
Government openness to foreign investment	6%	22%	40%	29%	3%	56%	44%
Level of international trade (e.g. Free Trade Agreements, trade barriers, etc.)	5%	22%	36%	33%	4%	87%	13%
Government spending on education and training	19%	36%	23%	21%	1%	98%	2%
Government support for innovation and R&D	21%	36%	24%	18%	2%	99%	1%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. Total very dissatisfied or somewhat dissatisfied with: Govt openness to foreign investment n=451, Level of international trade n=435, Govt spending on education n=878, Govt spending on innovation n=916

DSI score by question

QUESTION	INDEX SCORE
Perception of current level of corporate taxation	-34
Perception of current level of personal taxation	-48
Perception of level of GST in Australia	+1
Perception of level of government spending on infrastructure	+7
Perception of level of government openness to foreign investment	+1
Perception of level of trade protection	+13
Perception of level of government spending on education	-51
Perception of level of government support for innovation and R&D	-57
Agreement with 'Federal Government understands business'	+3
Agreement with 'the state government understands business'	+4

MACRO POLICY SETTINGS

**2nd HALF 2021
DSI CATEGORY
SCORE**



+6

How positively or negatively do the following affect your business? Which of the following two options would best describe the reason for your answer?

MACRO POLICY SETTING	VERY NEGATIVELY	SOMEWHAT NEGATIVELY	NEITHER NEGATIVELY NOR POSITIVELY	SOMEWHAT POSITIVELY	VERY POSITIVELY	DRIVER	DRIVER IS TOO LOW	DRIVER IS TOO HIGH
Current Federal fiscal policy settings (i.e. the overall balance between government spending and taxation).	4%	27%	50%	18%	2%	Federal Government spending	45%	55%
Current State fiscal policy settings (i.e. the overall balance between government spending and taxation).	8%	22%	47%	20%	2%	State Government spending	39%	61%
Current RBA monetary policy (e.g. the official cash interest rate)	3%	15%	47%	30%	6%	Cash Rate	96%	4%
Current level of the Australian dollar	1%	14%	64%	19%	2%	Dollar Value	59%	41%
Availability of business credit (for investments, asset purchases, working capital, etc.)	3%	15%	51%	27%	4%	-	-	-

How positively or negatively does your state's current fiscal policy settings affect your business? Which of the following two options would best describe the reason for your answer?

STATE	VERY NEGATIVELY	SOMEWHAT NEGATIVELY	NEITHER NEGATIVELY NOR POSITIVELY	SOMEWHAT POSITIVELY	VERY POSITIVELY	STATE GOVERNMENT SPENDING IS TOO LOW	STATE GOVERNMENT SPENDING IS TOO HIGH
NSW	2%	14%	53%	27%	3%	33%	67%
VIC	14%	29%	43%	14%	1%	35%	65%
QLD	13%	34%	41%	12%	1%	52%	48%
SA	5%	14%	58%	23%	1%	39%	61%
WA	9%	20%	42%	26%	3%	47%	53%
TAS*	3%	6%	43%	39%	9%	10%	90%
ACT	4%	25%	54%	17%	0%	32%	68%
NT*	26%	18%	29%	26%	0%	30%	70%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645. NSW n=521, VIC n=411, QLD n=260, SA n=92, WA n=197, TAS n=33, ACT n=54, NT n=11. Base: AICD Directors 18+; n=1,645. Total believe that state govt spending affects their business negatively or positively: NSW n=246, ACT n=25 (note small base), VIC n=234, QLD n=154, SA n=39 (note small base), NT n=8 (note small base), WA n=115, TAS n=19

* Indicates small base <50

DSI score by question

QUESTION	INDEX SCORE
Agreement that fiscal support offered by Federal Government is adequate	-23
Agreement that fiscal support offered by state government is adequate	-23
Agreement that the current RBA monetary policy is adequate	+35
Agreement that the current level of the Australian dollar is impacting my business	+19
Current experience with credit availability for investment purposes, asset purchases, working capital etc.	+26

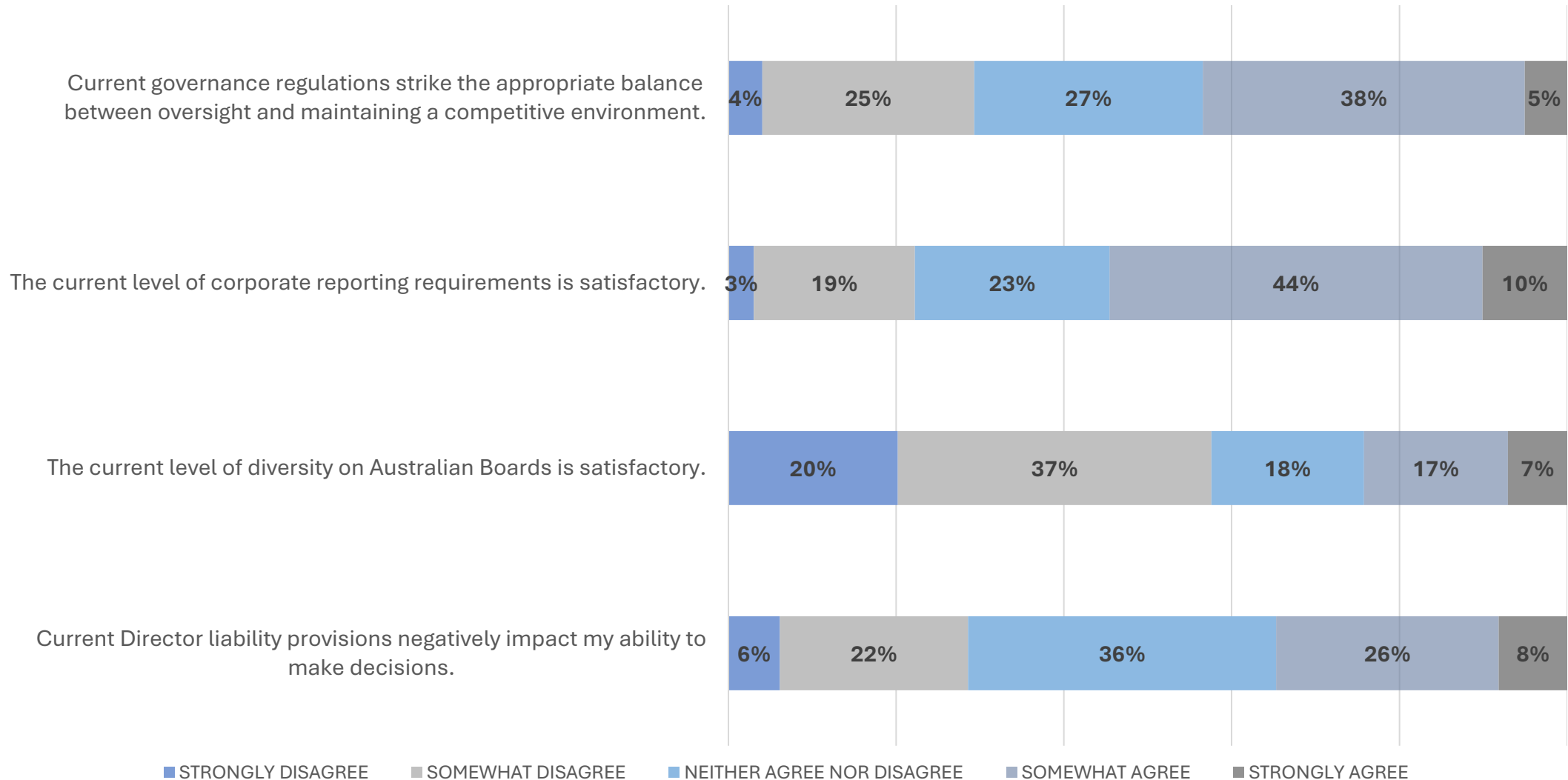
DIRECTORSHIP CONDITIONS

2nd HALF 2021
DSI CATEGORY
SCORE



+4

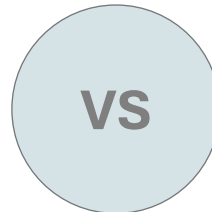
Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements



Do you believe the main focus of your board is on risk and compliance or strategy and growth?



27%
**RISK AND
COMPLIANCE**



73%
**STRATEGY
AND GROWTH**



In your role as a director, how confident are you in carrying out the following duties...?

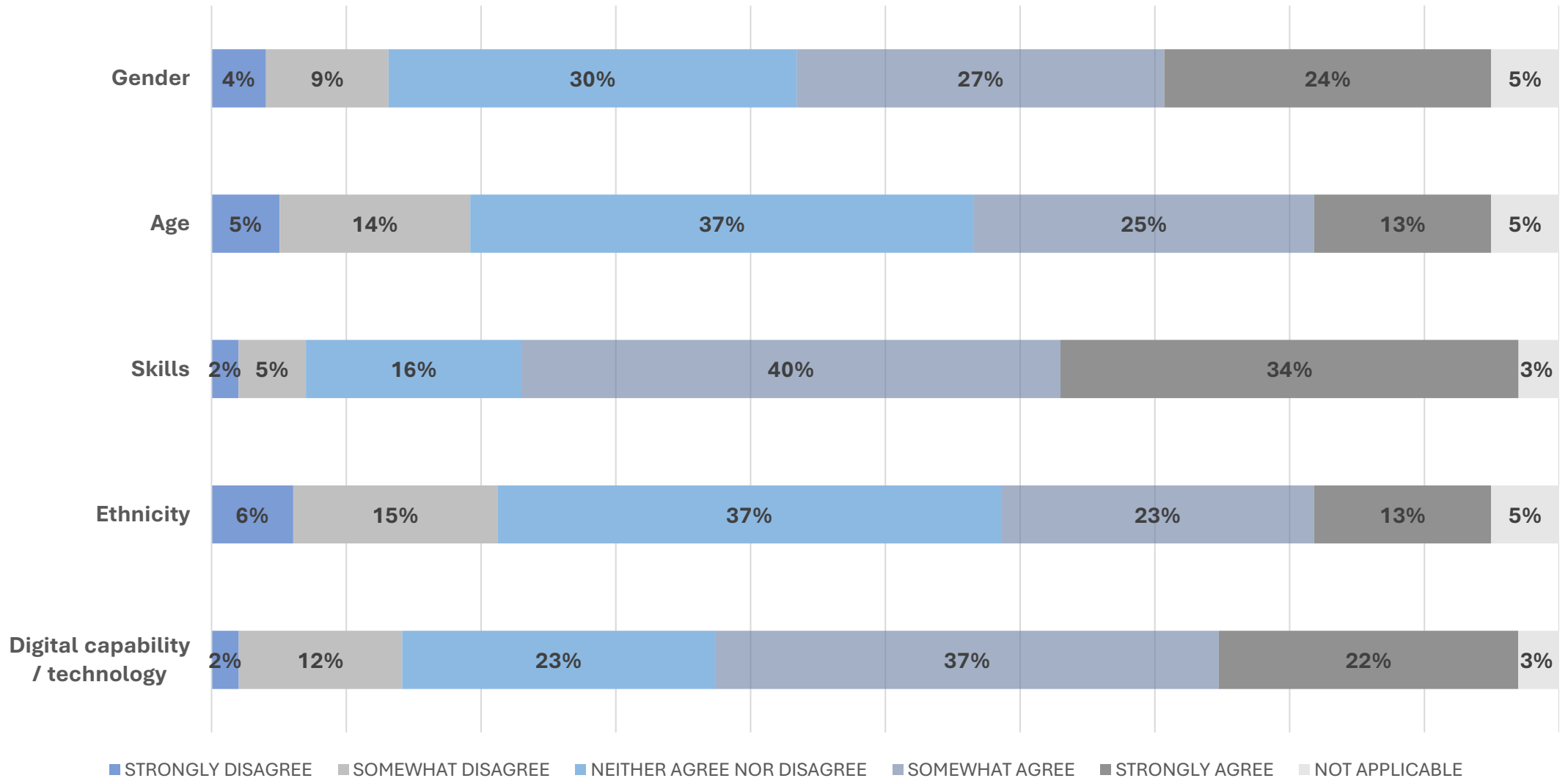
DUTY	NOT AT ALL CONFIDENT	NOT VERY CONFIDENT	NEITHER	SOMEWHAT CONFIDENT	VERY CONFIDENT	NOT APPLICABLE
Interpreting financial reports	0%	2%	3%	34%	60%	0%
Understanding the risks and opportunities presented by technology	0%	7%	7%	52%	34%	0%
Oversight of risk for the organisation	0%	2%	3%	49%	46%	0%
Developing an effective organisational strategy	0%	2%	3%	41%	54%	0%
Contributing meaningfully at board meetings	0%	1%	1%	23%	74%	1%
Oversight of organisational culture	0%	4%	5%	44%	46%	1%

DSI Score by Question

QUESTION	INDEX SCORE
Agreement with current governance regs are appropriately balanced	+20
Agreement that the current level of corporate reporting requirements is satisfactory	+43
Agreement that the current level of diversity on Australian boards is satisfactory	-44
Agreement that the current director liability provisions negatively impact decision-making	-10

TOPICAL ISSUES AND DEEP DIVES

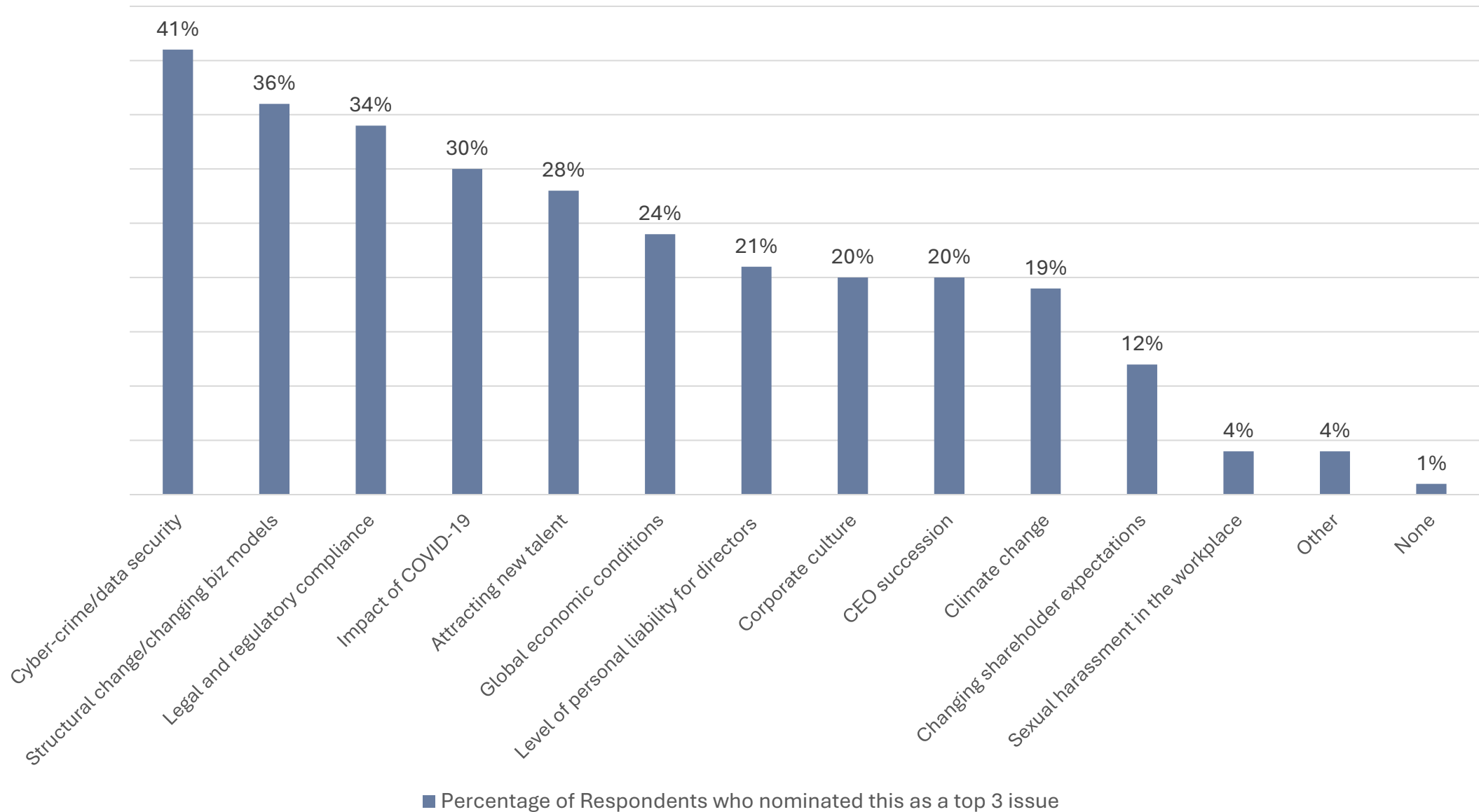
How much do you agree or disagree that your board is currently seeking to increase diversity in the following areas?



In your opinion, what are the top 3 issues the Federal Government should address in the short term (next 3 years) and longer term (next 10-20 years)?

ISSUE	SHORT-TERM (NEXT 3 YEARS)	SHORT-TERM ISSUE RANKING	LONG-TERM (10 – 20 YEARS)	LONG-TERM ISSUE RANKING
Climate change	48%	1	59%	1
Lack of skills in workforce/skills shortage	41%	2	18%	8
Energy policy	27%	3	22%	4
Taxation reform	26%	4	20%	7
Productivity growth	23%	5	22%	5
Housing affordability/housing supply	22%	6	15%	12
International competitiveness	20%	7	27%	2
Health	17%	8	16%	11
Education	17%	9	20%	6
Infrastructure	15%	10	18%	10
Federal budget deficit	14%	11	18%	9
Indigenous disadvantage	13%	12	14%	13
Ageing population	12%	13	26%	3
Superannuation	1%	14	3%	14
Inequality/poverty/socio-economic inequality	1%	15	0%	17

Which of the following issues are most likely to “keep you awake at night” as a director on your board?



Why do these issues keep you awake at night?

ISSUE	MOST CITED CODES	% OF RESPONSES CITING THIS REASON
Cyber-crime / data security	Uncertainty/changing environment/outside of our control/growing risk	26%
	Current critical issue/impacts everyone	25%
	Impact on the company/risk of failure	16%
	Important for our success/business model	8%
Structural change / changing business models	Current critical issue/impacts everyone	24%
	Uncertainty/changing environment/outside of our control/growing risk	22%
	Impact on the company/risk of failure	14%
	Important for our success/business model	13%
Legal and regulatory compliance	Current critical issue/impacts everyone	23%
	Uncertainty/changing environment/outside of our control/growing risk	21%
	Impact on the company/risk of failure	14%
	Government regulations and compliance are too cumbersome/ constantly change/ add to business costs	13%

Why do these issues keep you awake at night?

Cyber crime and data security

"Technology is rapidly changing the way business is done; Cyber crime can wipe out a business overnight."

"Cyber security in particular is of concern. Whilst many layers of defence can be implemented, including education, control of employee actions at every level remains difficult and the ever increasing frequency of attacks at all levels of business leave us open to [further] attack."

"It is impossible to keep totally up to date on cyber security."

"Cyber crime can be an existential threat to the organisation."

"Cybercrime is on the increase, is difficult to control for, and is high impact. Combine that with mooted personal liability provisions for directors with regard to data and financial loss from cybercrime makes for a an unpleasant scenario."

Legal and regulatory compliance

"Financial services are overregulated in Australia. It is constantly changing and requirements are impractical and place a huge burden on boards and management that adds little value."

"Directors liability is onerous in ASX companies."

Structural change and changing business models

"Significant change and uncertainty in technology adaption and people skills required, as well as evolving the business model correctly and timeously, while economic conditions worsen."

"The transition from a period of record low interest rates, should it occur, will be very challenging for the Australian (and global) economy and the industries in which we participate."

Climate change and climate risk

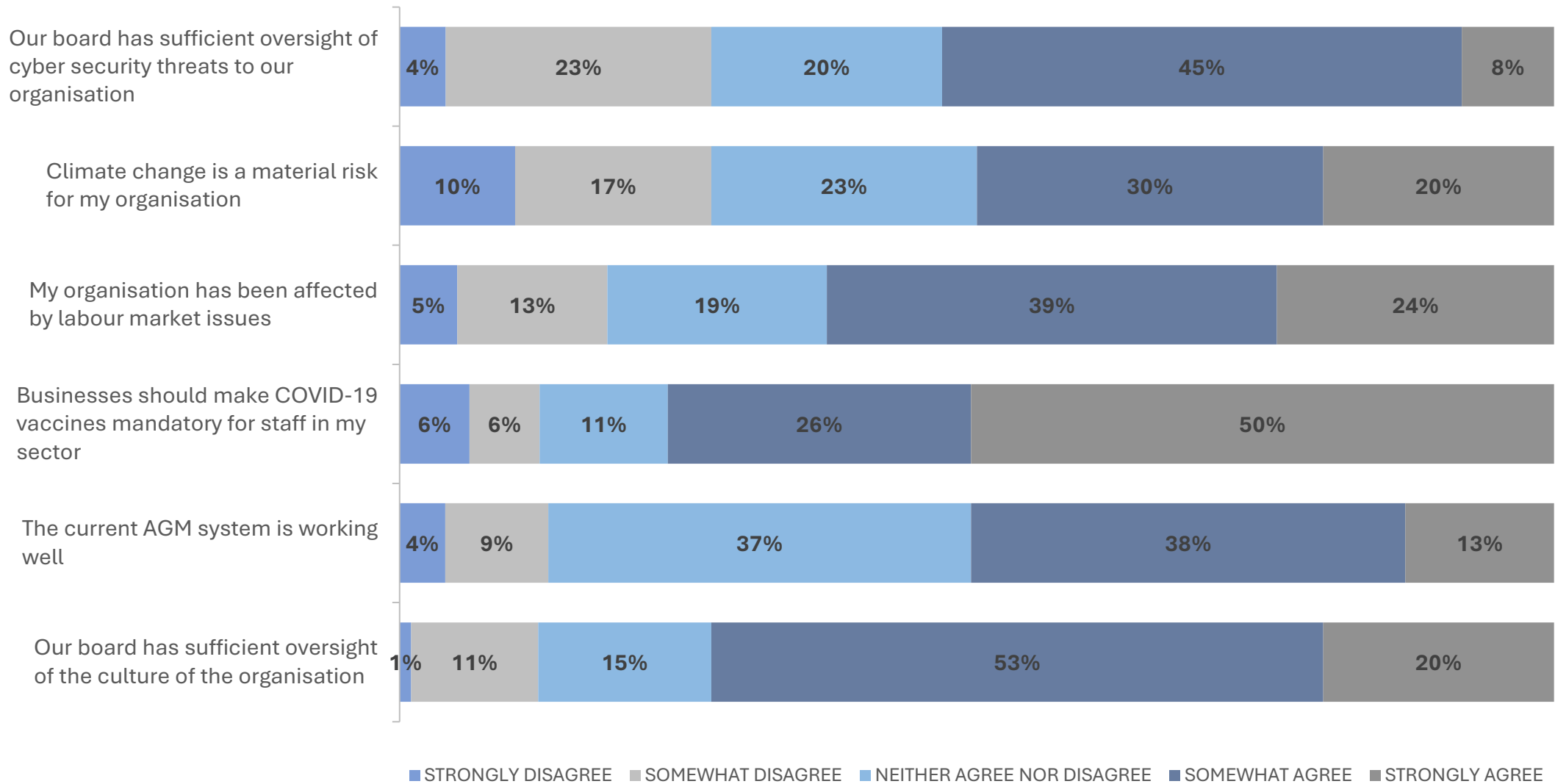
"Climate change is profound and underestimated."

"Energy security is a key to economic stability and we face significant headwinds (linked to climate change)."

"Climate change is the most pressing issue of our times and the Federal Government refuses to address it despite the population pressing for action and global pressure to act."

"[We] need more leadership from the Federal Government on climate change and energy policy. They are backwards looking and influenced by major political donors that seek to benefit from coal and gas developments. Business needs a plan they can trust - at the moment they are going it alone or with guidance from some states (NSW and VIC)."

To what extent do you agree or disagree with the following statements...?



To what extent do you agree or disagree with the following statements...?

ISSUE	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT AGREE	STRONGLY AGREE
Our board has sufficient oversight of cyber security threats to our organisation	4%	23%	20%	45%	8%
Climate change is a material risk for my organisation	10%	17%	23%	30%	20%
My organisation has been affected by labour market issues	5%	13%	19%	39%	24%
Businesses should make COVID-19 vaccines mandatory for staff in my sector	6%	6%	11%	26%	50%
The current AGM system is working well	4%	9%	37%	38%	13%
Our board has sufficient oversight of the culture of the organisation	1%	11%	15%	53%	20%

To what extent do you agree or disagree that businesses should make COVID-19 vaccines mandatory for staff in my sector?

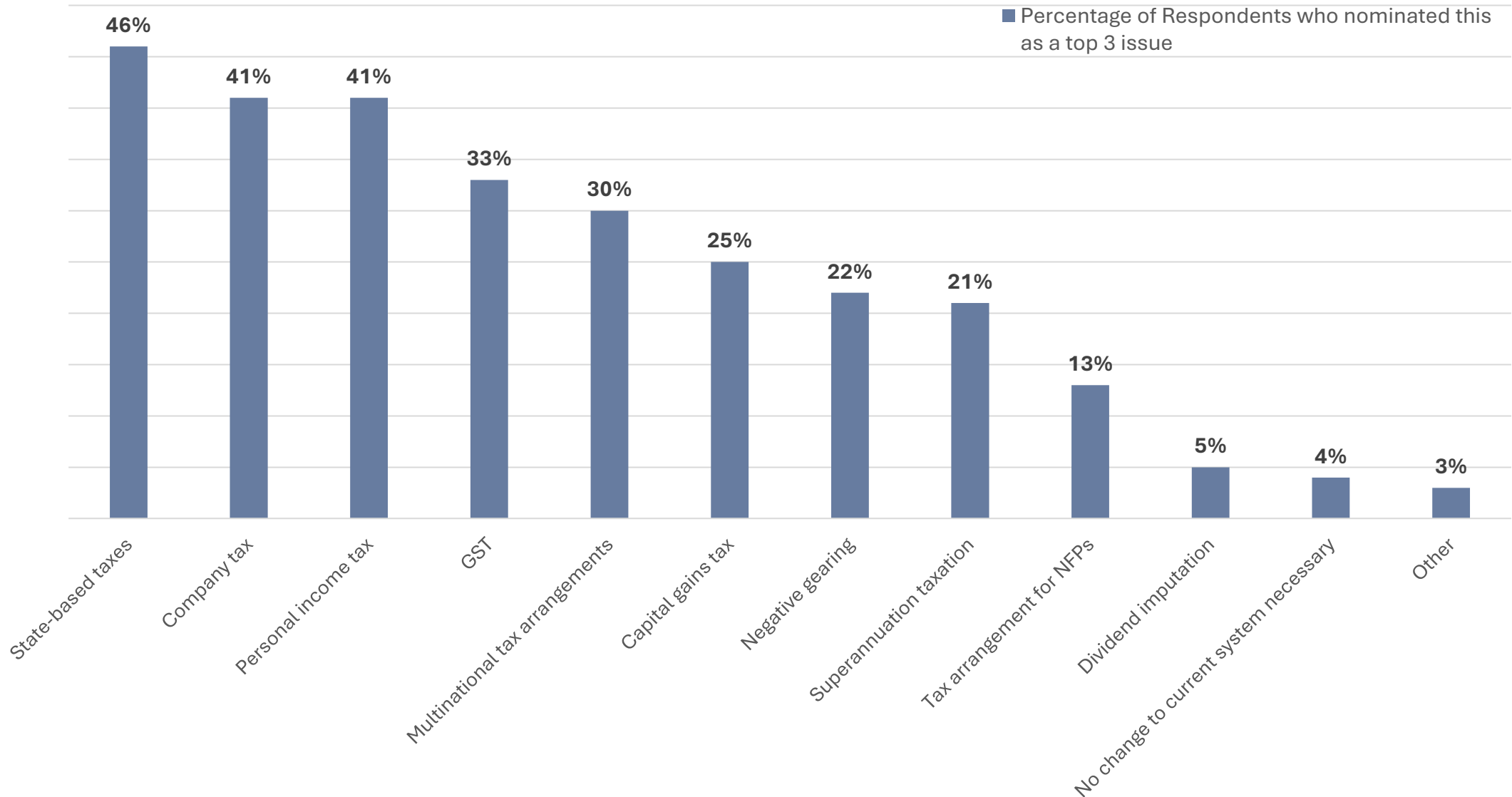
INDUSTRY	STRONGLY DISAGREE	SOMEWHAT DISAGREE	NEITHER AGREE NOR DISAGREE	SOMEWHAT AGREE	STRONGLY AGREE
Accommodation and Food Services*	6%	5%	8%	20%	61%
Administrative and Support Services*	12%	0%	9%	34%	46%
Agriculture, Forestry and Fishing	7%	7%	18%	27%	41%
Arts and Recreational Services*	3%	6%	10%	31%	50%
Construction	10%	4%	8%	31%	47%
Education and Training	9%	5%	10%	19%	56%
Electricity, Gas and Water	3%	10%	12%	27%	47%
Financial and Insurance Services	8%	8%	17%	25%	41%
Healthcare and Social Assistance	3%	4%	5%	21%	68%
Information Media and Telecommunications	10%	8%	20%	28%	33%
Manufacturing	7%	8%	11%	34%	39%
Mining	9%	5%	3%	24%	59%
Professional, Scientific and Technical Services	6%	6%	16%	27%	45%
Public Administration and Safety*	11%	0%	23%	31%	34%
Rental, Hiring and Real Estate Services*	0%	0%	15%	30%	55%
Retail Trade*	10%	5%	3%	33%	49%
Transport, Postal and Warehousing or Wholesale Trade	8%	5%	5%	21%	61%
Other Sector	9%	6%	13%	30%	41%
Other Services	5%	6%	16%	31%	42%

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

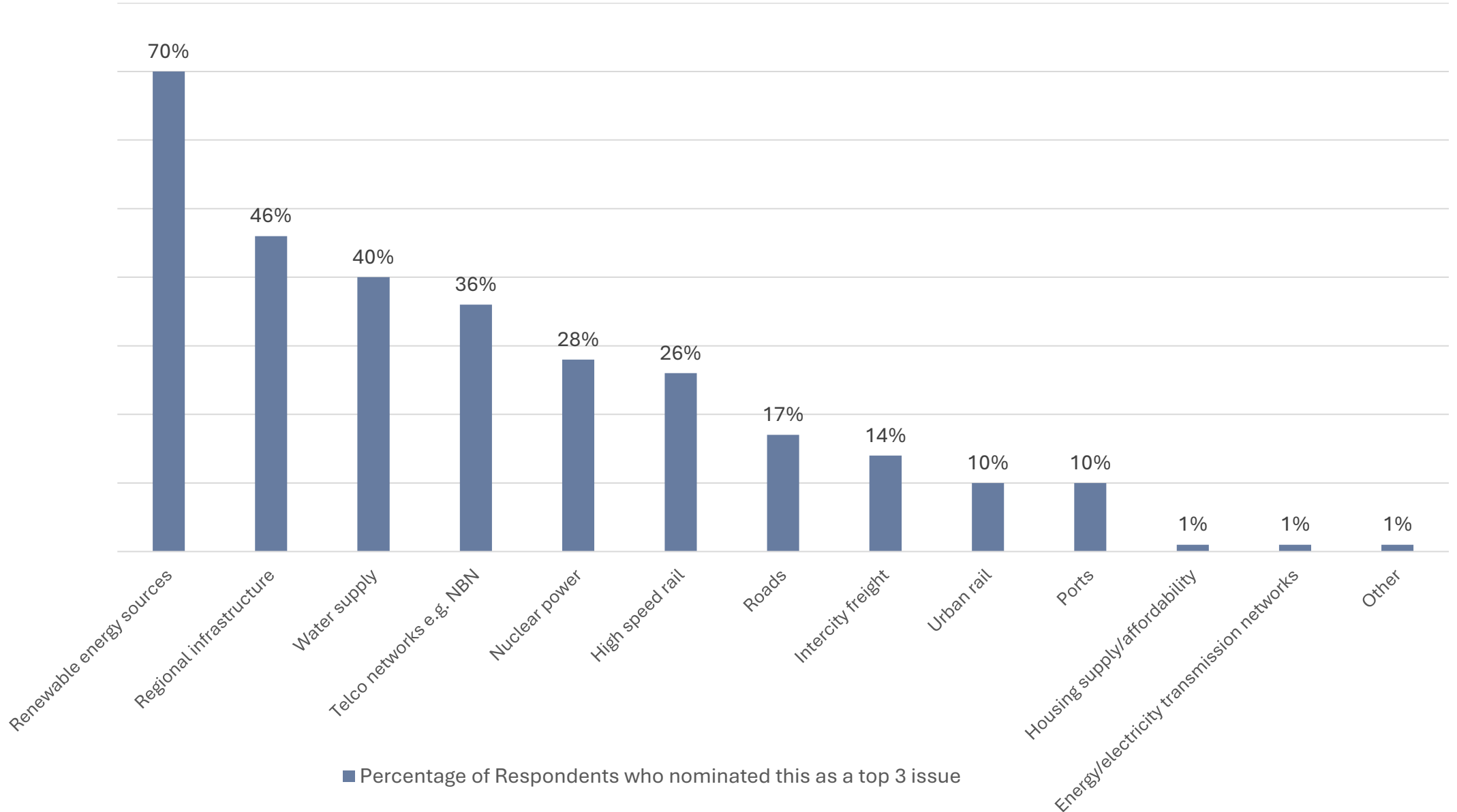
Base: AICD Directors 18+; n=1,645. Accommodation n=36, Administrative n=11, Agriculture n=58, Arts n=45, Construction n=51, Education n=119, Electricity n=53, Financial n=177, Healthcare n=312, Manufacturing n=76, Mining n=64, Professional n=196, Public Admin n=10, Rental n=22, Retail n=39, Transport n=59, Other services n=110, Other sector n=142

* Indicates small base

Thinking about a possible review of the current taxation system, please nominate your top 3 priorities for tax reform



Now thinking about infrastructure, what are the top 3 priorities for investment in your opinion?



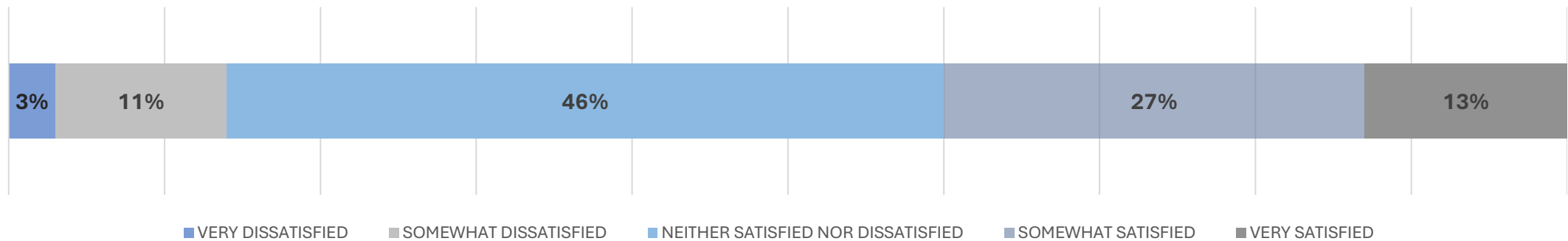
How would you rate the impact of flexible working arrangements such as working remotely / from home in your organisation, in terms of...?

ISSUE	VERY NEGATIVE	SOMEWHAT NEGATIVE	NEITHER NEGATIVE NOR POSITIVE	SOMEWHAT POSITIVE	VERY POSITIVE
Staff health and wellbeing	3%	22%	23%	40%	13%
Staff retention	1%	10%	32%	44%	13%
Attracting new staff	2%	11%	34%	42%	12%
Reducing business overhead costs	1%	7%	43%	37%	12%
Staff productivity	3%	20%	32%	34%	10%
Organisational culture	6%	37%	26%	24%	8%
Innovation	6%	30%	31%	26%	7%
Cyber-security	7%	46%	34%	11%	3%

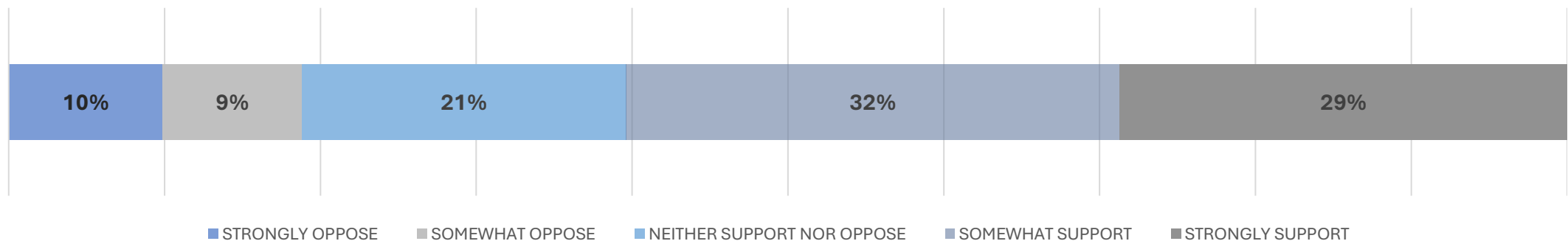
What are the 3 biggest barriers for your organisation relating to climate governance, both in terms of risk and opportunity?

BARRIER RANKING	BARRIER	% NOMINATE AS TOP 3 BARRIER
1	Uncertainty around climate change policy settings	49%
2	Focus on short-term issues (e.g. the effects of the pandemic)	39%
3	Uncertainty regarding cost / benefit of either action or inaction	34%
4	Lack of clarity on how to act	31%
5	Time and resources	23%
6	Impact to bottom line / return on investment	19%
7	Issue is beyond us	15%
8	Level of Director understanding of climate science	14%
9	Climate change is not a pressing issue	14%
10	Effects of climate change are not relevant to my organisation	14%
11	Lack of Director consensus on climate science	5%
12	None of the above / no barriers	14%

To what extent are you satisfied or dissatisfied with your organisation's / board's response to climate governance, in terms of both risk and opportunity?



To what extent do you support or oppose an emissions trading scheme for the Australian economy?



SUMMARY OF KEY INDICATORS

Summary of Key Indicators (1/5)

INDICATOR	SCALE	2 ND HALF 2021 NET BALANCE	1 ST HALF 2021 NET BALANCE
ECONOMIC OUTLOOK			
Health of the Australian economy – current	Weak/strong	+42	+9
Health of the state economy – current	Weak/strong	+27	+9
Health of the Chinese economy – current	Weak/strong	+20	+36
Health of the Asian (ex. China) economy – current	Weak/strong	+18	-7
Health of the European economy – current	Weak/strong	-9	-76
Health of the US economy – current	Weak/strong	+14	-30
Health of the Australian economy – future (next 12 months)	Weak/strong	+53	+18
Health of the state economy – future (next 12 months)	Weak/strong	+46	+19
Health of the Chinese economy – future (next 12 months)	Weak/strong	+24	+44
Health of the Asian (ex. China) economy – future (next 12 months)	Weak/strong	+29	+13
Health of the European economy – future (next 12 months)	Weak/strong	+12	-58
Health of the US economy – future (next 12 months)	Weak/strong	+29	+1

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645.

Note: N/A shown where results are not directly comparable due to question amendments.

Summary of Key Indicators (2/5)

INDICATOR	SCALE	2 ND HALF 2021 NET BALANCE	1 ST HALF 2021 NET BALANCE
BUSINESS CONDITIONS			
Australian business conditions – current	Weak/strong	+31	N/A
State business conditions – current	Weak/strong	+27	N/A
Industry business conditions – current	Weak/strong	+37	N/A
Australian business conditions – future (next 12 months)	Weak/strong	+50	N/A
State business conditions – future (next 12 months)	Weak/strong	+44	N/A
Industry business conditions – future (next 12 months)	Weak/strong	+48	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645.

Note: N/A shown where results are not directly comparable due to question amendments.

Summary of Key Indicators (3/5)

INDICATOR	SCALE	2 ND HALF 2021 NET BALANCE	1 ST HALF 2021 NET BALANCE
MICRO AND MACRO POLICY			
Federal Government's understanding of business	Disagree/agree	+7	-4
Trust in Federal Government	Disagree/agree	-17	N/A
State government's understanding of business	Disagree/agree	+12	N/A
Trust in state government	Disagree/agree	+2	N/A
Corporate taxation / company tax rates	Dissatisfied/satisfied	-18	N/A
Personal taxation / personal income tax	Dissatisfied/satisfied	-28	N/A
GST	Dissatisfied/satisfied	+3	N/A
Government spending on infrastructure	Dissatisfied/satisfied	+10	N/A
Government openness to foreign investment	Dissatisfied/satisfied	+4	N/A
Support for international trade (e.g. free trade agreements, Austrade support for exporters, trade barriers, etc.)	Dissatisfied/satisfied	+10	N/A
Government spending on education and training	Dissatisfied/satisfied	-32	N/A
Government support for innovation and R&D	Dissatisfied/satisfied	-37	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645.

Note: N/A shown where results are not directly comparable due to question amendments.

Summary of Key Indicators (4/5)

INDICATOR	SCALE	2 ND HALF 2021 NET BALANCE	1 ST HALF 2021 NET BALANCE
MICRO AND MACRO POLICY			
Impact on business of current Federal fiscal policy settings	Negative/positive	-11	N/A
Impact on business of current state fiscal policy settings	Negative/positive	-8	N/A
Impact on business of current RBA monetary policy	Negative/positive	+19	N/A
Impact on business of current level of the Australian dollar	Negative/positive	+6	N/A
Impact on business of the availability of business credit	Negative/positive	+13	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645.

Note: N/A shown where results are not directly comparable due to question amendments.

Summary of Key Indicators (5/5)

INDICATOR	SCALE	2 ND HALF 2021 NET BALANCE	1 ST HALF 2021 NET BALANCE
DIRECTORSHIP CONDITIONS			
Current governance regulations are balanced	Disagree/agree	+15	N/A
Current level of corporate reporting requirements is satisfactory	Disagree/agree	+32	N/A
Current level of diversity on Australian boards is satisfactory	Disagree/agree	-33	N/A
Current director liability provisions have a negative impact on decision making	Disagree/agree	+6	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2021.

Base: AICD Directors 18+; n=1,645.

Note: N/A shown where results are not directly comparable due to question amendments.

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