

Director Sentiment Index Survey

2nd Half 2022

Insights Report

Australian
Institute of
**Company
Directors**



ROY
MORGAN





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Executive Summary

Though sentiment dropped, optimism holds for the Australian economy

Australia's current economic health is considered strong by more than half (54%) of all directors surveyed in this DSI survey (15 - 27 September 2022). Nonetheless, the 12-month outlook is not as sanguine — only 42% believe the national economy will be strong in one year's time.

Inflation's impact and the RBA raising interest rates in response, as well as the global knock-on effects on energy and food prices caused by Vladimir Putin's ongoing war in Ukraine dampened optimism for how Australia and global economies will fare over the coming year.

The global outlook is decidedly sober, with all major economies viewed as more weak than strong

The outlook for the economies of Asia (ex. China), China, Europe and the United States all saw drops in sentiment in this DSI survey over last.

China fared the worst, taking a precipitous 28% dive in sentiment from last DSI — only 35% of surveyed directors are confident the Asian powerhouse's economy is currently strong compared to 63% last DSI survey.

Views on Europe continue to be grim

Sentiment across all the global economies was lowest for Europe, with a full 59% seeing it as weak, 16 points up from last DSI survey. Only one in 10 (11%) directors believe Europe's economy is on solid grounding.

Australian business conditions seen as having deteriorated

Business conditions in Australia have weakened compared to the previous DSI survey period, say Australian directors.

The current outlook (47%) is seen as 3% weaker than six months ago, but the 12-month future-facing outlook took a bigger dive, falling 10 points from 51% to 41% of directors believing Aussie business conditions will be strong in a year's time.

NSW had the biggest swing of all the major states. Directors' confidence that business conditions in Australia's biggest state by economy and population will remain robust over the next 12 months fell to 41% from 54% last DSI survey.

Victorian business condition confidence fell 10%, but Queensland's remained steady at 44% — no change from last wave.

Western Australians had a drop of 11% in 12-month outlook but the state still sits at 67%, by far the most positive in the Commonwealth when it comes to short-term future business conditions.

The overall DSI score falls into negative territory

The overall DSI score dropped 19.3 points this wave over last to land in negative territory at -8.5.

The drop in global economic sentiment, as well as decline in confidence in business conditions nationally and across states and territories were the core drivers of this fall.

Executive Summary

Labour shortages are still a top business concern for directors

Labour shortages remained the top economic challenge currently faced by surveyed directors, with 60% selecting it as the leading issue. This shows no change on last wave's result.

Inflation and rising interest rates unsurprisingly came in second, with half of all directors (49%) nominating it as a top challenge. One-third (33%) find supply-chain challenges to be their top economic challenge.

Labour demands, as a business condition, are expected to increase in the next 12 months by 60% of directors, indicating how entrenched this issue is in directors' assessment of the short-term climate.

COVID-19 was only nominated as an economic challenge by 4% of directors, down 23 points from last DSI survey, showing that though the virus is still present in the community, it is no longer seen as an emergency.

More skilled migrants are needed, say most directors

Skilled migration levels are not keeping up with labour demand in Australia, and this will impact future growth, say 83% of directors surveyed. Furthermore, 75% agree that their organisation was affected by labour market issues, clearly indicating a broad consensus on the issue.

Cyber crime still the top issue keeping directors awake at night

The main contributor to executive insomnia continues to be cyber security risk, with 37% nominating it as their top issue. At the same time, two-thirds (67%) say their organisation communicates cyber security training for staff and 63% say their organisation regularly goes through threat or risk assessments.

The RBA's role fighting inflation sees contrasting responses

Inflation in Australia, like in much of the rest of the world, is being combated by central banks through interest rate settings. In Australia, just over half of directors (51%) surveyed believe the RBA is raising rates at the right pace to fight inflation.

However, the same amount believe current monetary policies will force an increase in business insolvencies, and 3 in 5 (62%) think increasing rates further will precipitate a housing debt crisis.

With these different viewpoints in mind, 47% believe the RBA's recent performance merits proposing significant changes as part of any institutional review.

National reconciliation a priority for majority of directors

Over 3 in 5 directors (63%) believe advancing reconciliation with First Nations peoples is a national governance priority for the country.

More than one third (35%) are part of an organisation that currently has a strategy or plan to address or contribute to this reconciliation process.

Of the directors whose organisation does not have a strategy in place, only 17% have plans to implement one, while 66% have no plans.

Trust in government

Of the directors surveyed, 38% said they trusted the Federal Government. Though not an overwhelming majority, this has risen 9 points since the change of government. Conversely, last wave 51% said they disagreed with the statement "I trust the Federal Government". In this DSI survey wave that figure was down to 37%.

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 11 years, indicating shifts in business sentiment, and delivering robust and context-driven insights and trends.

DSI Survey Reports

This Insights Report includes a summary of analysis of key questions from the survey.

A detailed Deep-Dive Analysis Report and database with full survey results are also available.

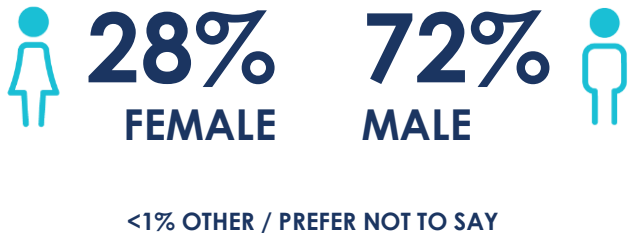
DSI Score Calculation

The DSI Scores are calculated using a formula combining response data with question weighting to produce a score indicating whether sentiment is in positive or negative territory, and by how much.

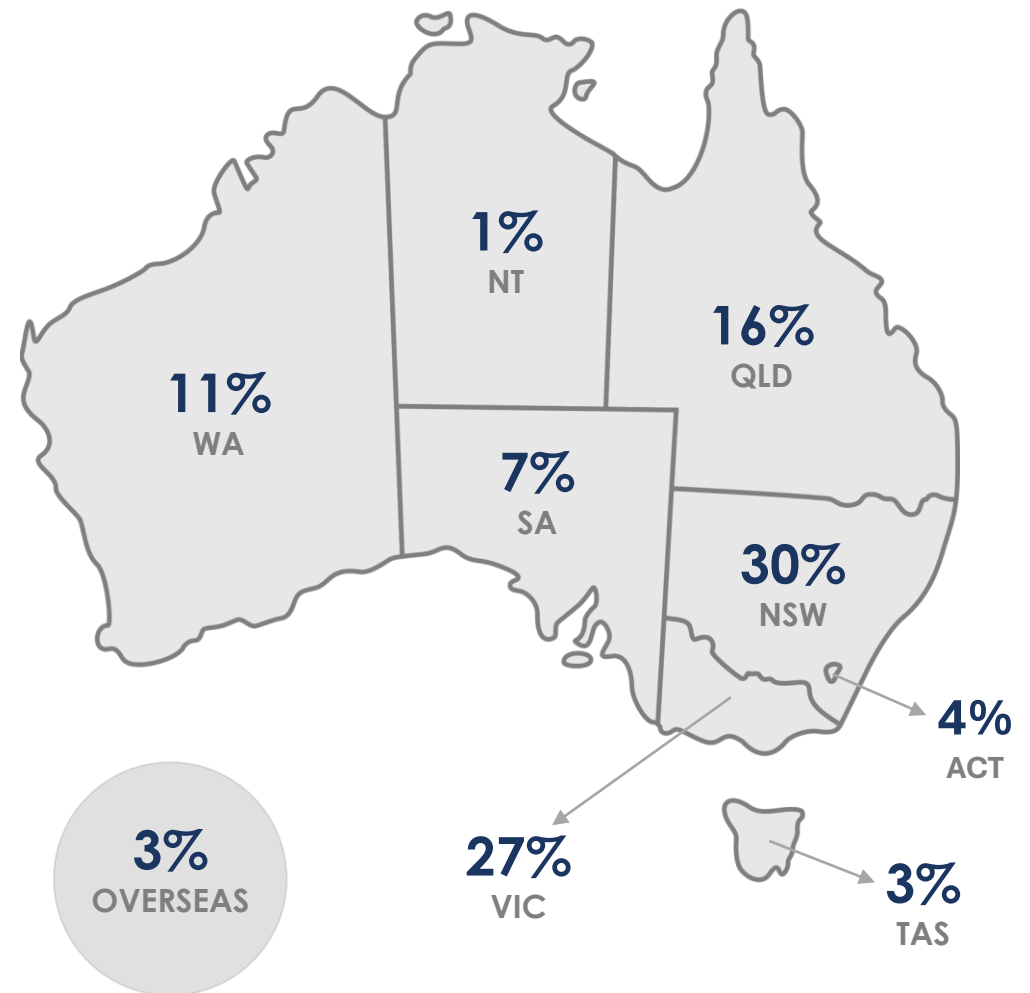
This formula is applied to determine the overall DSI score as well as scores for the separate sections: Economic Outlook, Business Conditions, Structural Policy Settings, Macro Policy Settings and Directorship Conditions.

Who took part?

- The DSI survey was conducted online with a representative sample of 1,475 respondents across Australia between 15 - 27 September, 2022.
- 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.



Primary directorship base



All figures included in the report are rounded to whole numbers.

Survey topics

AICD members voiced their opinions on a diverse range of issues and topics¹

DSI TOPICS

Economic outlook

- The current condition of the Commonwealth and state economies and the 12-month forecast
- Present international economic assessment as well as 12-month outlook

Business conditions

- What's it like doing business in the different states and territories and across industries?
- Which are the top economic challenges Aussie businesses are running up against?

Structural policy settings

- Do state and Federal governments understand business needs when designing policy and legislation?

Macro policy settings

- How do fiscal settings and monetary policy, as well as access to credit, impact business?

Directorship issues

- How well are governance regulations balancing directors' needs with their obligations?

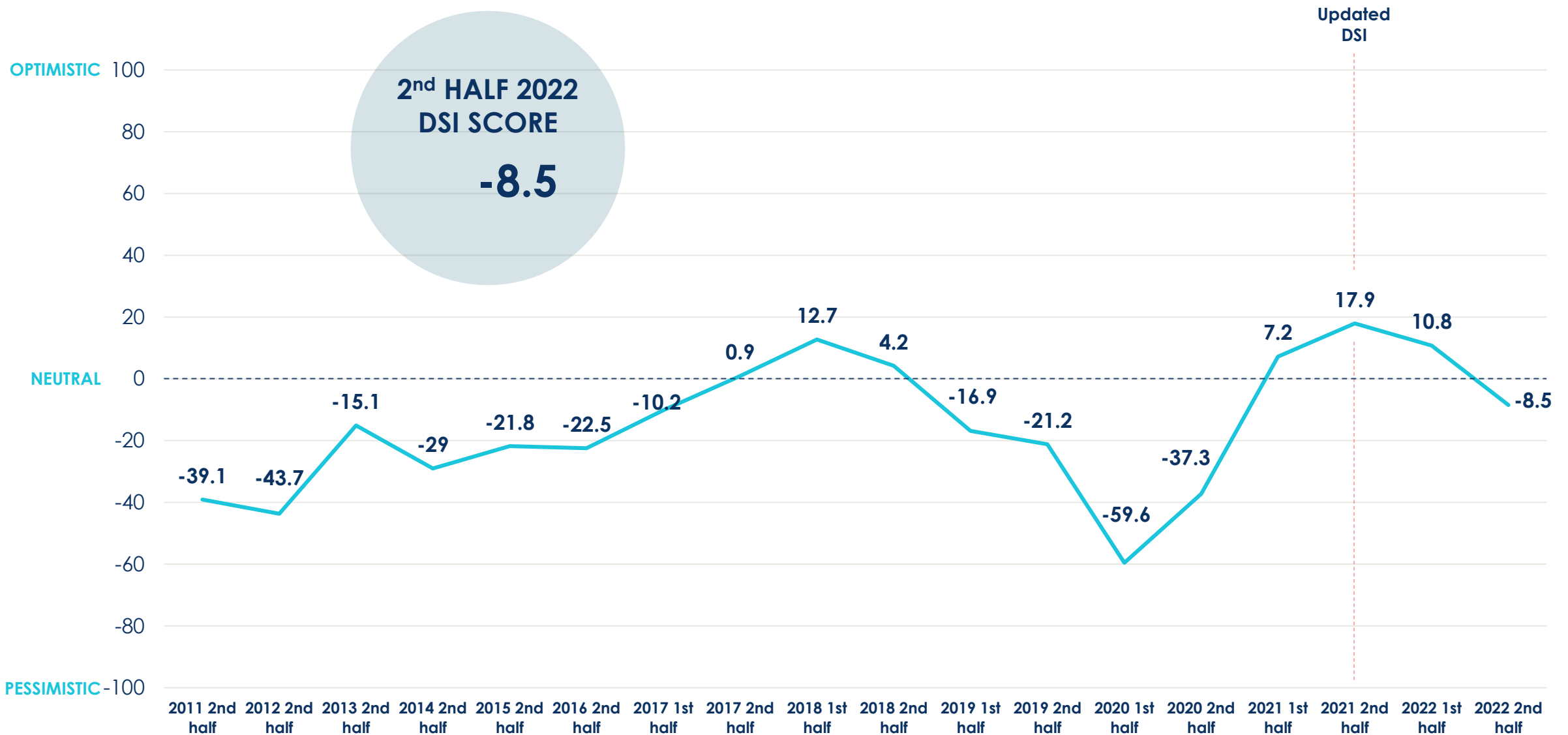
OTHER TOPICS

Covering topical issues and deep dives

- How will the RBA's management of interest rates impact housing debt, inflation and business?
- What should be the new Federal Government's short- and long-term priorities?
- Do boards and organisations have a robust cyber security program in place?
- Is advancing reconciliation with First Nations peoples a national governance priority for Australia?
- Is the Federal Government's legislated 43% 2030 emissions reduction target well calibrated?
- Is the tight labour market causing disruptions to organisations or boards?
- What risks and opportunities does climate governance pose for organisations?
- What should the top priorities be for possible reform of the taxation system and infrastructure investment programs?

¹ See Deep-Dive Analysis Report for findings for all DSI survey questions

Overall Director Sentiment Index 11y to 2nd half 2022



Base: AICD Directors, 18+; n=1,475 Note: Revised index from 2nd Half 2021 onwards is not directly comparable with previous index scores
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Australia's outlook still seen as strong despite weak international assessments

AUSTRALIA

While a majority of directors believe Australia's economy is strong (54%), sentiment weakened 3% from last DSI survey. The 12-month outlook took a noticeably downward turn—42% of directors believe the economy will be strong in a year's time, dropping from 57% last DSI survey.

INTERNATIONALLY

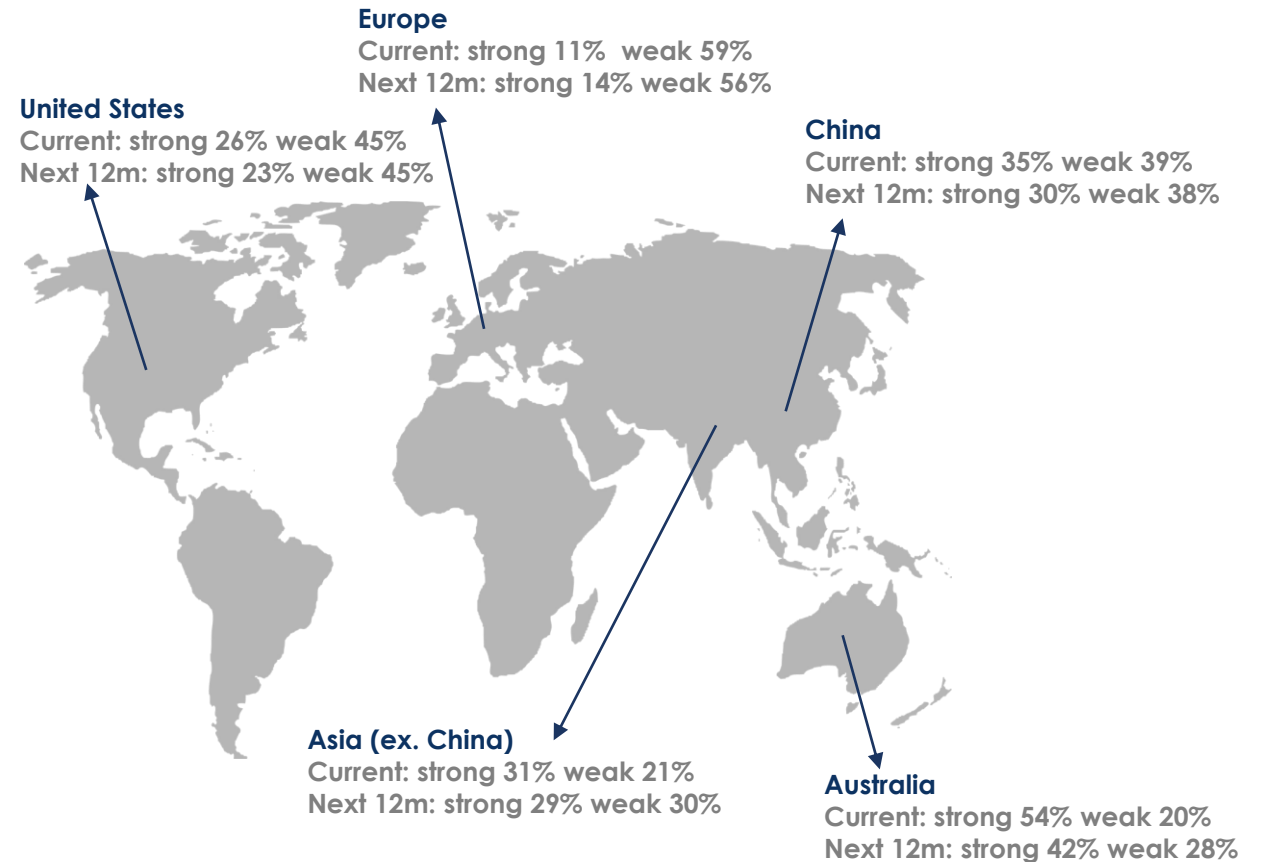
The global outlook is decidedly sober, with all major economies aside from Asia currently seen as more weak than strong by Australian directors.

China fared the worst, taking a precipitous 28% dive in sentiment from last DSI survey — 35% of respondents are confident in the Asian powerhouse's current economic strength vs 63% last DSI survey.

Aussie directors' views on the US economy took a tumble, from 42% seeing strength last DSI survey to 26% this wave.

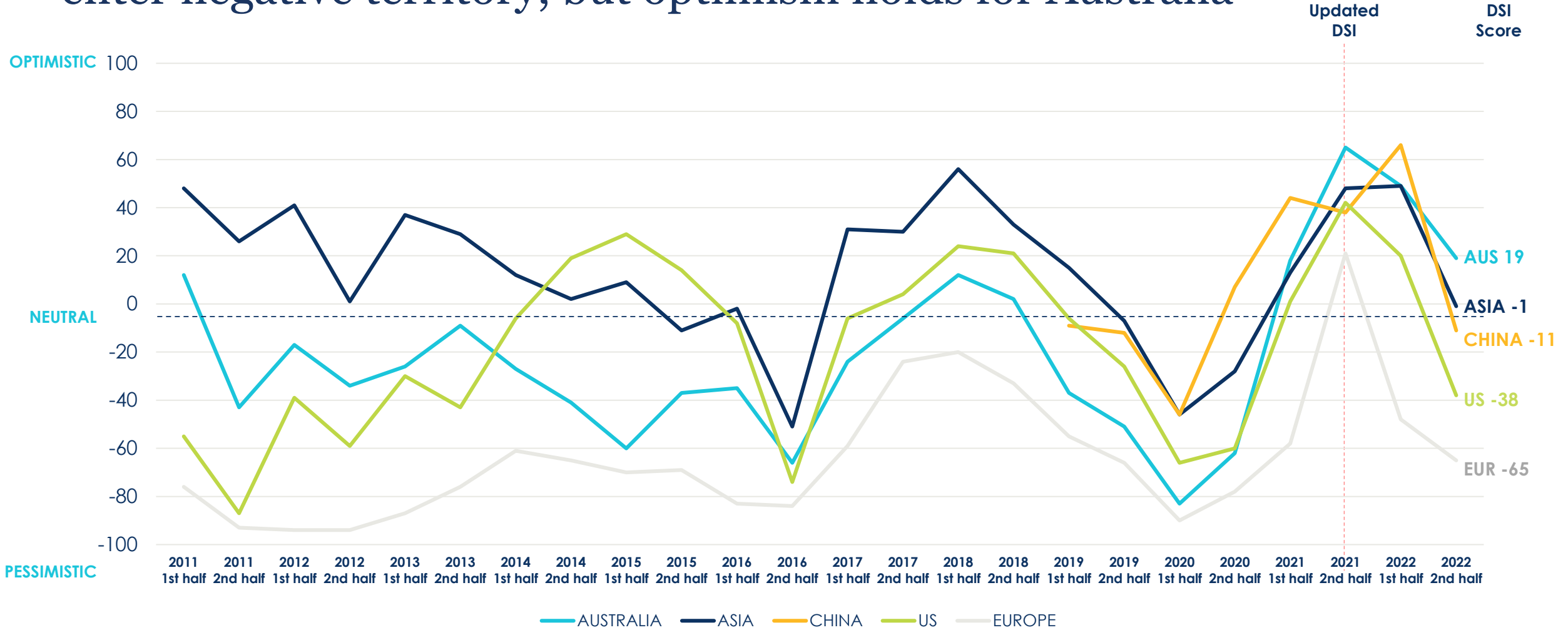
Europe's economy is perceived as the shakiest. Nearly three in five directors (59%) assess it as weak, and 56% think it will remain weak in the next 12 months.

ASSESSMENT OF THE HEALTH OF GLOBAL ECONOMIES



E8. What is your assessment of the current health of the following economies...?
E9. Over the next 12 months, what would be your assessment of the health of the following economies...?
Base: All respondents n=1,475.

Global economic 12-month optimism drops as US, China and Asia enter negative territory, but optimism holds for Australia



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: AICD Directors 18+; n=1,475

Western Australian directors most bullish about their state's 12M economic outlook; Victorians most pessimistic

KEY INSIGHTS

Economic sentiment for the 12-month outlook fell across all states and territories this DSI survey compared to last.

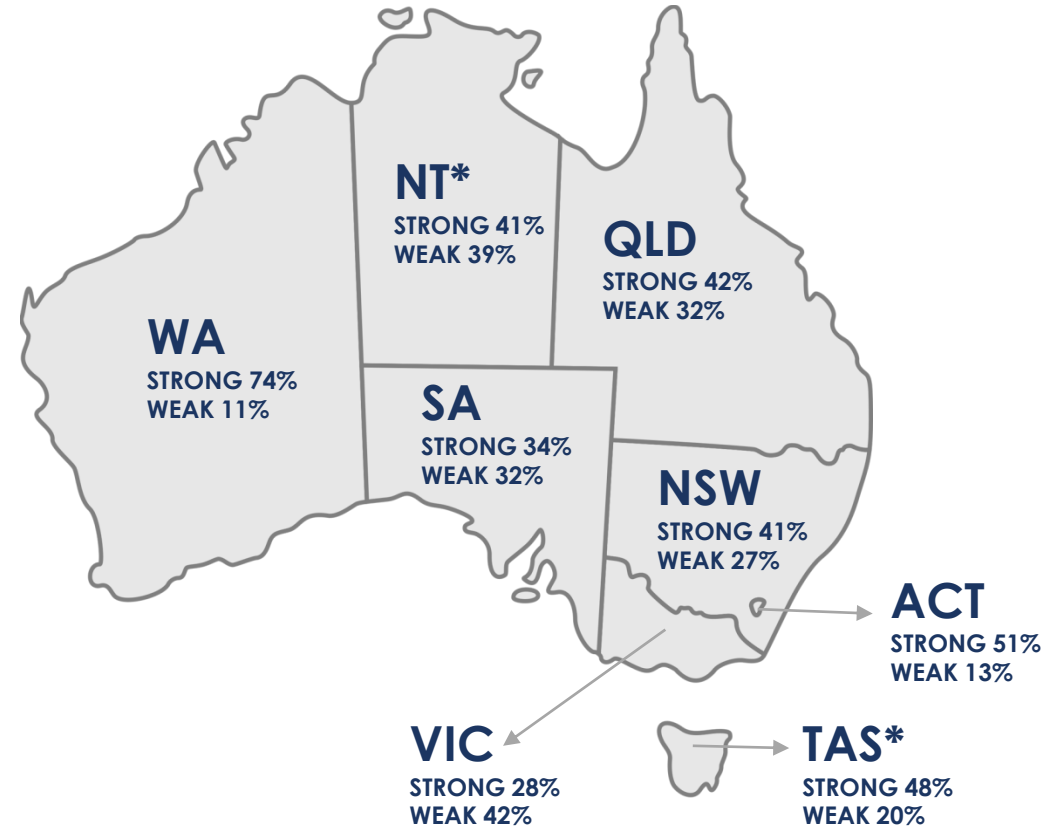
NSW saw a 17% drop in confidence, while VIC had a 16% drop, as did SA.

While WA saw an 11% fall in confidence, it continues its streak of having the strongest show of confidence of all states, with 74% of directors confident the state economy will be in a strong position in 12 months' time.

Victorian directors are the most pessimistic about their state's 12-month outlook, with 42% seeing it in a weak position year-on-year.



ASSESSMENT OF THE HEALTH OF YOUR STATE ECONOMY IN NEXT 12 MONTHS



E9.2. 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?
Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. * Indicates small base <50

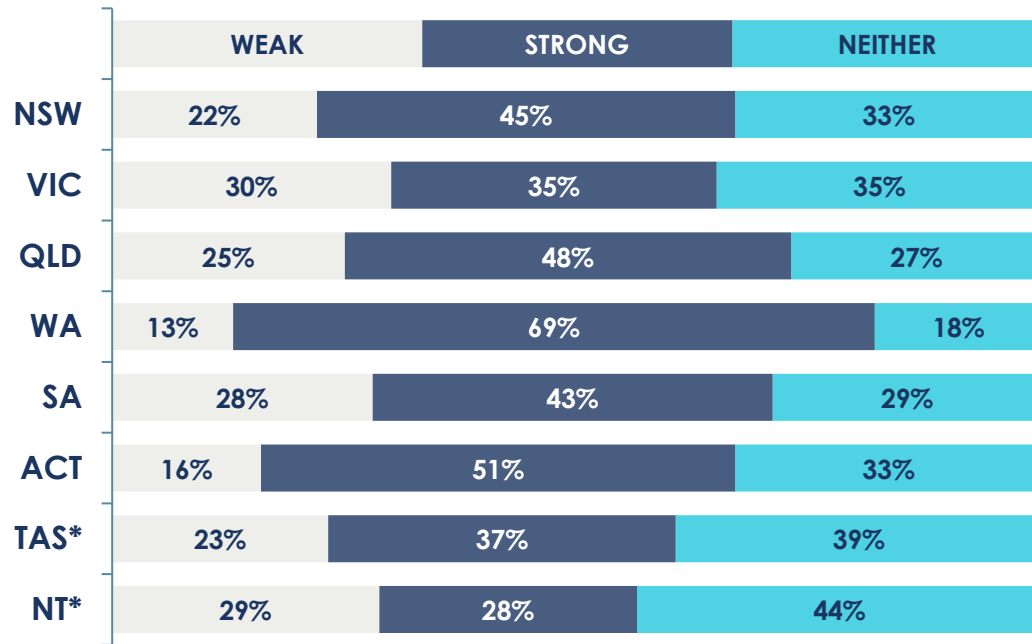
BUSINESS OUTLOOK

Though confidence dampens, outlook on national business conditions holds steady overall

Current Australian business conditions (average)



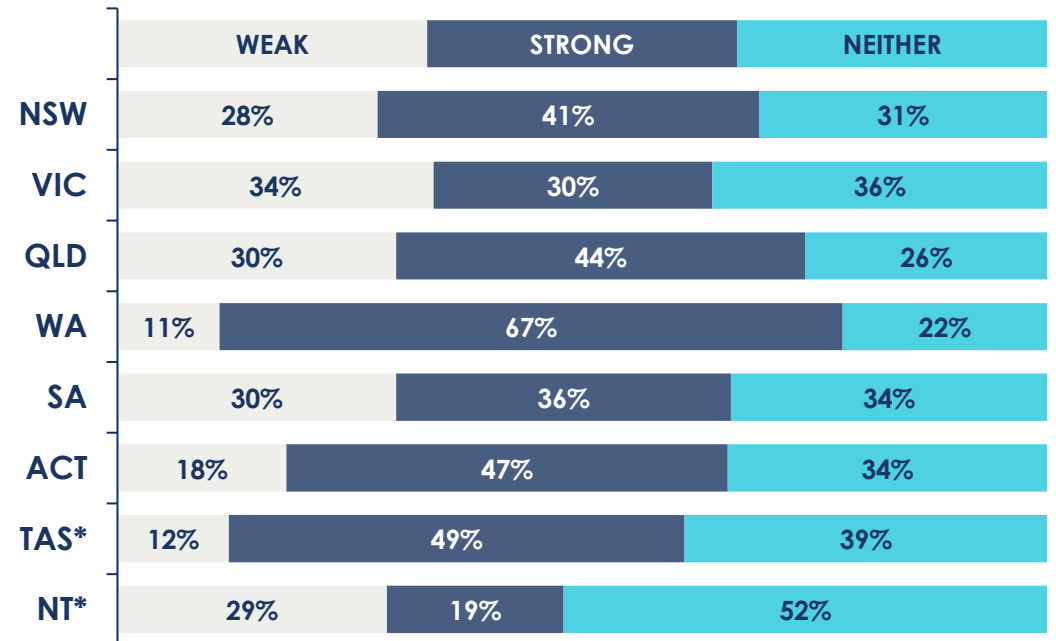
Current state business conditions



Australian business conditions in 12 months (average)



State business conditions in 12 months



B10.1. What is your assessment of current business conditions in Australia?
 B10.2. What is your assessment of current business conditions in the state where your primary directorship is based?
 Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. * Indicates small base <50

B11.1 What is your assessment of business conditions over the next 12 months Australia?
 B11.2 What is your assessment of business conditions over the next 12 months in the state where your primary directorship is based?
 Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. * Indicates small base <50

Labour shortages remain top challenge for business

KEY INSIGHTS

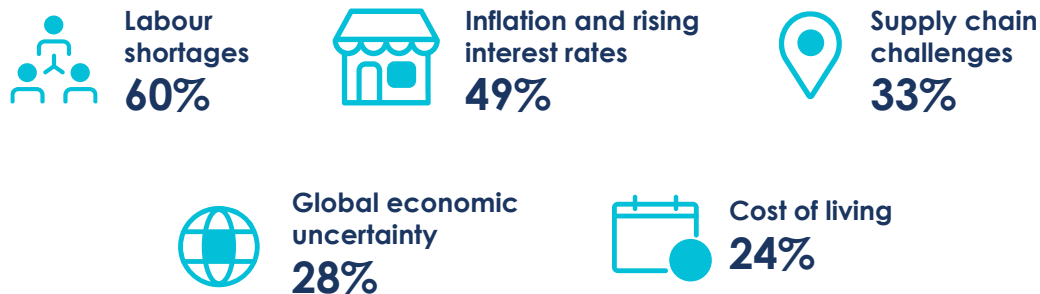
Labour shortages remained the top economic challenge currently facing Australian businesses, with 60% of directors again nominating it as the leading issue.

Inflation and rising interest rates unsurprisingly came in second, with half of all directors (49%) surveyed nominating it as a top challenge. One-third choose supply-chain challenges as their top issue.

Global economic uncertainty remained in the top five, despite dropping 27 points from 55% last DSI survey wave.

COVID-19 was only nominated by 4% of directors, down 23 points from last DSI survey.

Top economic challenges facing Aussie businesses



Are these business conditions expected to increase or decrease over the next 12 months?

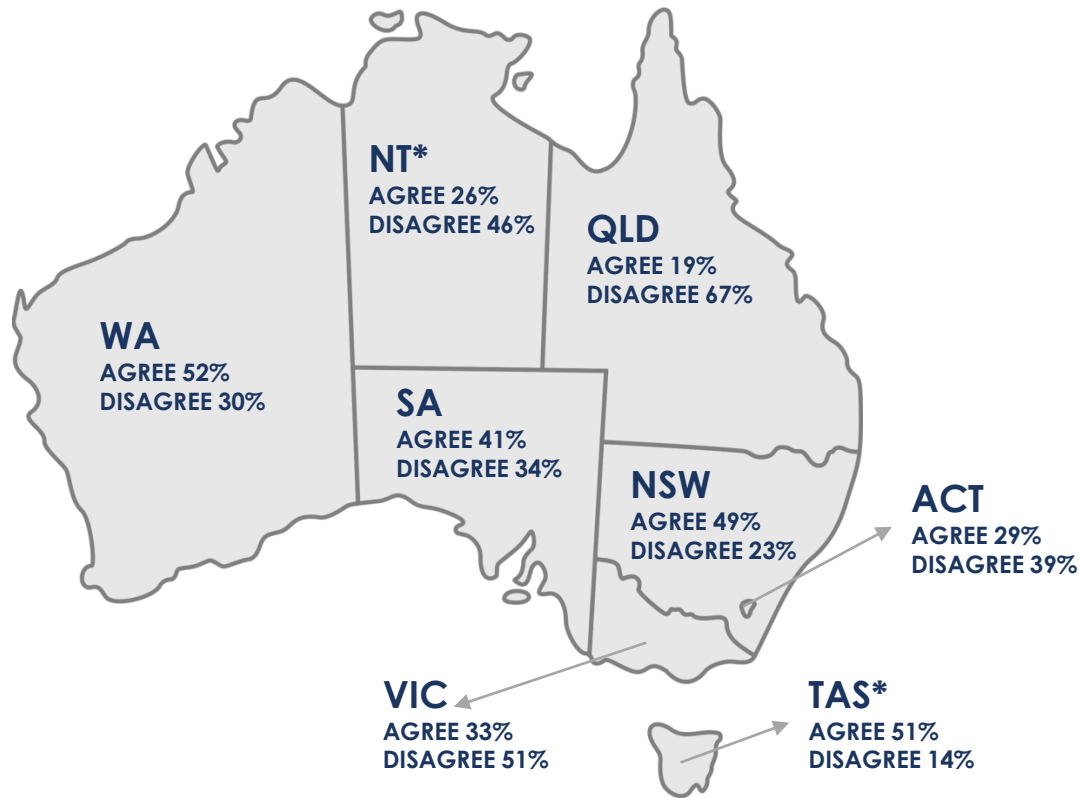


B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?
Base: AICD Directors 18+; n=1,475.

E6. What are the top 3 economic challenges currently facing Australian businesses? Base: AICD Directors 18+; n=1,475. Percentage of respondents that nominated issue in the top three economic challenges. Note: Amendments to list may impact comparability with previous results
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How well do state and Federal governments understand business?

My state government understands business...



The Federal Government understands business...

38%
AGREE



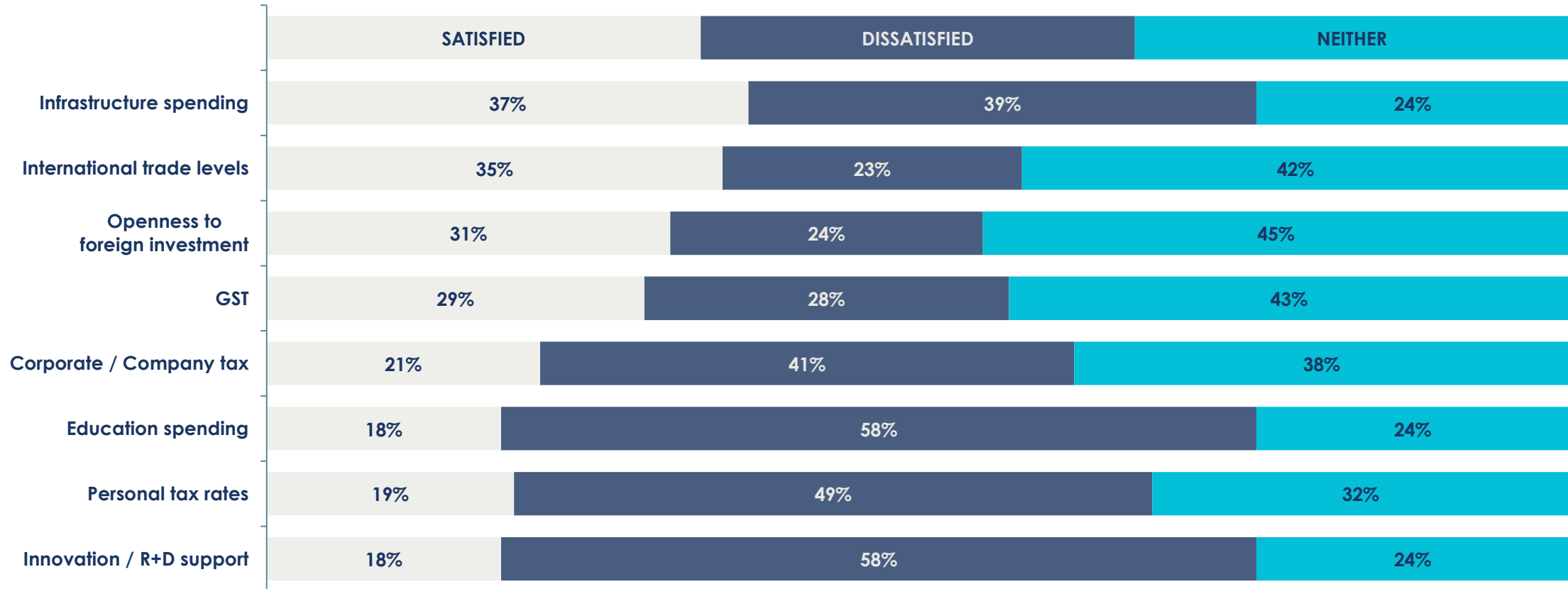
41%
DISAGREE

RE3.3. To what extent do you agree or disagree that the state government where your primary directorship is based understands business?
Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17.
* Indicates low base <50

RE3.1. To what extent do you agree or disagree that the Federal Government understands business?
Base: AICD Directors 18+; n=1,475.

Directors remain most dissatisfied with Australian education and innovation policies

Satisfaction with Australian policy settings



T1. What is your level of satisfaction with the current state of the following Australian policy settings...?

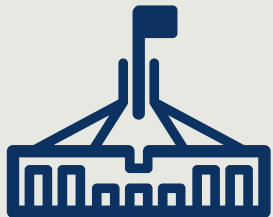
Base: AICD Directors 18+; n=1,475.

How much do directors trust government?

KEY INSIGHTS ON TRUST

Trust in the Federal Government improved nine points since the last DSI survey in Q1 2022, rising from 29% of directors to 38% nationally.

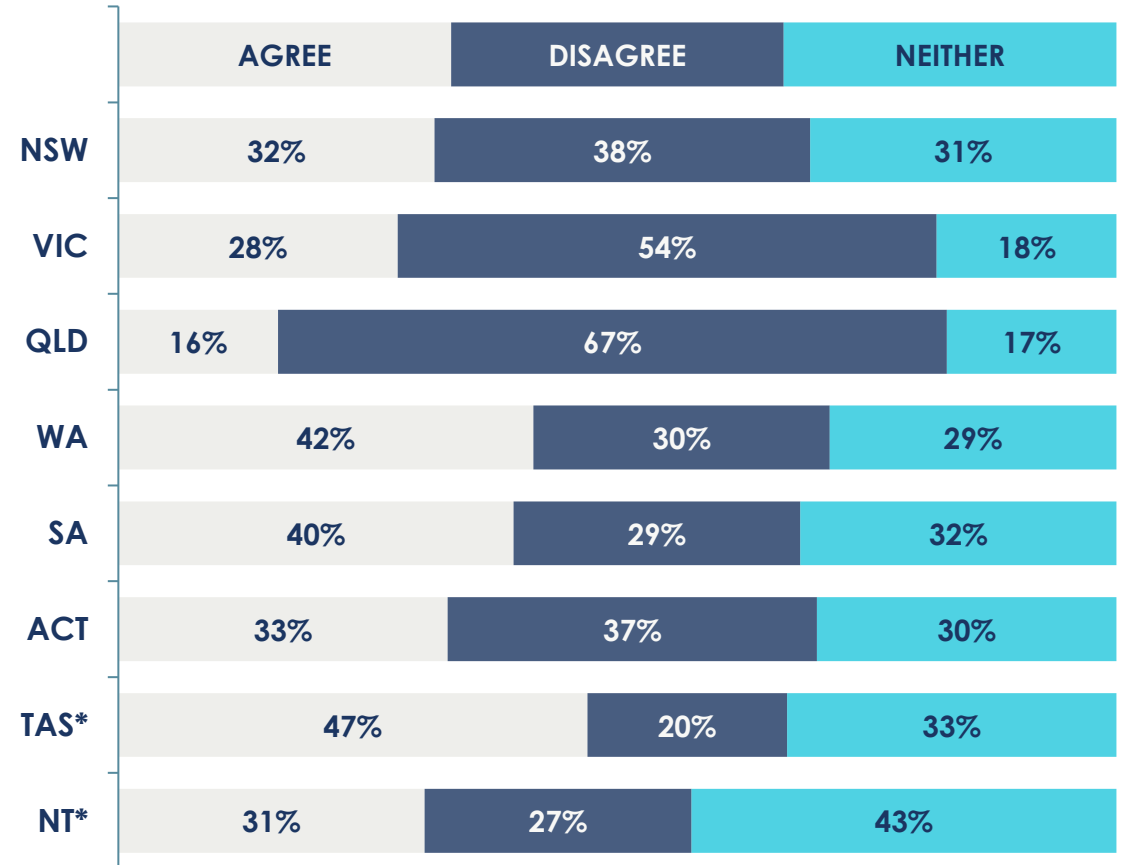
The QLD government experienced the lowest amount of trust across jurisdictions, with 67% not trusting the government in Brisbane, an increase of 6% on last DSI survey.



I trust the Federal Government

AGREE 38%
DISAGREE 37%
NEITHER 25%

I trust my state government



RE3.4. To what extent do you agree or disagree that you trust the State Government where your primary directorship is based?
 Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17.
 * Indicates low base <50

RE3.2. To what extent do you agree or disagree that you trust the Federal Government?
 Base: AICD Directors 18+; n=1475.

Many directors see current Federal fiscal settings, RBA monetary policy and availability of credit as negative for business



Is the current level of the AUD affecting your business positively or negatively?

↑ 14% ↓ 28%

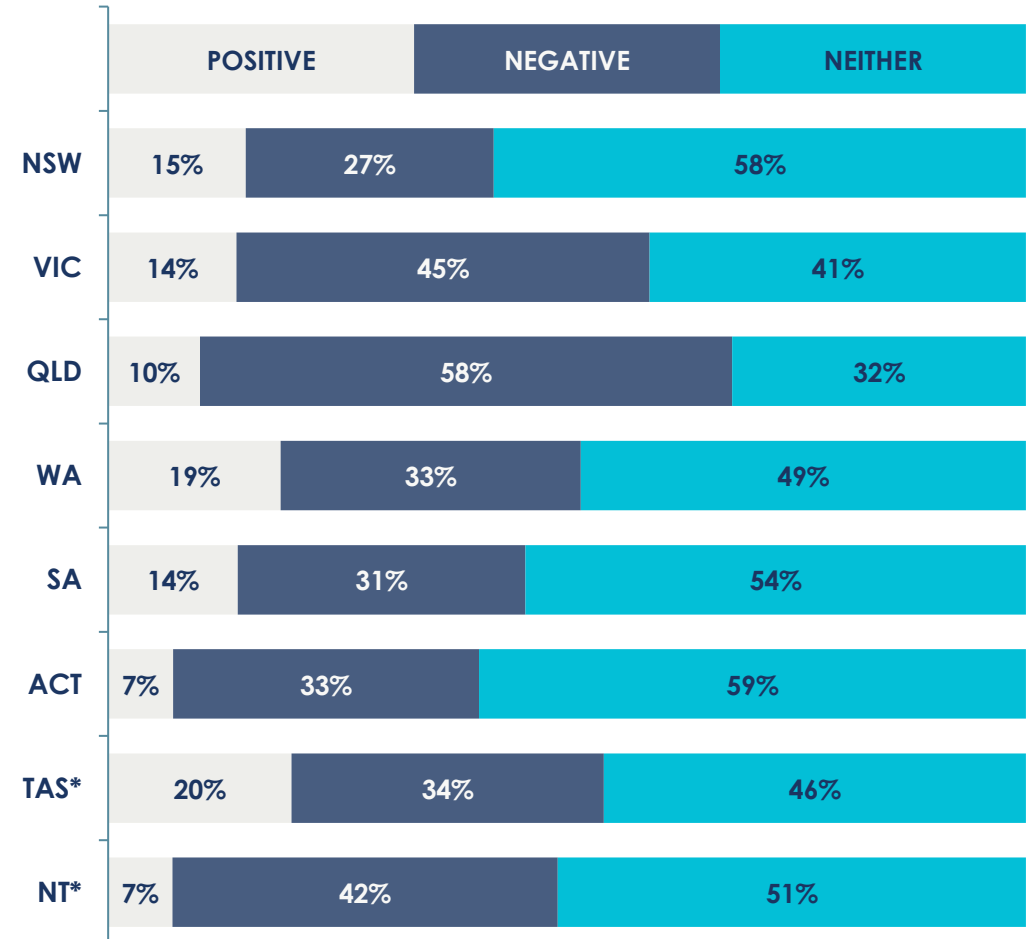
Is current RBA monetary policy affecting your business positively or negatively?

↑ 15% ↓ 47%

Is the current availability of business credit positive or negative for your business?

↑ 17% ↓ 27%

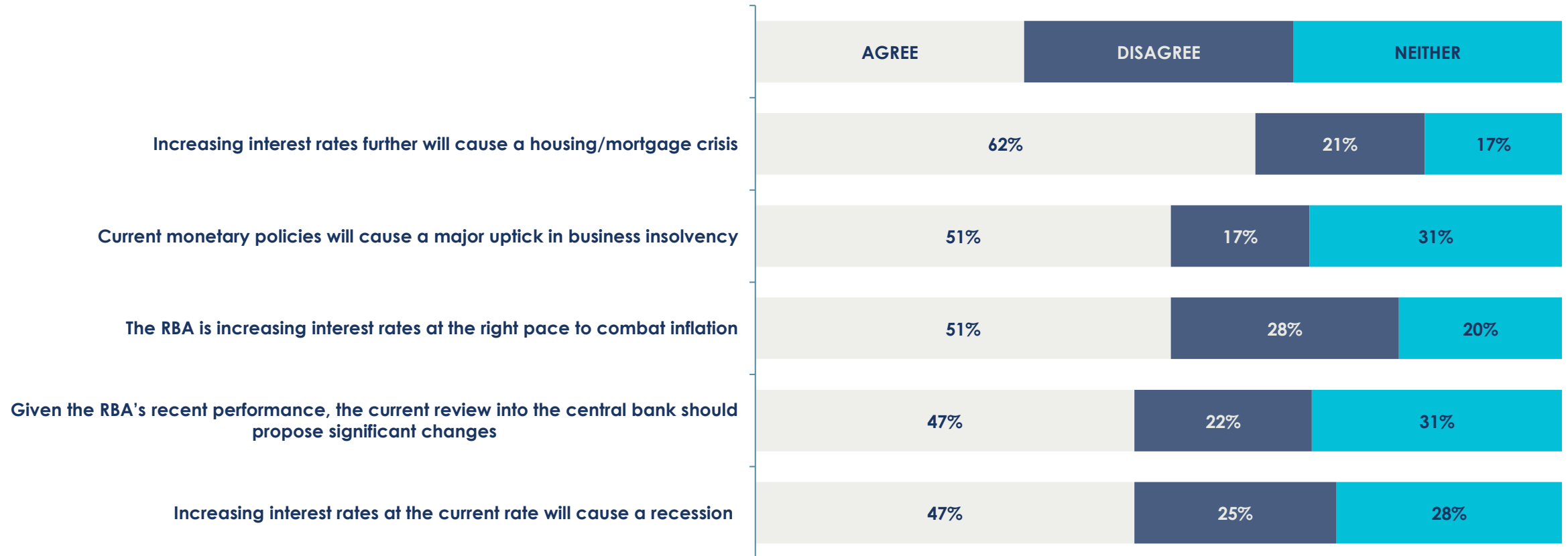
Are your state's fiscal policy settings positive or negative for your business?



MA1. How positively or negatively do the following affect your business? 2. Current State fiscal policy settings in [your state]. (i.e. the overall balance between government spending and taxation)
 Base: AICD Directors 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. * Indicates low base <50
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3 in 5 directors forecast housing crisis if interest rates rise further; 1 in 2 believe RBA rate rises are correctly paced

Thinking about inflation, interest rates and the RBA, please indicate the extent to which you agree or disagree with the following statements:



RBA1. Thinking about inflation, interest rates and the RBA, please indicate the extent to which you agree or disagree with the following statements.
Base: AICD Directors 18+; n=1,475. RBA performance statement 1% = Not applicable.



DIRECTORSHIP CONDITIONS

What do directors think about directorship and governance issues?



Current director liability provisions negatively impact my ability to make decisions.

33%
AGREE



35%
DISAGREE

The current level of corporate reporting requirements is satisfactory.

53%
AGREE



23%
DISAGREE

Current governance regulations strike the appropriate balance between being principles-based and prescriptive.

44%
AGREE



27%
DISAGREE

83%
OF DIRECTORS WHO
DISAGREED
find regulations to be
too prescriptive

G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements.

Base: AICD Directors 18+; n=1,475. Note: Amendments to list may impact comparability with previous results

G1A. You disagreed that current governance regulations strike the appropriate balance between being principles-based and being prescriptive. Do you find regulations to be...Too prescriptive 2. Not prescriptive enough.

Base n=404.



TOPICAL ISSUES AND DEEP DIVES

Top 3 diversity priorities for boards are skills, digital capabilities and gender

The current level of diversity on Australian boards is satisfactory

56% DISAGREE

27% AGREE



Is your board seeking to increase diversity in...

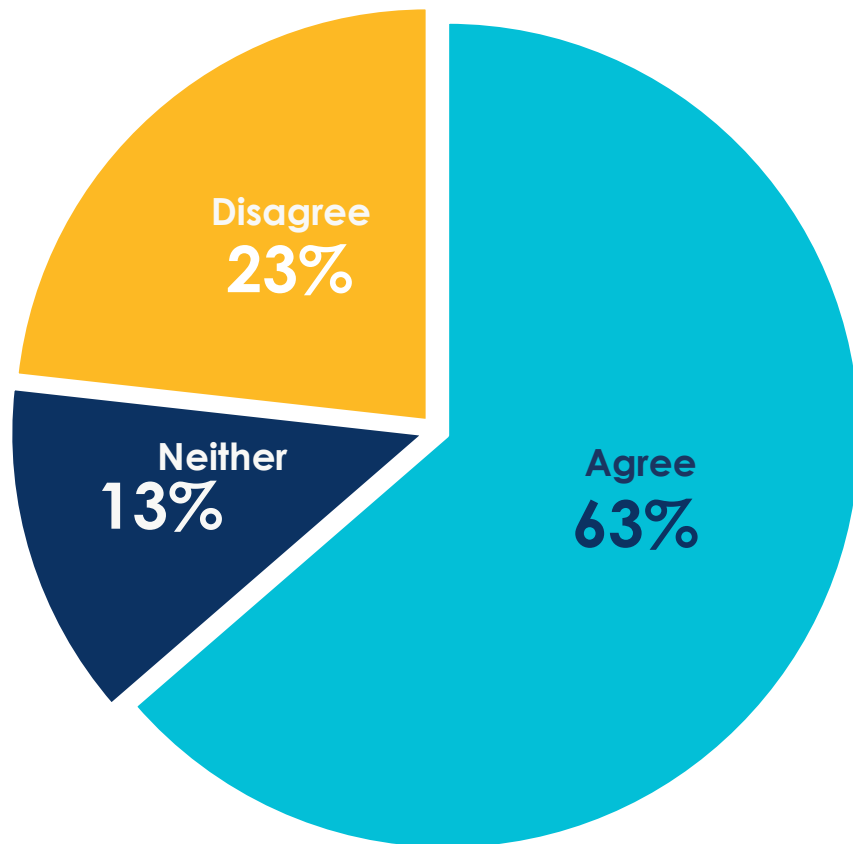
SKILLS?	72% AGREE	VS	7% DISAGREE
DIGITAL CAPABILITY?	61% AGREE	VS	12% DISAGREE
GENDER?	50% AGREE	VS	15% DISAGREE
AGE?	37% AGREE	VS	21% DISAGREE
ETHNICITY?	37% AGREE	VS	21% DISAGREE

G1.3. Based on your personal board experience, please indicate the extent to which you agree or disagree that the current level of diversity on Australian Boards is satisfactory.
Base: AICD Directors 18+; n=1,475.

BD2a. How much do you agree or disagree that your Board is currently seeking to increase diversity in the following areas?
Base: AICD Directors 18+; n=1,475.

Progress on national reconciliation a governance priority for 63% of directors

Advancing reconciliation with First Nations peoples is a national governance priority for Australia



KEY INSIGHTS

Over 3 in 5 directors (63%) believe advancing reconciliation with First Nations peoples is a national governance priority for Australia.

Over one third of directors (35%) are part of an organisation that currently has a strategy or plan to address or contribute to the reconciliation process with First Nations peoples.

Of the directors whose organisation does not currently have a strategy in place, only 17% have plans to implement one, such as through a Reconciliation Action Plan (RAP), while 66% have no plan.

Is your board seeking to increase diversity in First Nations Peoples?

33% DISAGREE

26% AGREE

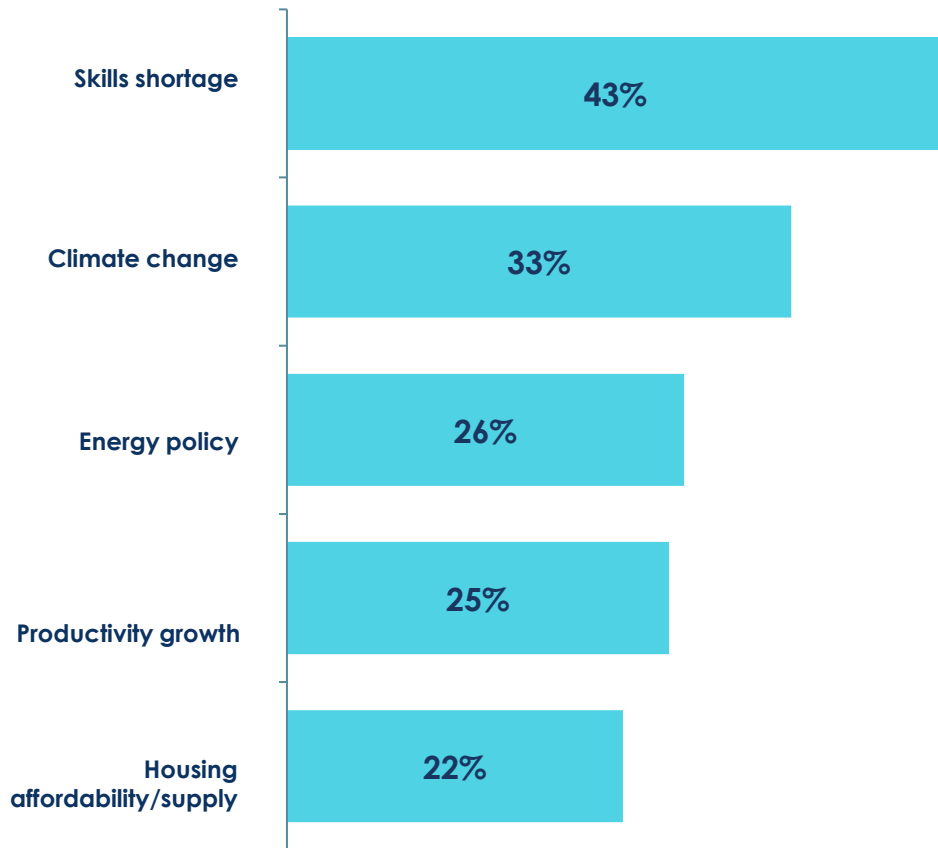
IRAP1. Does your organisation currently have a strategy or plan to address or contribute to the reconciliation process with First Nations people, e.g. through a Reconciliation Action Plan (RAP)? Base: AICD Directors 18+; n=1,475

IRAP2. Does your organisation plan to implement a strategy to contribute to the reconciliation process with First Nations peoples in the future e.g. through a Reconciliation Action Plan RAP? Base n=893.

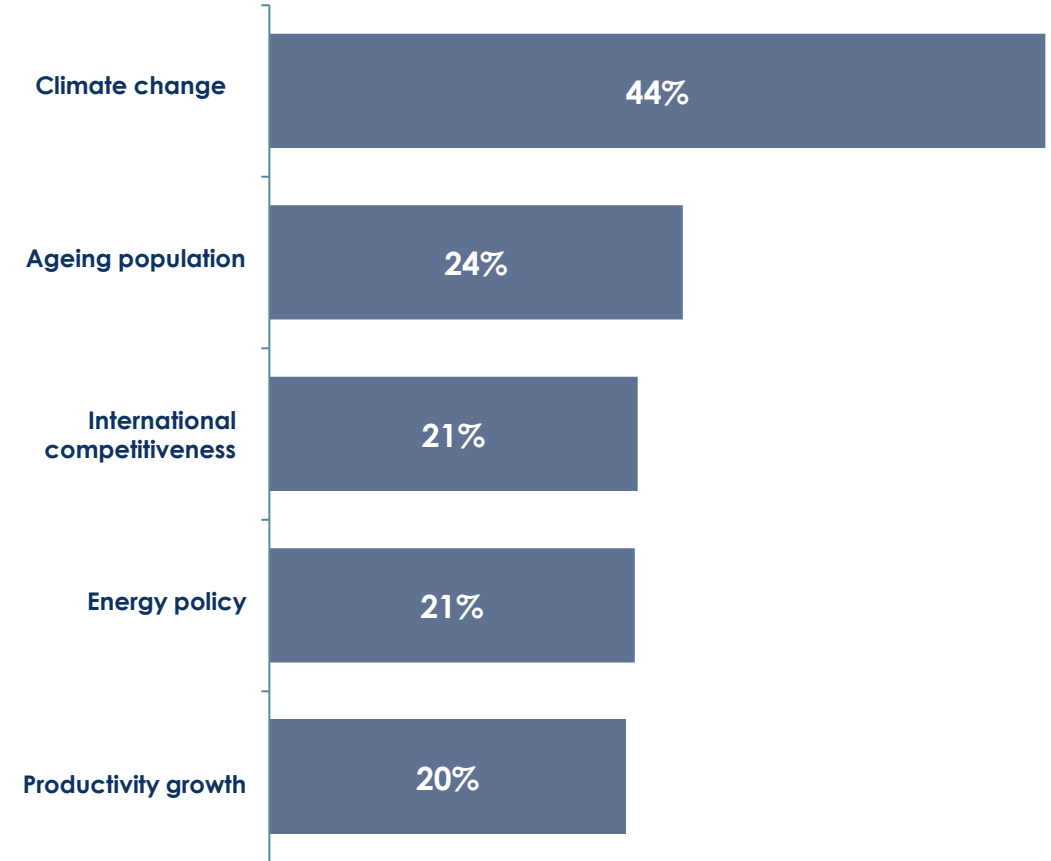
BD2a. How much do you agree or disagree that your Board is currently seeking to increase diversity in the following areas? Base: AICD Directors 18+; n=1,475.

Skills shortage is directors' top short-term government priority, climate change remains key long-term issue

What are the top issues the Federal Government should address in the next 3 years?



What are the top issues the Federal Government should address in the next 10-20 years?

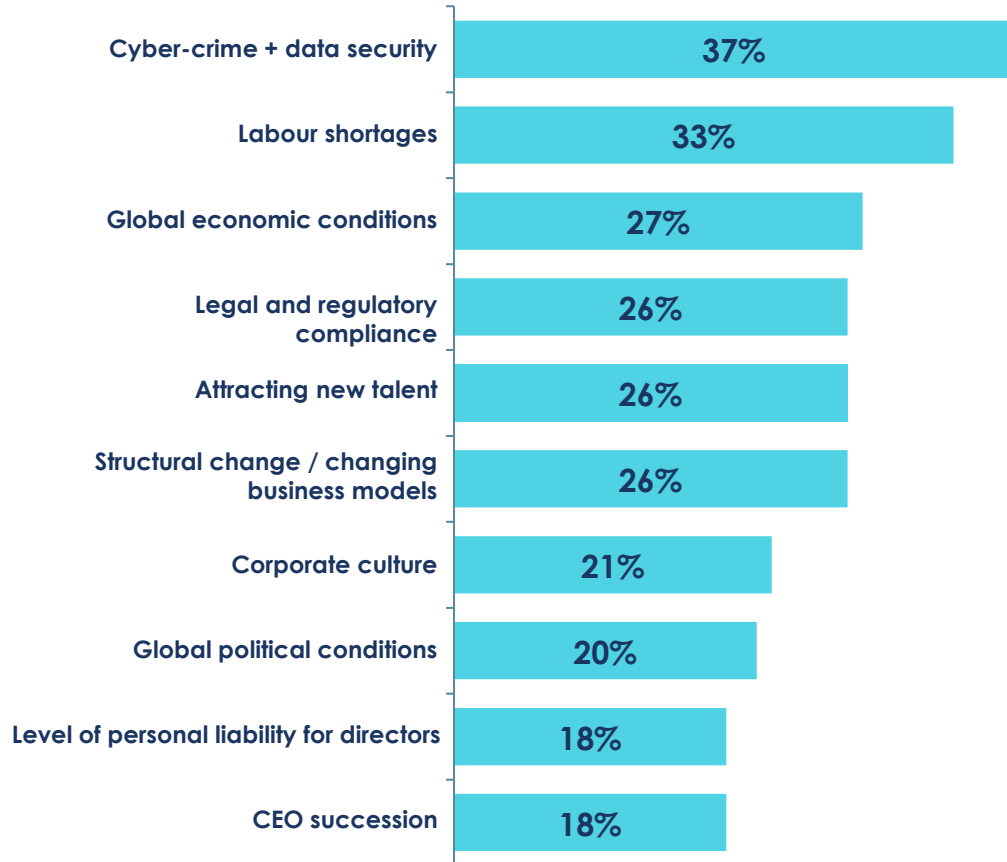


RE4. In your opinion, what are the top 3 issues the Federal Government should address in the short term (next 3 years)? Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results. Base: AICD Directors 18+; n=1,475

RE4a. Now thinking about the longer term (next 10-20 years), what are the top 3 issues the Federal Government should address? Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results. Base: AICD Directors 18+; n=1,475

Cyber-crime + data security is the top issue keeping directors awake at night; labour shortages ranks second

What is the top issue that keeps you awake at night?



Why cyber-crime and data security?

"Constant decisions that need to be balanced on how much to spend on prevention of cyber crime and understanding our exposure and gaps."

"Boards still do not understand risk sufficiently to be able to manage cyber. It is also difficult to hire cyber leaders."

"The increasing level and sophistication of the attacks, the complexity and cost of effective mitigation and the massive impact to business continuity and reputation if a cyber attack is successful."

"Inability of the organisation to control random and malicious attacks on organisation data and especially client personal data. This is in spite of best practice risk mitigation and good management decision making regarding technology systems and infrastructure."

Why Global economic conditions?

"Global economic conditions are currently being heavily impacted by the geopolitical situation which is destabilising normal rational thinking about the future and investments."

"Uncertainty and volatility potentially impacting Australian financial sector stability/safety."

Why labour shortages?

"Australia has a people shortage."

"Skills required to deliver critical services with an aging population."

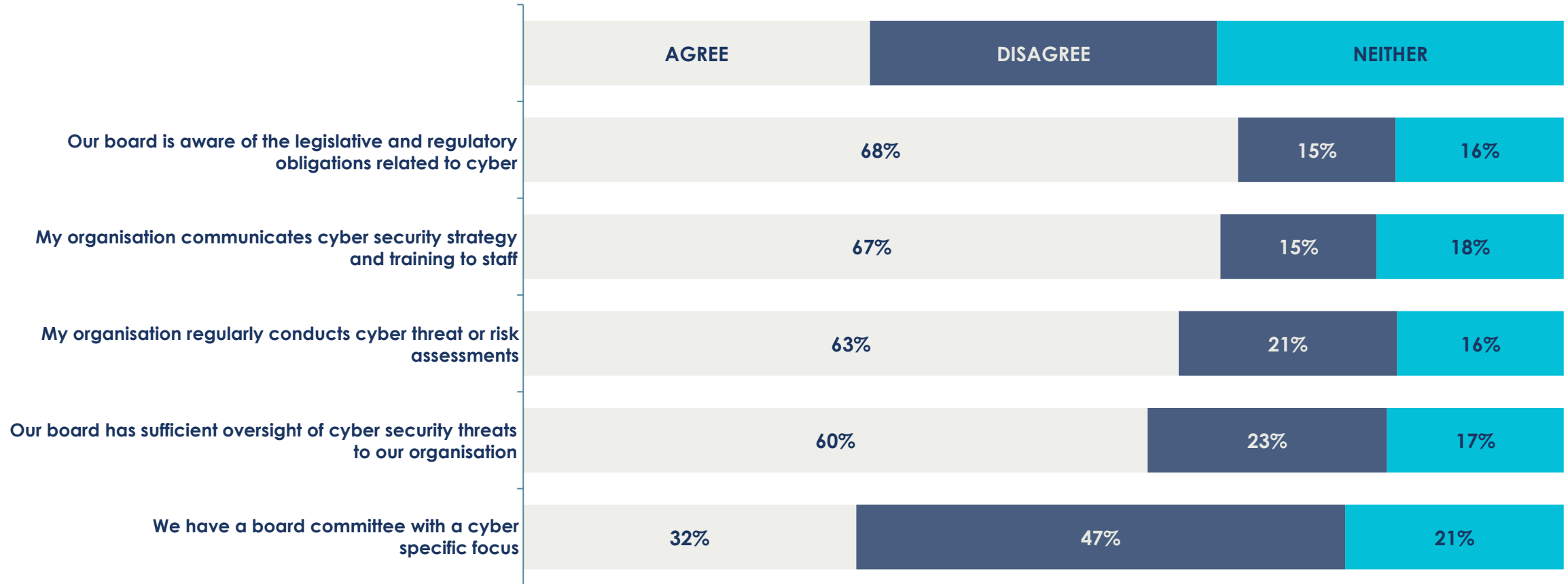
"Growth opportunity constrained by inability to recruit sufficient people to execute [growth]."

"We need to invest in training and workforce planning, and ensuring that wages are keeping pace with inflation so we can attract and retain workers."

TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? . Display % rounded to no decimal points, ranked to 1 decimal point. Percentage refers to respondents who nominated this as a top 3 issue. Top 10 issues included. Note: Amendments to list may impact comparability with previous results. Base: AICD Directors 18+; n=1,475

How cognisant are directors of cyber security risks, obligations and strategy?

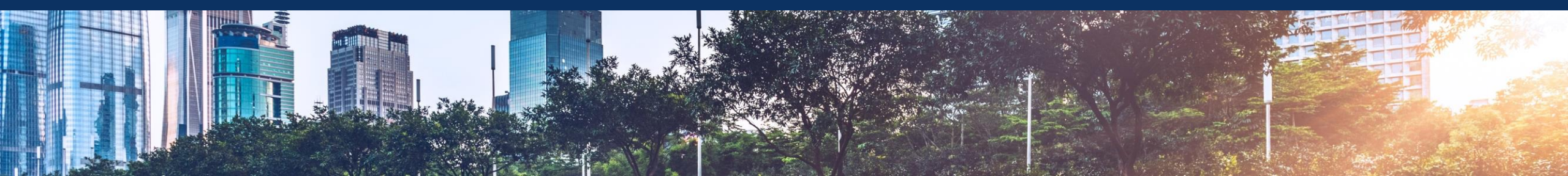
Do you agree or disagree with the following statements...?



CYB1. To what extent do you agree or disagree with the following statements...?

Base: AICD Directors 18+; n=1,475.

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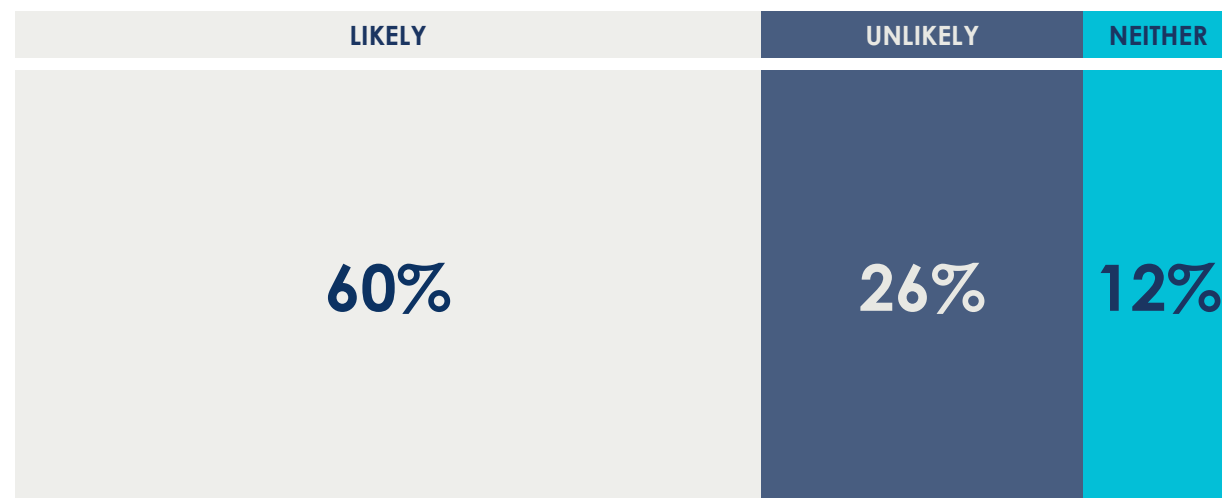


TOPICAL ISSUES AND DEEP DIVES

3 in 5 directors believe Australian economic conditions will likely be impacted in the next 12 months by developments in China and Taiwan



How likely is the possibility of economic conditions in Australia being impacted in the next 12 months due to a military conflict or other significant adverse developments involving China and Taiwan?

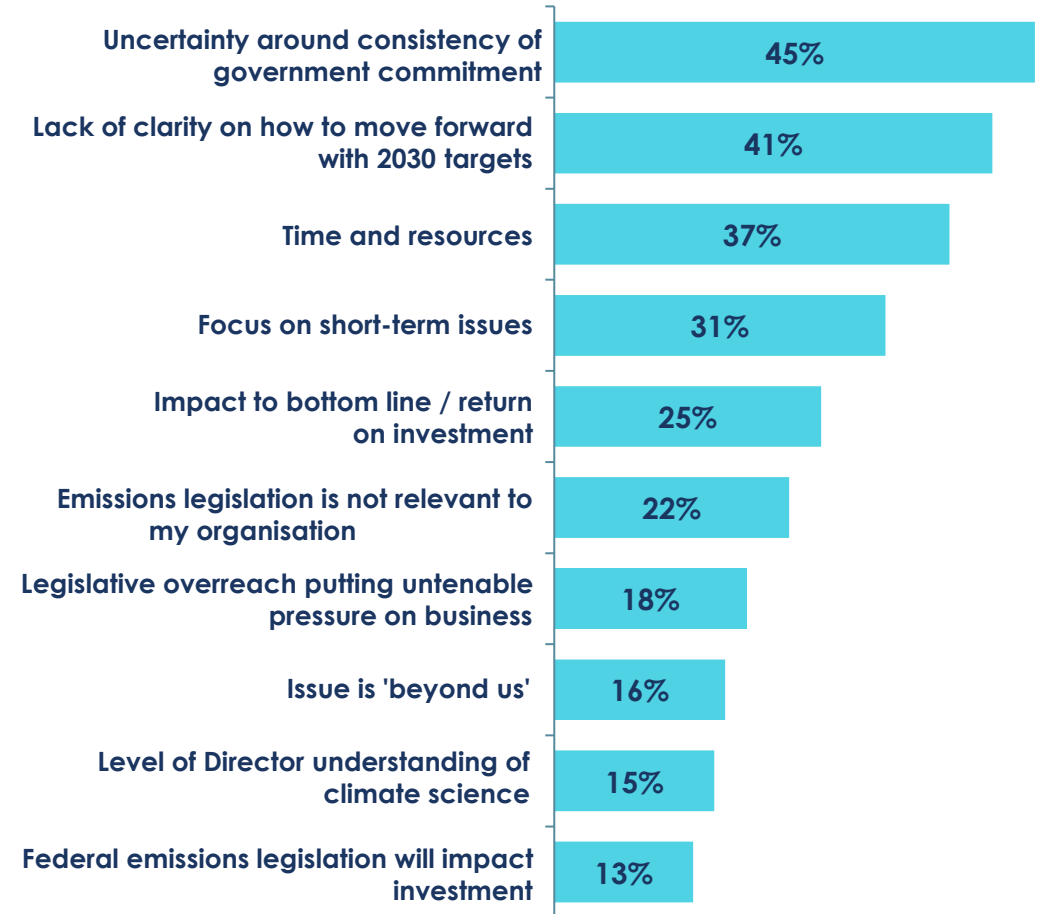


E10. How likely is the possibility of economic conditions in Australia being impacted in the next 12 months due to a military conflict or other significant adverse developments involving China and Taiwan?
Base: AICD Directors 18+; n=1,475

Climate governance and reporting



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



DD5. To what extent are you satisfied or dissatisfied with your organisation's / board's climate reporting? Base: AICD Directors 18+; n=1,475

DD5ai. Will the likely shift to mandatory climate reporting in Australia impact your organisation? Base: AICD Directors 18+; n=1,475

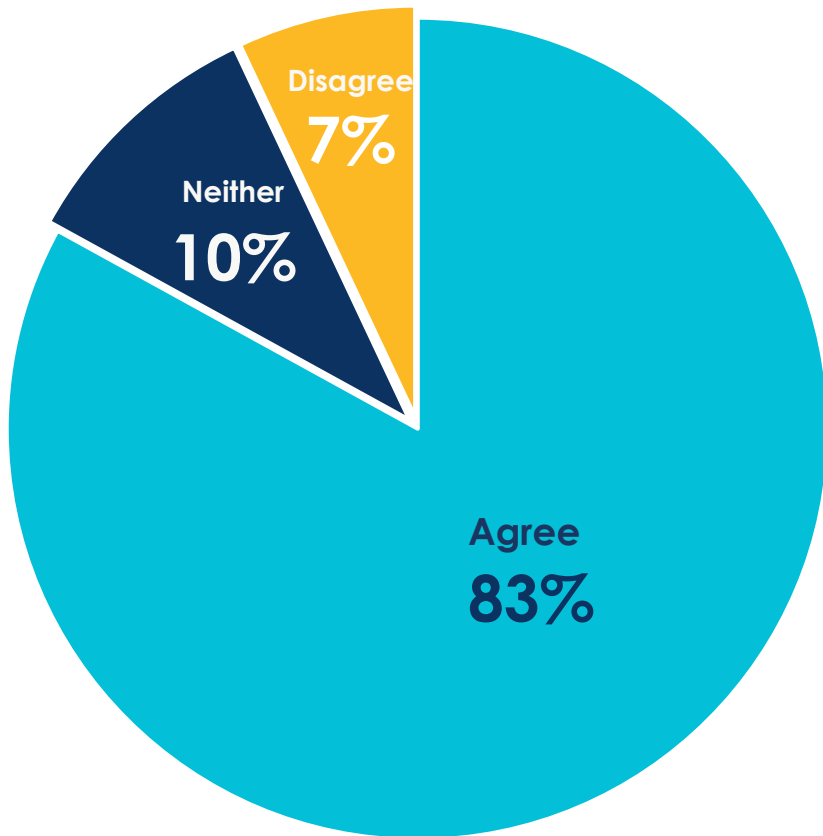
DD5a. How prepared is your organisation for the likely shift to mandatory climate reporting in Australia? Base: AICD Directors 18+ who believe the likely shift to mandatory climate reporting in Australia will impact their organisation; n=658

DD5b. The Federal Government's legislation for a 43% emissions reduction target by 2030 is... Base: AICD Directors 18+; n=1,475

DD2. What are the 3 biggest barriers for your organisation relating to climate governance, both in terms of risk and opportunity? Base: AICD Directors 18+; n=1,475. Percentage of respondents that nominated issue as a top three barrier. Top 10 issues included.

Majority of directors view insufficient skilled migration as business risk

Skilled migration levels are not keeping up with labour demand in Australia and will impact growth



Climate change is a material risk for my organisation



AGREE 46%
DISAGREE 31%

My organisation has been affected by labour market issues



AGREE 75%
DISAGREE 11%

Our board has sufficient oversight of organisational culture



AGREE 74%
DISAGREE 14%



Data Appendix



Economic and Business Outlook

DATA APPENDIX (ECONOMIC OUTLOOK)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the Australian economy – current	Weak/Strong	+34	+38	+42
Health of the state economy – current	Weak/Strong	+26	+28	+27
Health of the Chinese economy – current	Weak/Strong	-4	+49	+20
Health of the Asian (ex. China) economy – current	Weak/Strong	+10	+26	+18
Health of the European economy – current	Weak/Strong	-48	-24	-9
Health of the US economy – current	Weak/Strong	-19	+16	+14
Health of the Australian economy – future (N12M**)	Weak/Strong	+15	+38	+53
Health of the state economy – future (N12M)	Weak/Strong	+11	+32	+46
Health of the Chinese economy – future (N12M)	Weak/Strong	-8	+45	+24
Health of Asian (ex. China) economy – future (N12M)	Weak/Strong	0	+28	+29
Health of the European economy – future (N12M)	Weak/Strong	-42	-28	+12
Health of the US economy – future (N12M)	Weak/Strong	-22	+14	+29

DATA APPENDIX (BUSINESS OUTLOOK)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – current	Weak/Strong	+26	+28	+31
Assessment of NSW business conditions – current	Weak/Strong	+22	+27	+38
Assessment of VIC business conditions – current	Weak/Strong	+5	+6	-7
Assessment of QLD business conditions – current	Weak/Strong	+23	+20	+20
Assessment of SA business conditions – current	Weak/Strong	+16	+25	+25
Assessment of WA business conditions – current	Weak/Strong	+56	+69	+70
Assessment of TAS* business conditions – current	Weak/Strong	+14	+49	+69
Assessment of ACT business conditions – current	Weak/Strong	+35	+42	+31
Assessment of NT* business conditions – current	Weak/Strong	-1	0	0

DATA APPENDIX (ECONOMIC OUTLOOK)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the NSW economy – current	Weak/Strong	+33	+42	+55
Health of the VIC economy – current	Weak/Strong	+1	+3	-18
Health of the QLD economy – current	Weak/Strong	+22	+8	+1
Health of the SA economy – current	Weak/Strong	+14	+20	+26
Health of the WA economy – current	Weak/Strong	+82	+84	+82
Health of the TAS* economy – current	Weak/Strong	+34	+62	+68
Health of the ACT economy – current	Weak/Strong	+50	+52	+48
Health of the NT* economy – current	Weak/Strong	-15	-19	-18
Health of the NSW economy – future (N12M)	Weak/Strong	+14	+41	+69
Health of the VIC economy – future (N12M)	Weak/Strong	-14	+12	+24
Health of the QLD economy – future (N12M)	Weak/Strong	+10	+21	+19
Health of the SA economy – future (N12M)	Weak/Strong	+2	+32	+34
Health of the WA economy – future (N12M)	Weak/Strong	+63	+79	+75
Health of the TAS* economy – future (N12M)	Weak/Strong	+28	+53	+72
Health of the ACT economy – future (N12M)	Weak/Strong	+39	+47	+51
Health of the NT* economy – future (N12M)	Weak/Strong	+2	+2	+3

DATA APPENDIX (BUSINESS OUTLOOK)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – future (N12M)	Weak/Strong	+15	+30	+50
Assessment of NSW business conditions – future (N12M)	Weak/Strong	+13	+33	+63
Assessment of VIC business conditions – future (N12M)	Weak/Strong	-4	+10	+20
Assessment of QLD business conditions – future (N12M)	Weak/Strong	+14	+16	+26
Assessment of SA business conditions – future (N12M)	Weak/Strong	+7	+23	+33
Assessment of WA business conditions – future (N12M)	Weak/Strong	+55	+70	+68
Assessment of TAS* business conditions – future (N12M)	Weak/Strong	+36	+46	+53
Assessment of ACT business conditions – future (N12M)	Weak/Strong	+29	+46	+47
Assessment of NT* business conditions – future (N12M)	Weak/Strong	-10	+25	+16

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2022.

Base: AICD Directors 2nd Half 2022 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20.

Base: AICD Directors 2nd Half 2021 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 ***N12M is Next 12 months

Business Conditions and Government Understanding

TOP ECONOMIC CHALLENGES (BUSINESS CONDITIONS)	2nd HALF 2022 TOTAL MENTIONS**	1st HALF 2022 TOTAL MENTIONS**	2nd HALF 2021 TOTAL MENTIONS
Labour shortages	60%	60%	55%
Inflation and rising interest rates	49%	N/A	N/A
Global economic uncertainty	28%	55%	30%
Supply chain challenges	33%	N/A	N/A
Climate change	22%	34%	38%
Cost of living	24%	N/A	N/A
Productivity growth	17%	24%	22%
Energy policy	20%	21%	22%
Health of Australia China relationship	10%	23%	30%
Regulation requirements / red tape	12%	20%	23%
Coronavirus/ COVID-19	4%	27%	43%
Government debt levels	9%	13%	14%
Taxation system	7%	11%	13%
Global protectionism	2%	6%	7%
Geopolitics	0%	2%	N/A
Global logistics/ supply chain	0%	1%	N/A
Incompetent/ ineffective government	0%	1%	1%
Other	2%	3%	3%

DATA APPENDIX (POLICY SETTINGS)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Federal government understands business	Disagree/Agree	-2	+6	+7
NSW government understands business	Disagree/Agree	+25	+29	+61
VIC government understands business	Disagree/Agree	-18	-23	-22
QLD government understands business	Disagree/Agree	-48	-40	-40
SA government understands business	Disagree/Agree	+7	+39	+22
WA government understands business	Disagree/Agree	+22	+11	+13
TAS* government understands business	Disagree/Agree	+37	+45	+54
ACT government understands business	Disagree/Agree	-10	+4	+11
NT* government understands business	Disagree/Agree	-20	-46	-26

DATA APPENDIX (BUSINESS CONDITIONS)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Investment Levels	Decrease/Increase	+15	+36	+54
Staffing Levels / Labour Demands	Decrease/Increase	+45	+57	+60
Wage Levels	Decrease/Increase	+78	+72	+67
Costs (e.g. raw materials, energy)	Decrease/Increase	+89	+89	+83
Turnover / Sales	Decrease/Increase	+43	+56	+66
Profitability	Decrease/Increase	+1	+15	+32

DATA APPENDIX (POLICY SETTINGS)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Trust in Federal Government	Disagree/Agree	+1	-22	-17
Trust in NSW government	Disagree/Agree	-6	-1	+34
Trust in VIC government	Disagree/Agree	-26	-19	-23
Trust in QLD government	Disagree/Agree	-50	-45	-42
Trust in SA government	Disagree/Agree	+11	+28	+24
Trust in WA government	Disagree/Agree	+12	0	+2
Trust in TAS* government	Disagree/Agree	+27	+26	+68
Trust in ACT government	Disagree/Agree	-4	+2	+33
Trust in NT* government	Disagree/Agree	+4	-35	-24

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2022. Base: AICD Directors 2nd Half 2022 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20. Base: AICD Directors 2nd Half 2021 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 ** Amendments to list may impact comparability with previous results.
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DATA APPENDIX

Micro and Macro Policy

DATA APPENDIX (MICRO AND MACRO POLICY)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Corporate taxation / company tax rates	Dissatisfied/Satisfied	-20	-20	-18
Personal taxation / personal income tax	Dissatisfied/Satisfied	-30	-30	-28
GST	Dissatisfied/Satisfied	+2	0	+3
Government spending on infrastructure	Dissatisfied/Satisfied	-2	-6	+10
Government openness to foreign investment	Dissatisfied/Satisfied	+7	+3	+4
Support for international trade	Dissatisfied/Satisfied	+12	+11	+10
Gov. spending on education and training	Dissatisfied/Satisfied	-40	-41	-32
Gov. support for innovation and R&D	Dissatisfied/Satisfied	-40	-40	-37

DATA APPENDIX (MICRO AND MACRO POLICY)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
The RBA is increasing interest rates at the right pace to combat inflation	Disagree/Agree	+23	N/A	N/A
Increasing interest rates at the current rate will cause a recession	Negative/Positive	+21	N/A	N/A
Increasing interest rates further will cause a housing / mortgage crisis	Negative/Positive	+41	N/A	N/A
Current monetary policies will cause a major uptick in business insolvency	Negative/Positive	+34	N/A	N/A
Given the RBA's recent performance, the current review into the central bank should propose significant changes	Negative/Positive	+25	N/A	N/A

DATA APPENDIX (MICRO AND MACRO POLICY)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Impact on business of current Federal fiscal policy settings	Negative/Positive	-22	-14	-11
Impact on business of current state fiscal policy settings	Negative/Positive	-23	-15	-8
Impact on business of current RBA monetary policy	Negative/Positive	-32	+14	+19
Impact on business of current level of the Australian dollar	Negative/Positive	-13	+3	+6
Impact on business of the availability of business credit	Negative/Positive	-10	+9	+13

DATA APPENDIX (MICRO AND MACRO POLICY)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
NSW policy settings affect on business	Negative/Positive	-11	-7	+14
VIC policy settings affect on business	Negative/Positive	-31	-24	-28
QLD policy settings affect on business	Negative/Positive	-49	-33	-34
SA policy settings affect on business	Negative/Positive	-17	-3	+5
WA policy settings affect on business	Negative/Positive	-14	-12	0
TAS* policy settings affect on business	Negative/Positive	-14	+15	+39
ACT policy settings affect on business	Negative/Positive	-26	-5	-12
NT* policy settings affect on business	Negative/Positive	-35	-32	-18

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2022. Base: AICD Directors 2nd Half 2022 18+; n=1,475. NSW n=443, VIC n=387, QLD n=234, SA n=98, WA n=156, TAS n=38, ACT n=53, NT n=17. Base: AICD Directors 1st Half 2022 18+; n=1,737. NSW n=525, VIC n=433, QLD n=240, SA n=133, WA n=190, TAS n=48, ACT n=58, NT n=20. Base: AICD Directors 2nd Half 2021 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. RBA statements were introduced in 2nd Half 2022, no previous data available.

Directorship Conditions / Topical and Deep-Dive Issues

DATA APPENDIX (DIRECTORSHIP CONDITIONS)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Current governance regulations are appropriately balanced	Disagree/Agree	+17	N/A	N/A
Current level of corporate reporting requirements is satisfactory	Disagree/Agree	+30	+30	+32
Current level of diversity on Australian boards is satisfactory	Disagree/Agree	-30	-33	-33
Current director liability provisions have a negative impact on decision making	Disagree/Agree	-2	+3	+6
My board faces difficulties recruiting new talented directors	Disagree/Agree	+9	+10	N/A

DATA APPENDIX (ISSUES KEEP YOU AWAKE)	2nd HALF 2022 TOTAL MENTIONS	1st HALF 2022 TOTAL MENTIONS	2nd HALF 2021 TOTAL MENTIONS
Cyber-crime / data security	37%	43%	41%
Labour shortages	33%	28%	N/A
Global economic conditions	27%	28%	24%
Legal and regulatory compliance	26%	26%	34%
Attracting new talent	26%	24%	28%
Structural change/changing business models	26%	27%	36%
Corporate culture	21%	22%	20%
Global political conditions	20%	N/A	N/A
Level of personal liability for directors	18%	14%	21%
CEO succession	18%	19%	20%
Climate change	17%	20%	19%
Industrial relations	8%	N/A	N/A
Impacts of COVID-19	7%	19%	30%
Climate / sustainability reporting	5%	N/A	N/A
Other	4%	3%	4%
OH&S	0%	1%	N/A
Geopolitics	0%	1%	N/A
None	0%	2%	1%

DATA APPENDIX (BOARD SEEKING TO INCREASE DIVERSITY)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Gender	Disagree/Agree	+35	+36	+38
Age	Disagree/Agree	+17	+18	+18
Skills	Disagree/Agree	+65	+66	+66
Ethnicity	Disagree/Agree	+16	+20	+15
Digital capability / technology	Disagree/Agree	+49	+44	+45
First Nations people*	Disagree/Agree	+7	N/A	N/A

DATA APPENDIX (CLIMATE GOVERNANCE BARRIERS)	2nd HALF 2022 TOTAL MENTIONS	1st HALF 2022 TOTAL MENTIONS	2nd HALF 2021 TOTAL MENTIONS
Uncertainty around consistency of government commitment	45%	N/A	49%
Lack of clarity on how to move forward with 2030 targets	41%	N/A	31%
Time and resources	37%	N/A	23%
Focus on short-term issues	31%	N/A	39%
Impact to bottom line / return on investment	25%	N/A	19%
Emissions legislation is not relevant to my organisation	22%	N/A	N/A
Legislative overreach putting untenable pressure on business	18%	N/A	N/A
Issue is 'beyond us'	16%	N/A	15%
Level of Director understanding of climate science	15%	N/A	14%
Federal emissions legislation will impact investment	13%	N/A	N/A
No barriers	8%	N/A	14%
Lack of Director consensus on climate science	7%	N/A	5%
Other	5%	N/A	N/A

STATEMENTS	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
To what extent are you satisfied or dissatisfied with your organisation's / board's climate reporting?	Dissatisfied/Satisfied	+11	N/A	+26

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2022.

Base: AICD Directors 2nd Half 2022 18+; n=1,475. Base: AICD Directors 1st Half 2022 18+; n=1,737. Base: AICD Directors 2nd Half 2021 18+; n=1,645.

* First Nations people statement was introduced in 2nd Half 2022, no previous data available.

DATA APPENDIX

Topical Issues and Deep Dives

DATA APPENDIX (TOP ISSUES GOVERNMENT SHOULD ADDRESS)	2nd HALF 2022 SHORT-TERM	1st HALF 2022 SHORT-TERM	2nd HALF 2021 SHORT-TERM	2nd HALF 2022 LONG-TERM	1st HALF 2022 LONG-TERM	2nd HALF 2021 LONG-TERM
Lack of skills in workforce/ skills shortages	43%	36%	41%	20%	18%	18%
Climate change	33%	39%	48%	44%	50%	59%
Energy policy	26%	24%	27%	21%	20%	22%
Productivity growth	25%	20%	23%	20%	18%	22%
Housing affordability/ housing supply	22%	19%	22%	13%	14%	15%
Taxation reform	19%	21%	26%	17%	14%	20%
Health	16%	16%	17%	16%	15%	16%
Education	12%	16%	17%	17%	18%	20%
Ageing population	12%	15%	12%	24%	25%	26%
Federal budget deficit	11%	10%	14%	16%	15%	18%
Defence	11%	10%	0%	15%	11%	0%
Innovation policy / Barriers to innovation	11%	17%	0%	14%	17%	0%
International competitiveness	11%	12%	20%	21%	21%	27%
Australia-China relationship	11%	18%	0%	11%	14%	0%
Infrastructure	10%	14%	15%	14%	16%	18%
Indigenous reconciliation*	9%	N/A	N/A	10%	N/A	N/A
Industrial relations*	8%	N/A	N/A	5%	N/A	N/A
Indigenous disadvantage	7%	10%	13%	N/A	11%	14%
Inequality/ poverty/ socio-economic inequality	0%	0%	1%	0%	0%	0%
Other	1%	2%	0%	1%	1%	0%

DATA APPENDIX (TOPICAL)	SCALE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Skilled migration levels are not keeping up with labour demand in Australia and will impact growth*	Disagree/ Agree	+76	N/A	N/A
Climate change is a material risk to my organisation	Disagree/ Agree	+38	+20	+22
Organisation affected by labour market issues	Disagree/ Agree	+72	+54	+45
Sufficient oversight of organisation culture	Disagree/ Agree	+60	+63	+62

Source: Roy Morgan AICD Director Sentiment Index Survey 2nd Half 2022. Base: AICD Directors 2nd Half 2022 18+; n=1,475. Base: AICD Directors 1st Half 2022 18+; n=1,737. Base: AICD Directors 2nd Half 2021 18+; n=1,645.

Note: Additional response options impact comparability with previous wave. Percentage of respondents who nominated this as a top 3 issue. . *New statement added in 2nd Half 2022. Amendments to list may impact comparability with previous results.

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Thank you.

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