

# Director Sentiment Index Survey

1st Half 2023

Insights Report

Australian  
Institute of  
**Company  
Directors**



ROY  
MORGAN





# Contents

Executive Summary	3
Methodology	7
Overall Director Sentiment Index	11
Economic Outlook	13
Business Conditions	18
Micro/Structural Policy Settings	22
Macro Policy Settings	27
Directorship Conditions	31
Topical Issues & Deep Dives	34
Data Appendix	45

# Executive Summary

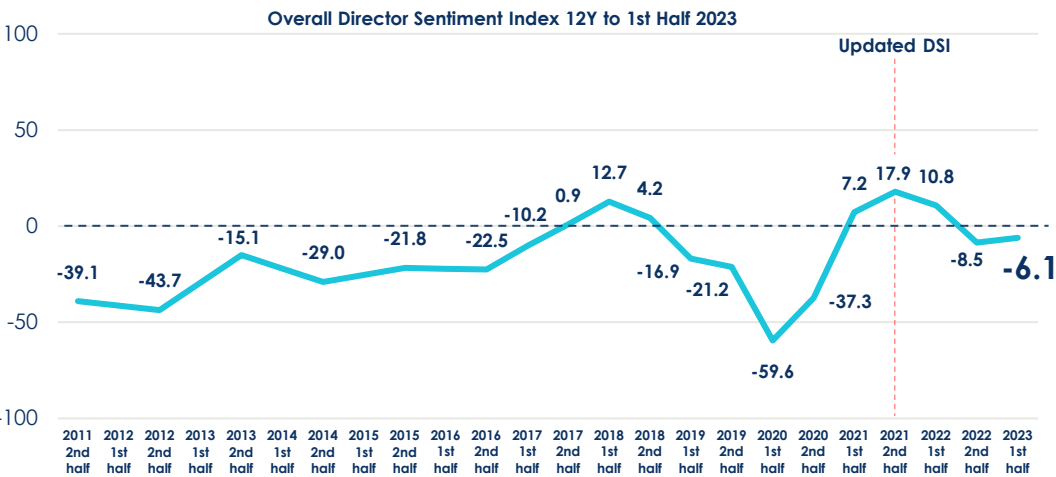


# Executive Summary

## DSI remains negative but improves due to stronger global economic outlook

Although remaining in negative territory, the overall Director Sentiment Index (DSI) improved in the first half of 2023 to -6.1, up from -8.5 in the second half of 2022.

Current and future (next 12 months) economic assessments of China, Asia (excl. China), Europe and the United States all strengthened among directors. This global improvement was led by a strong assessment of China's economy, up 43 points since the previous DSI survey, from -11 to +32.



## Australian economic assessment optimistic, despite decline

Optimism for Australia's current economic health dropped 10 points to +36 in the first half of 2023, though remained stronger than other global economies.

Directors' assessment of Australia's future economic health also declined by 12 points from +19 to +7. This continues a weakening Australian economic outlook among directors, and much lower than the recent high of +65 in the second half of 2021.

## National and industry business conditions weaken

Business conditions across Australian jurisdictions and in directors' primary sectors remain optimistic, despite this component of the DSI suffering the largest decline in the first half of 2023.

National business conditions declined by 16 points since the previous survey, from +40 to +24, while conditions in states and territories dropped 7 points from +18 to +11.

Assessments within directors' own sectors also declined into 2023, with current conditions dropping by 12 points from +32 to +20 and future conditions falling by 9 points from +30 to +21.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.

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# Executive Summary

## **Directors' trust and assessment of federal government's understanding of business deteriorates**

Approximately one third of directors (35%) agree that the federal government understands business, declining for a third consecutive time. Almost half of directors disagree, a six-point increase from 41% to 47% since the second half of 2022.

Following a nine-point increase in 2022, trust in the federal government has declined from 38% to 35% in the first half of 2023. Directors who disagree that they trust the federal government increased by nine points from 37% to 46%.

## **State and territory assessments of business understanding and trust remain stable**

Government understanding of business in New South Wales (52%) remained high prior to the state election, receiving the strongest assessment among major states. Almost half of Western Australian directors (49%) believe their government understands business, though trust in the government in the state declined seven points from 42% to 35%.

Directors in Queensland provided the toughest assessment across Australia, as only 15% agree that their state government understands business, while 67% disagree. An even lower proportion of directors in Queensland trust their state government, declining from 16% to 13%.

## **Cyber-crime and data security the major concern for directors**

Following several high-profile data breaches in late 2022, cyber-crime and data security has become the standout issue that keeps directors awake at night. Half of directors selected this as a top issue, increasing from 37% to 50% in the first half of 2023.

53% of directors believe cyber-attacks has impacted their board's risk appetite, above inflation (47%) and the COVID-19 pandemic (45%).

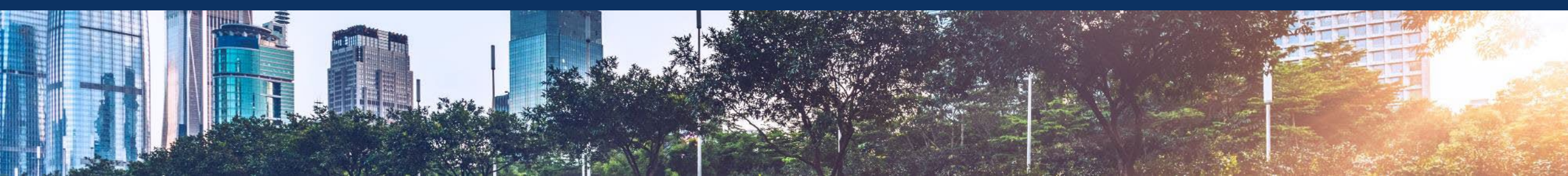
## **Most organisations aware of cyber security obligations and threats**

83% of directors believe their board is aware of the Privacy Act obligations related to the collection, storage and management of personal information.

69% of directors also agree that their board understands what personal or employee data is collected, who has access to it and where it is stored.

## **Inflation and rising interest rates now the top economic challenges**

Most directors (56%) believe inflation and rising interest rates are leading economic challenges for Australian businesses, surpassing labour shortages (52%) in the first half of 2023. Cost of living (33%) was the third main challenge, while energy policy (24%) entered the top five.



# Executive Summary

## **More directors believe further RBA rate increases will cause mortgage crisis**

Almost three quarters of directors agree that increasing interest rates further will cause a housing/mortgage crisis, a ten-point increase in the first half of 2023, from 62% to 72%.

Half of directors (53%) consider government intervention in the RBA to be the right amount, followed by 29% that said it was too much and 18% too little.

Most directors (52%) also believe current RBA monetary policy is negatively affecting their business, almost three times higher than a year ago.

## **National skills shortage most pressing issue to address in short term**

Australia's skills shortage remains the main short-term issue the federal government should address, with 34% of directors selecting it as a top issue, down from 43% in the second half of 2022.

Energy policy (30%) and housing affordability/supply (28%) both increased into 2023, while the proportion of directors listing climate change (27%) as a top issue continued to deteriorate for the third consecutive survey.

The overwhelming majority (93%) of directors agree there is a skills shortage in the Australian workforce. Only 29% of directors agree that the current shortage can be resolved with the implementation of AI systems and workforce automation, with 46% of directors disagreeing.

## **Climate change leading long-term government priority**

Climate change remained the main long-term issue the federal government should address, with 42% of directors selecting it as a top issue. However, the issue has continued to decline among directors, down from 59% in the second half of 2021. An ageing population (28%) ranked as the second leading long-term issue, ahead of energy policy (21%) and productivity growth (20%).

## **Reconciliation remains a national governance priority**

Over 3 in 5 directors (62%) believe advancing reconciliation with First Nations peoples is a national governance priority for Australia, similar to previously.

## **More directors view flexibility as helping to attract and retain staff, and positive for wellbeing**

Over two thirds of directors believe flexible working arrangements are having a positive impact on staff retention, increasing from 58% to 68% since the first half of 2022. An increasing number of directors also believe flexibility is positive for attracting new staff and their health and wellbeing, at 67% and 65% respectively.

# Methodology

# What is the DSI?

## QUANTIFYING EXPERIENCE & OPINION

- The Director Sentiment Index (DSI) represents the breadth of Australian Institute of Company Directors (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 12 years\*, indicating shifts in business sentiment, and delivering robust and context-driven insights and trends.

## DSI SURVEY REPORTS

- The Insights Report includes a summary of analysis of key questions from the survey and the Deep-Dive Analysis Report includes detailed results of current and previous surveys.

## DSI SCORE CALCULATION

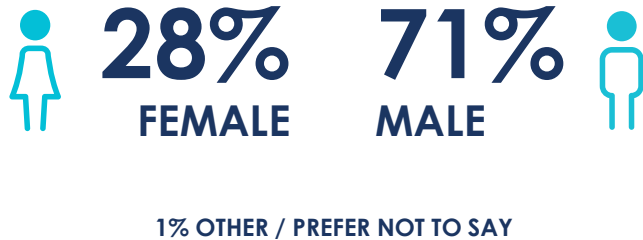
- The DSI Scores are calculated using a formula combining response data with question weighting to produce a score indicating whether sentiment is in positive or negative territory, and by how much.
- This formula is applied to determine the overall DSI score as well as scores for separate categories: Economic Outlook, Business Conditions, Micro/Structural Policy Settings, Macro Policy Settings and Directorship Conditions.

\* DSI updates in early 2021 limit direct comparability with previous results.

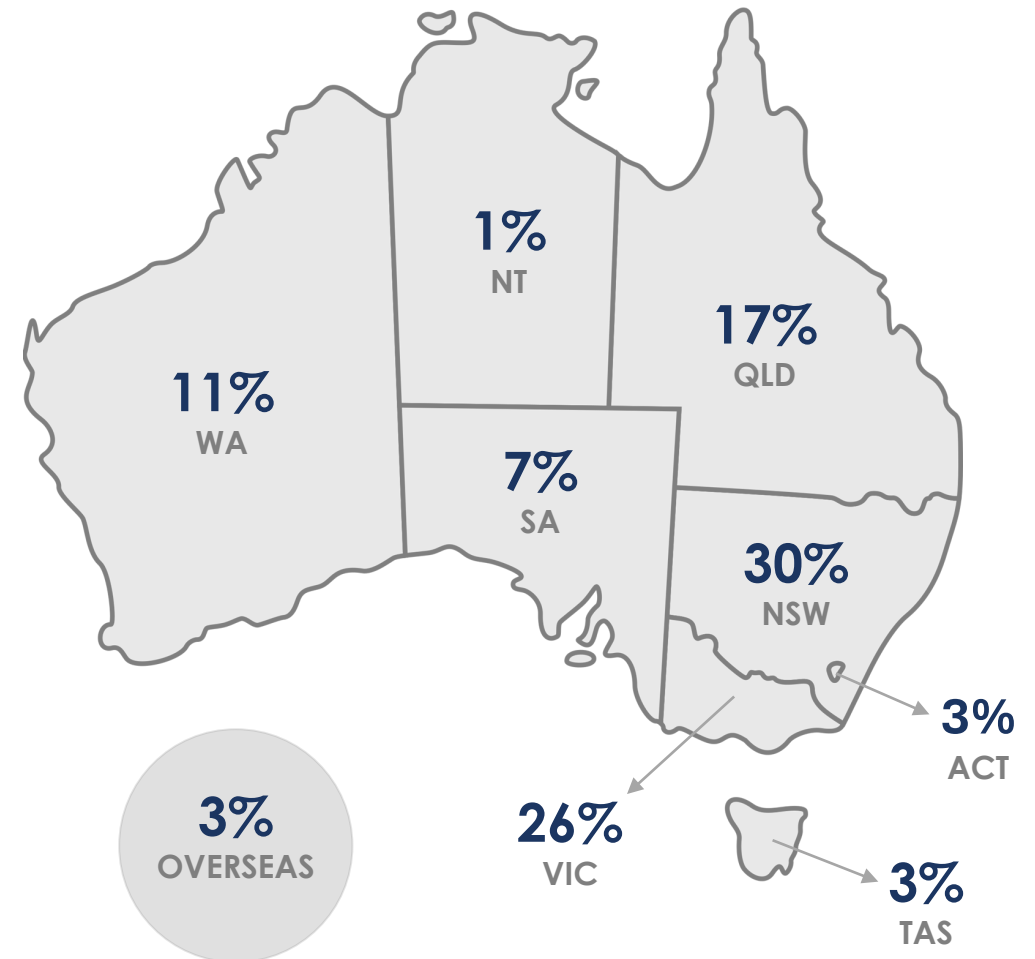


# Who took part?

- The DSI survey was conducted online with a representative sample of 1,324 respondents across Australia between 22 February - 14 March, 2023.
- Respondents were AICD members with current directorships.
- Survey responses were weighted by gender to reflect the AICD member profile when analysing results.
- Detailed results comparing the current and previous wave are included in the data appendix of this report.



## Primary directorship base



# Survey Topics

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

## 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 Australian businesses are running up against?

### Micro / Structural Policy Settings

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

### Macro Policy Conditions

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

### Directorship Conditions

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

## TOPICAL QUESTIONS

### Covering Topical Issues and Deep Dives

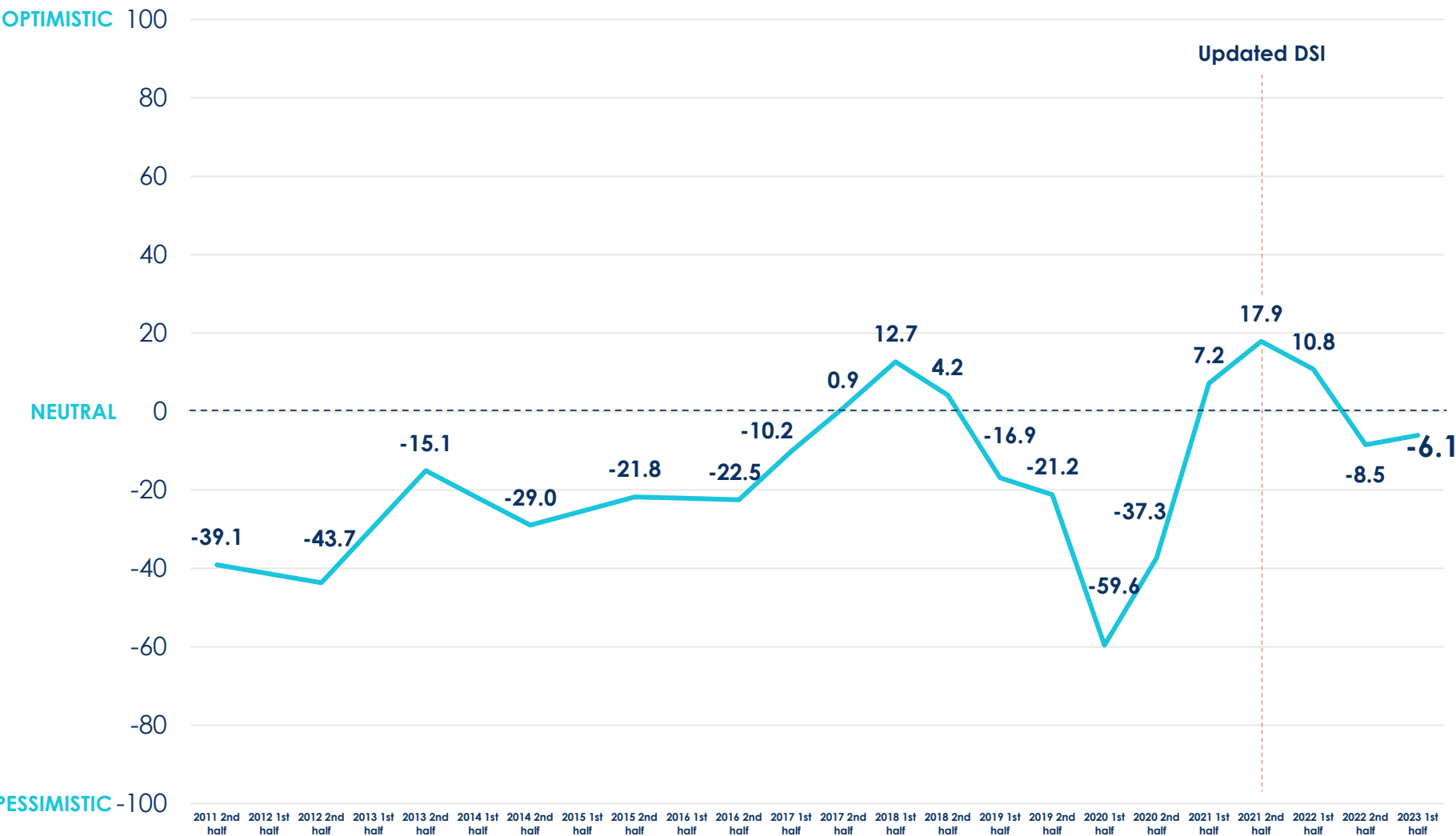
- Has the amount of government intervention in the RBA been too much, enough, or too little?
- Is advancing reconciliation with First Nations peoples a national governance priority for Australia?
- Can the implementation of AI systems and workforce automation resolve current skill shortages?
- Does your board understand what personal customer or employee data is collected, who has access to it and where it is stored?
- Are existing board structures sufficient in addressing climate reporting and broader ESG issues?

## REPORT UPDATES

- In this Insights Report, arrows have been added to represent a significant increase or decrease in results at 95% confidence level since the 2nd half 2022 survey.
- Additional trend analysis has been included at the beginning of DSI categories and for key survey questions.

# Overall Director Sentiment Index

# Overall Director Sentiment Index 12Y to 1st Half 2023



## DSI CATEGORY SCORES

### Economic Outlook (+15)

- Increased from -8 to +7 between the second half of 2022 and first half of 2023.

### Business Conditions (-10)

- Declined from +29 to +19.

### Micro-Structural Policy Settings (-1)

- Declined from -23 to -24.

### Macro Policy Conditions (-3)

- Declined from -44 to -47.

### Directorship Conditions (0)

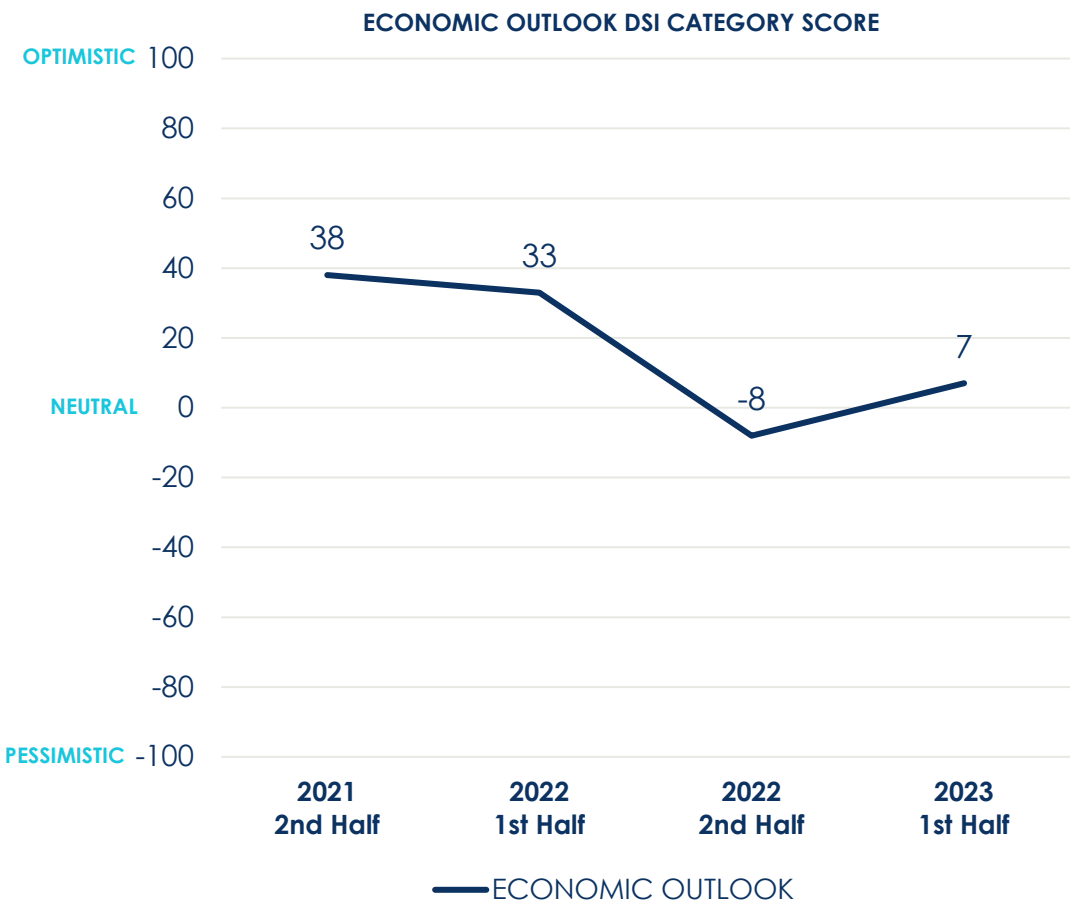
- No change from +3.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. Note: Revised index from 2nd half 2021 onwards is not directly comparable with previous index scores. First wave was not conducted between 2012 and 2016.

# Economic Outlook



# Directors' global optimism drives improvement for Economic Outlook into 2023



### ECONOMIC OUTLOOK DSI CATEGORY OVERVIEW

- The Economic Outlook DSI category includes:
  - Current and future (next 12 months) health assessments of the economies of Australia, director's state/territory, China, Asia (excl. China), Europe, and the United States.
- The Economic Outlook (+7) improved by 15 points to in the first half 2023 results, driven by directors expressing a far more optimistic assessment of the future health of global economies.
- China's economic outlook (+32) improved by 43 points, ahead of other noticeable gains in Asia (+31) of 32 points and the United States (-7) of 31 points.
- In contrast, although still strong, optimism for Australia's national economy declined among directors, with its current health (+36) dropping 10 points and future health (+7) by 12 points.

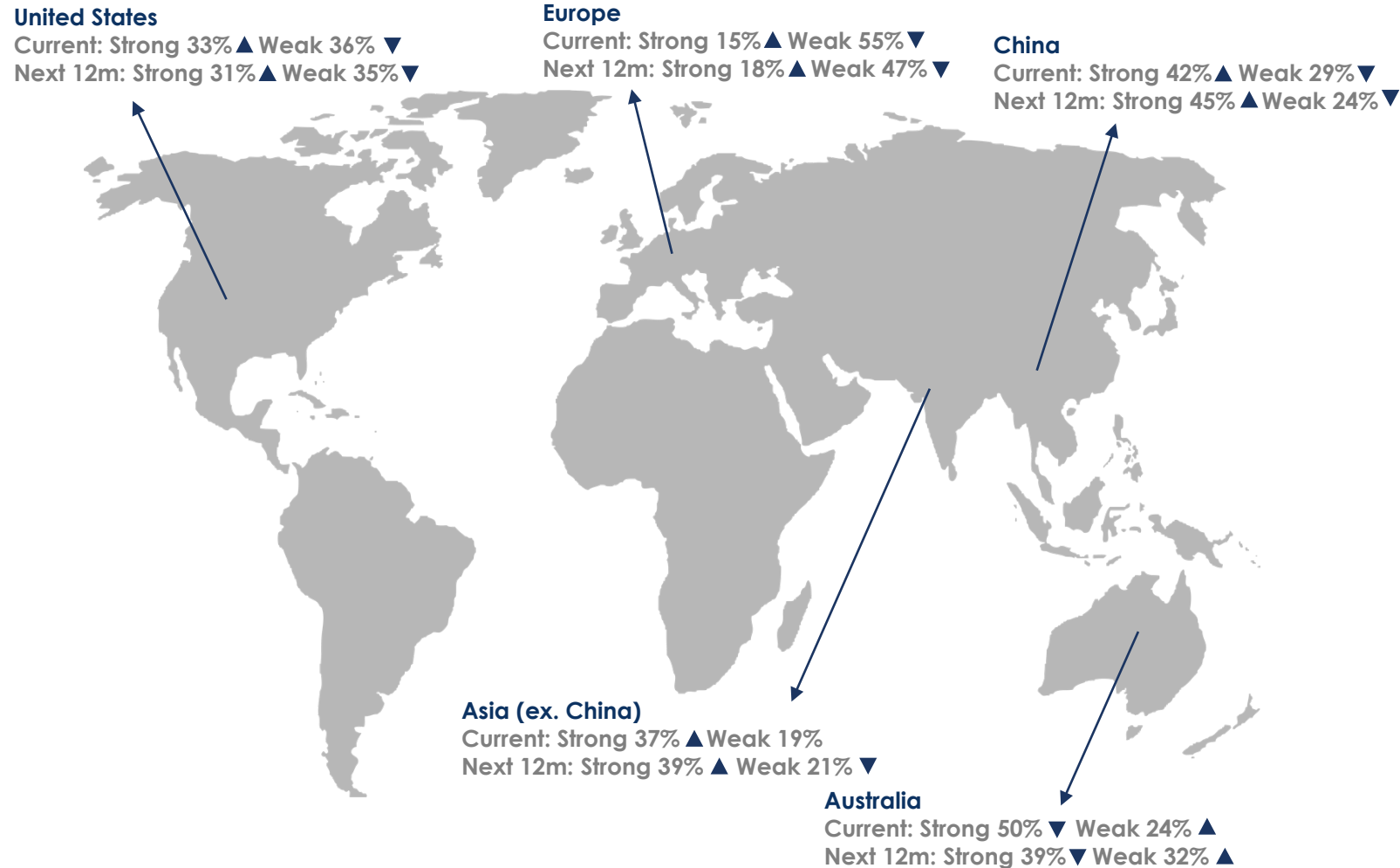
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. E8. What is your assessment of the current health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat Strong, Very strong) Base: AICD Directors 18+; n=1,324. E9. Over 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.

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# Australian economic assessment remains strong, outlook weakens beyond 2023

- Directors are optimistic in their current health assessment of the Australian economy, despite being the only global economy to decline since the previous DSI survey. The strength of the Australian economy declined by 4% (current) and 3% (next 12 months).
- China received the greatest boost in strength in the 2023 survey, with 7% (current) and 15% (next 12 months) increases in directors believing its economy is somewhat or very strong.

## ASSESSMENT OF THE HEALTH OF GLOBAL ECONOMIES

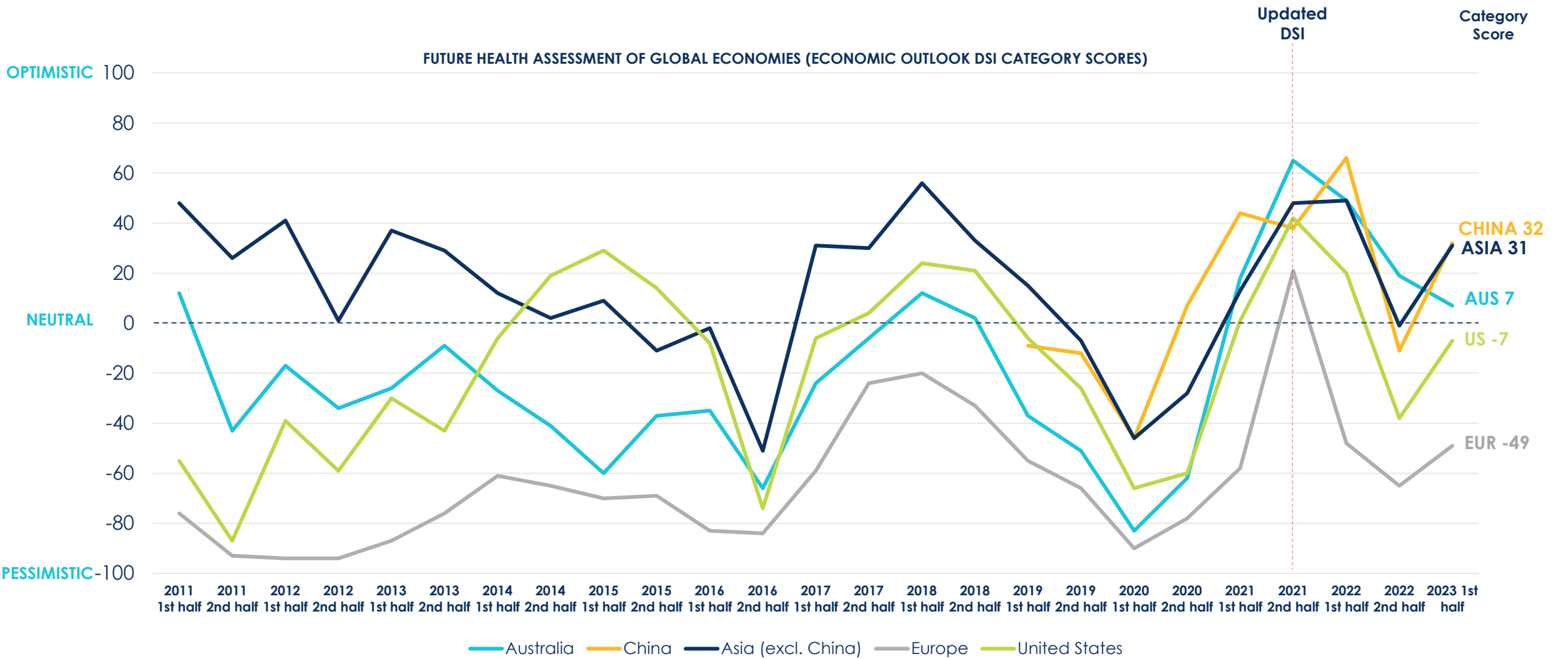


Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. E8. What is your assessment of the current health of the following economies...? (Very weak, Somewhat weak, Neither weak nor strong, Somewhat Strong, Very strong) Base: AICD Directors 18+; n=1,324. E9. Over 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.

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

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# Global economic 12-month optimism increases, with outlook for China and Asia surpassing Australia



Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. 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. Note: Changes to question or response options in 2nd half 2021 may impact comparability with previous results.

# Western Australian directors the most optimistic about their state's future; NSW economic outlook continues to decline

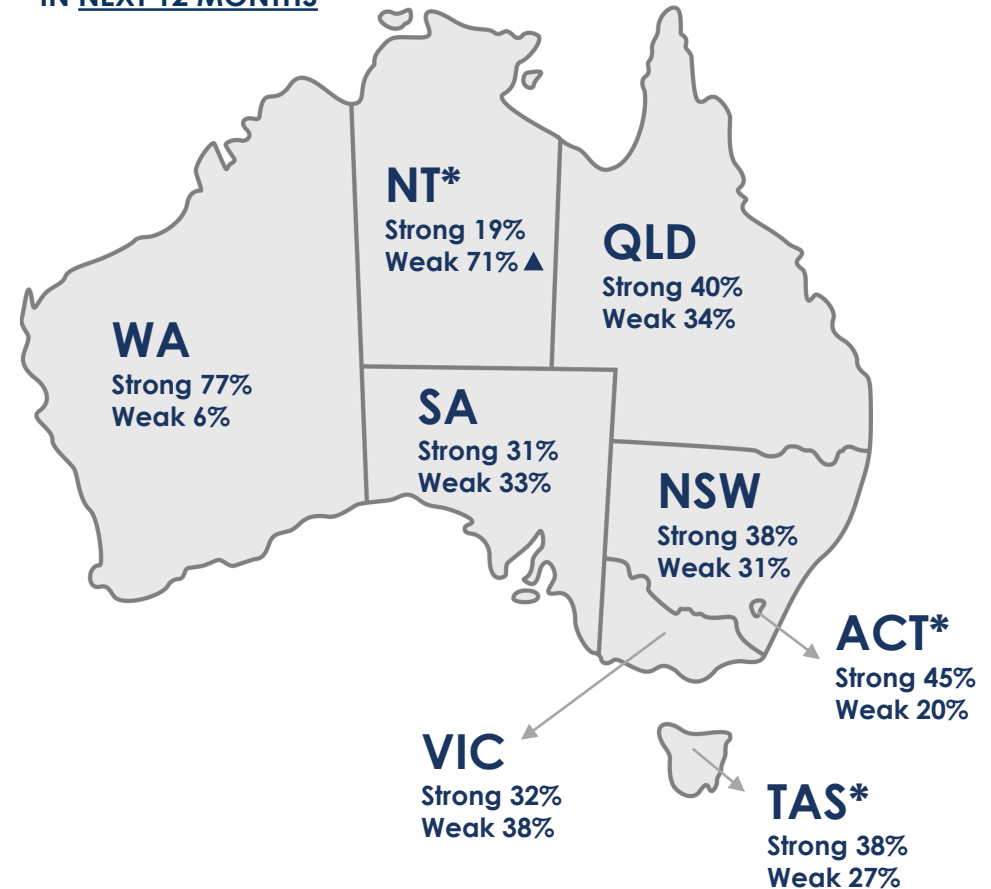
## KEY INSIGHTS ON MAJOR STATES

- Economic sentiment for the 12 month outlook improved in Western Australia and Victoria, declining in all other states and territories this DSI survey compared to last.
- WA continues its streak of having the strongest show of confidence of all states, with 77% of directors confident in the state's economic outlook.
- NSW saw another drop, with only 38% of directors believing the state economy will be in a strong position in 12 months, down from 79% in the second half of 2021.

## ASSESSMENT OF THE HEALTH OF YOUR STATE ECONOMY (CURRENT)



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



▲ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

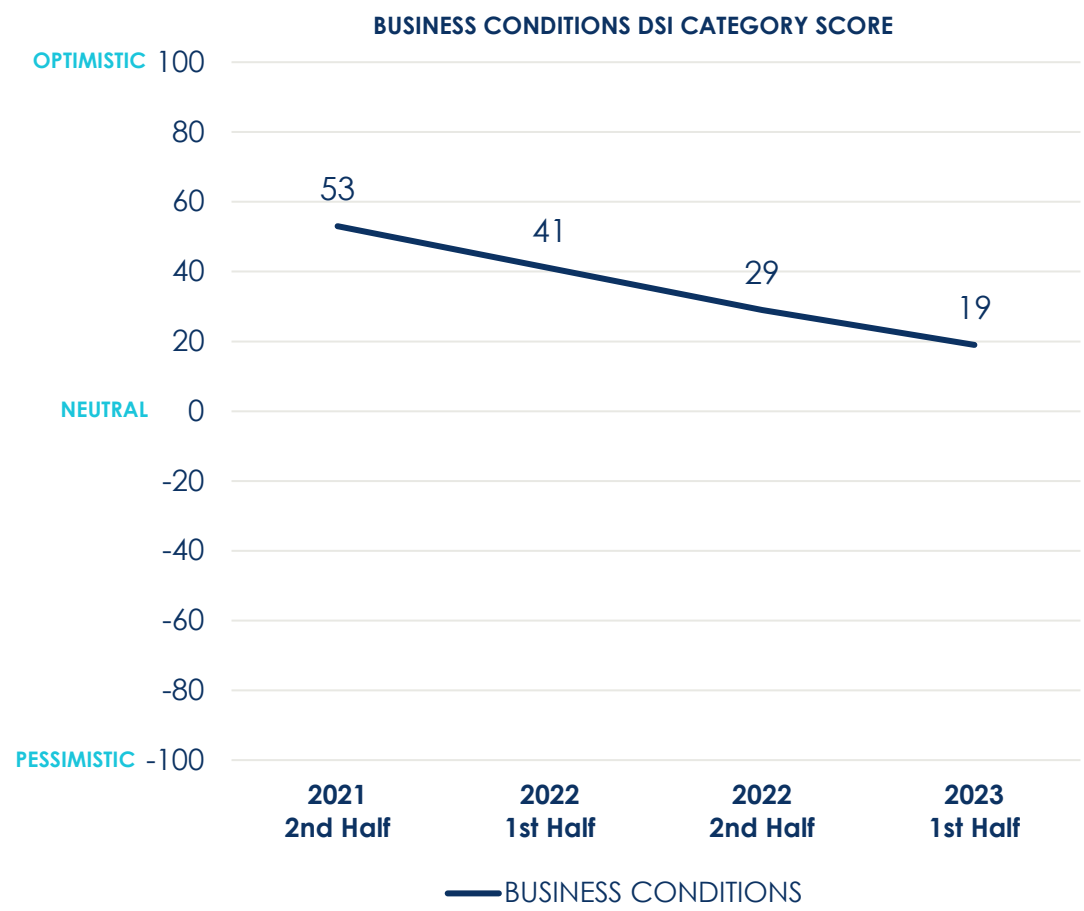
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
E8.2 What is your assessment of the current health of the economy in the state where your primary directorship is?  
E9.2. Over the next 12 months, what would be your assessment of the health of the economy in the state where your primary directorship is based?  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

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# Business Conditions



# Business Conditions decline due to weaker national and industry assessment



## BUSINESS CONDITIONS DSI CATEGORY OVERVIEW

- The Business Conditions DSI category includes:
  - Current and future (next 12 months) assessments of business conditions in Australia, director's state/territory and sector of primary directorship.
- The Business Conditions DSI category (+19) declined by 10 points in the first half 2023 results. Current conditions in Australia remain positive (+24), though suffered the greatest decline in this category, dropping 16 point between waves.
- Assessments within the sectors of primary directorship declined, with current conditions (+20) dropping by 12 points and future (+21) by 9 points.
- Business conditions in directors' states and territories also declined, with the future assessment (+11) down 7 points, remaining the weakest indicator in the category.

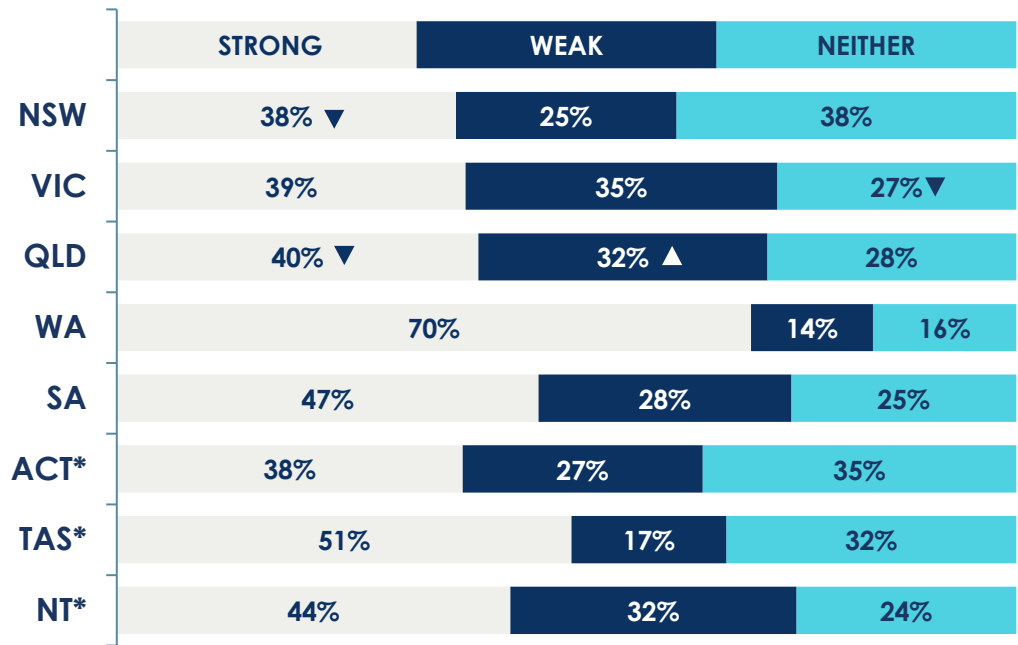
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
B10.1. What is your assessment of current business conditions in Australia? B10.2. What is your assessment of current business conditions in the state where your primary directorship is based? B10.3. What is your assessment of current business conditions in the sector your primary directorship is in?  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50  
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# Strength of current and future Australian business conditions continue to decline among directors

## Current Australian business conditions



## Current state business conditions

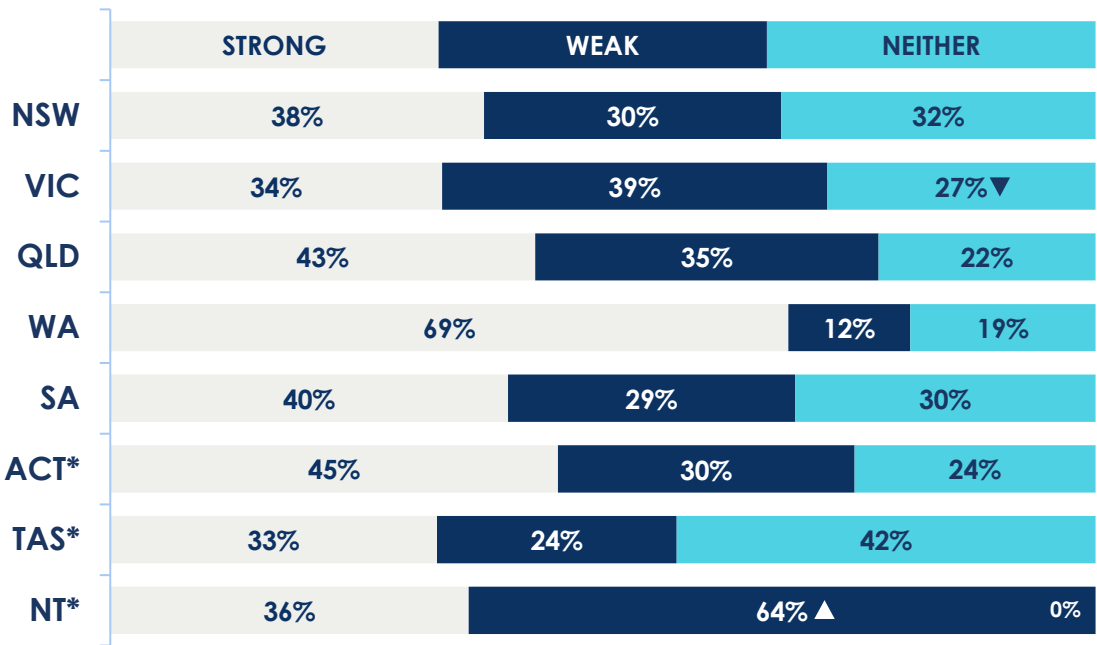


Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
B10.1. What is your assessment of current business conditions in Australia?  
B10.2. What is your assessment of current business conditions in the state where your primary directorship is based?  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

## Australian business conditions in 12 months



## State business conditions in 12 months



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?  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

# Inflation and rising interest rates becomes top economic challenge for Australian businesses

## KEY INSIGHTS

Inflation and rising interest rates are now the top economic challenges for Australian businesses, nominated as a leading issue by 56% of directors.

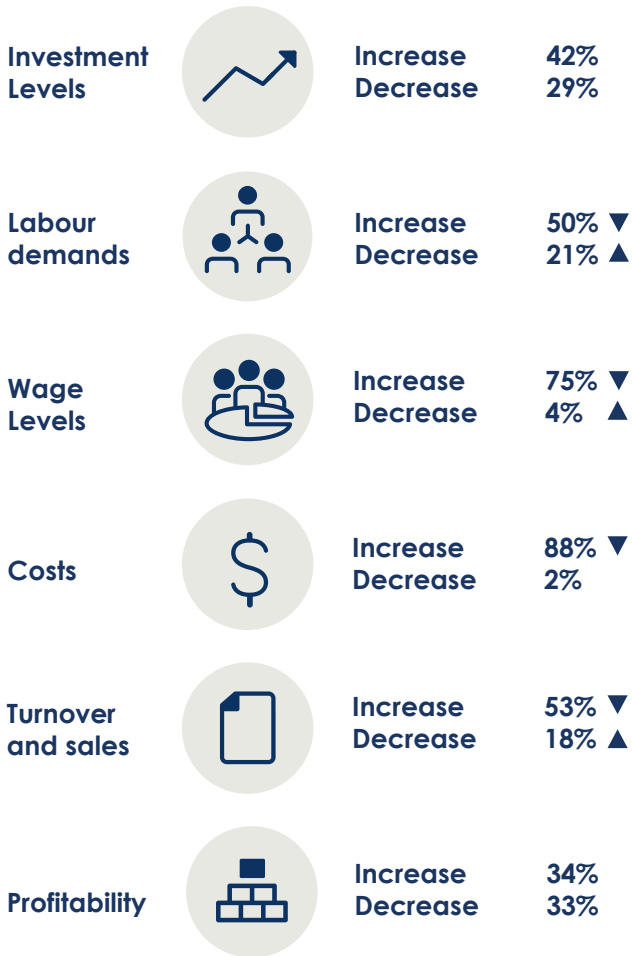
Labour shortages dropped to second place, with just over half of all directors (52%) nominating it as a top challenge. One-third chose cost of living as a top issue, up from 24% to 33% since the previous survey.

Global economic uncertainty (27%) remained a top issue, while energy policy (24%) overtook supply chain challenges (23%) and climate change (18%) in the first half of 2023.

## Top economic challenges facing Australian businesses



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



Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
E6. What are the top 3 economic challenges currently facing Australian businesses? Percentage of respondents that nominated issue in the top three economic challenges. Note: Amendments to list may impact comparability with previous results.

Base: AICD Directors 18+; n=1,324. B4. To what extent, if any, do you expect the following conditions to change over the next 12 months within your business?

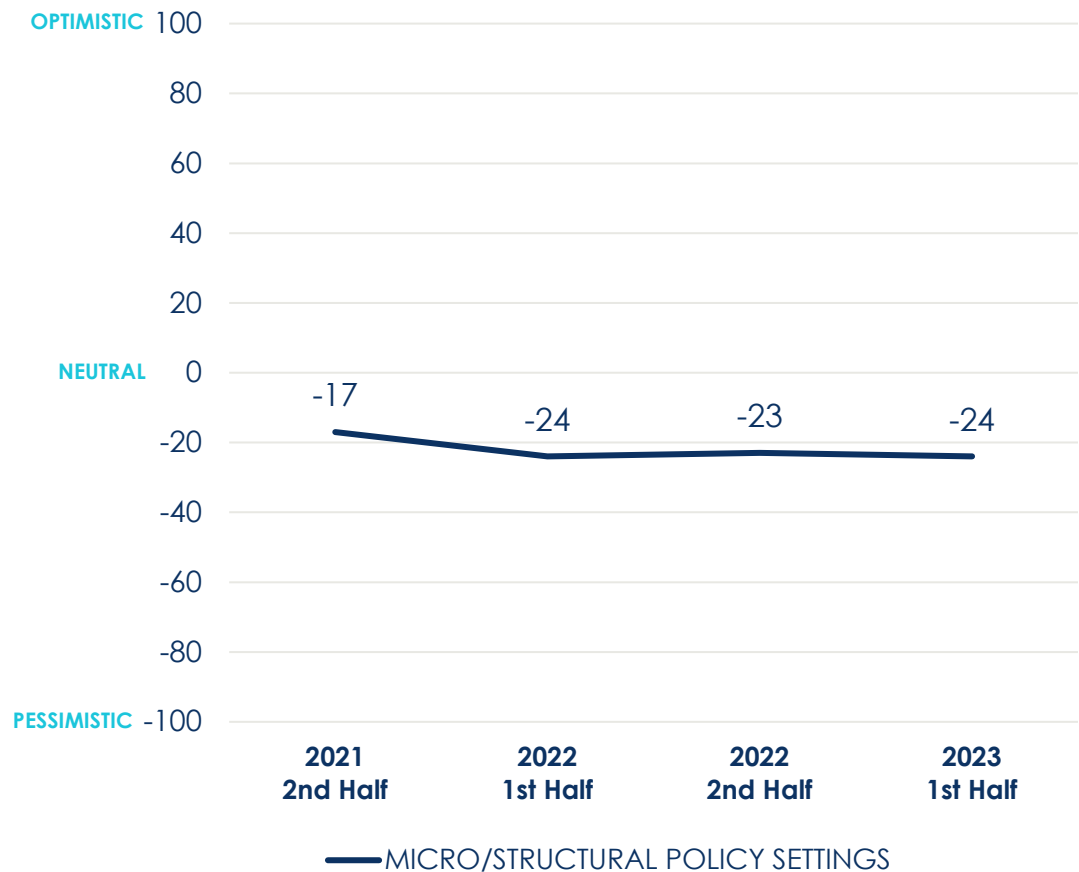
▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# Micro/Structural Policy Settings



# Micro/Structural Policy Settings pessimistic; directors remain dissatisfied with government support for innovation and education

MICRO/STRUCTURAL POLICY SETTINGS DSI CATEGORY SCORE



## MICRO/STRUCTURAL POLICY SETTINGS DSI CATEGORY OVERVIEW

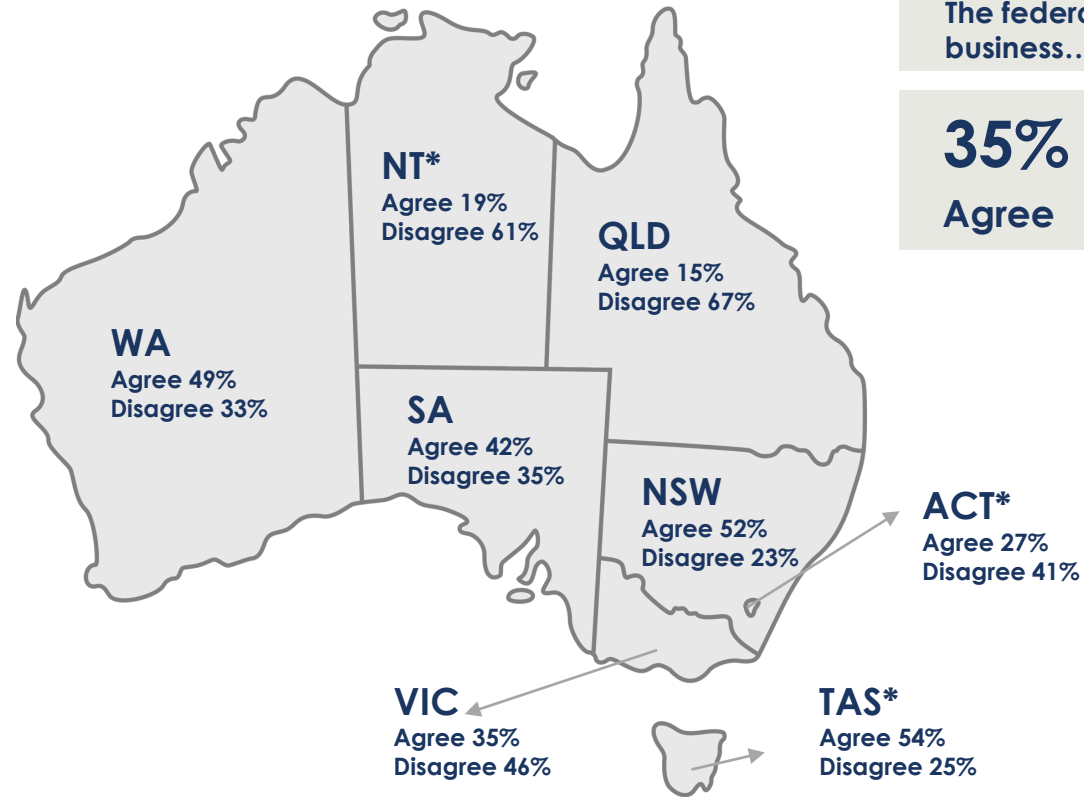
- The Micro/Structural Policy Settings DSI category includes:
  - Perception of levels of corporate/personal taxation and the GST, government spending on infrastructure and education, openness to foreign investment, support for international trade and innovation, and assessments of government understanding of business.
- The Micro/Structural Policy Settings DSI category (-24) declined by 1 point in the 1st half 2023 results. Government support for international trade (+23) remains the strongest indicator in Micro/Structural Policy Settings, improving by 6 points since the last survey.
- Perceptions of the level of government support for innovation and R&D (-60) and education (-58) remain the weakest indicators in the category, both declining by 1 point. Federal government understanding of business (-23) declined by 12 points, the most of any indicator in the category.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
RE3. To what extent do you agree or disagree with the following statements.  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50. T1. What is your level of satisfaction with the current state of the following Australian policy settings...?  
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# Almost half of directors disagree that the federal government understands business

- Only 35% of directors believe the federal government understands business, down from 44% in the second half of 2021.
- 47% of directors disagree that the federal government understands business (significantly higher than previously), while 18% neither agree nor disagree.
- The Queensland government received the worst assessment, with only 15% of directors in the state agreeing that they understand business.

My state government understands business...



The federal government understands business...

**35%**  
Agree

VS

**47%<sup>▲</sup>**  
Disagree

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. RE3.3. To what extent do you agree or disagree that the state government where your primary directorship is based understands business? NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50  
RE3.1. To what extent do you agree or disagree that the Federal Government understands business?

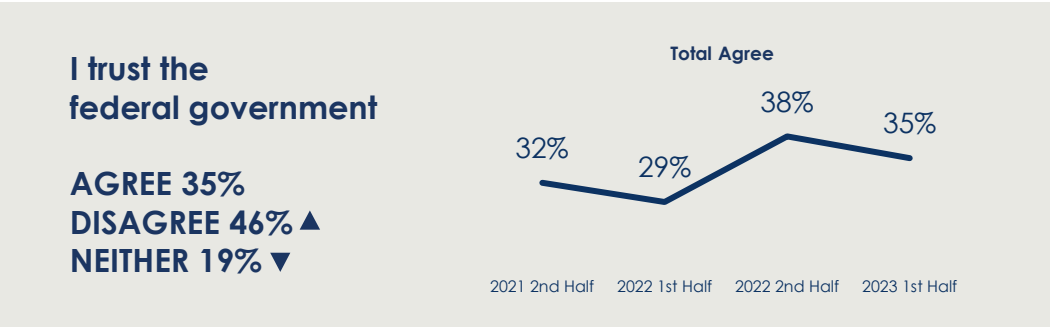
# Trust in federal government declines; Queensland government least trusted among major states

## KEY INSIGHTS ON TRUST

Trust in the federal government declined three points since the last DSI survey in the second half of 2022, from 38% to 35% of directors.

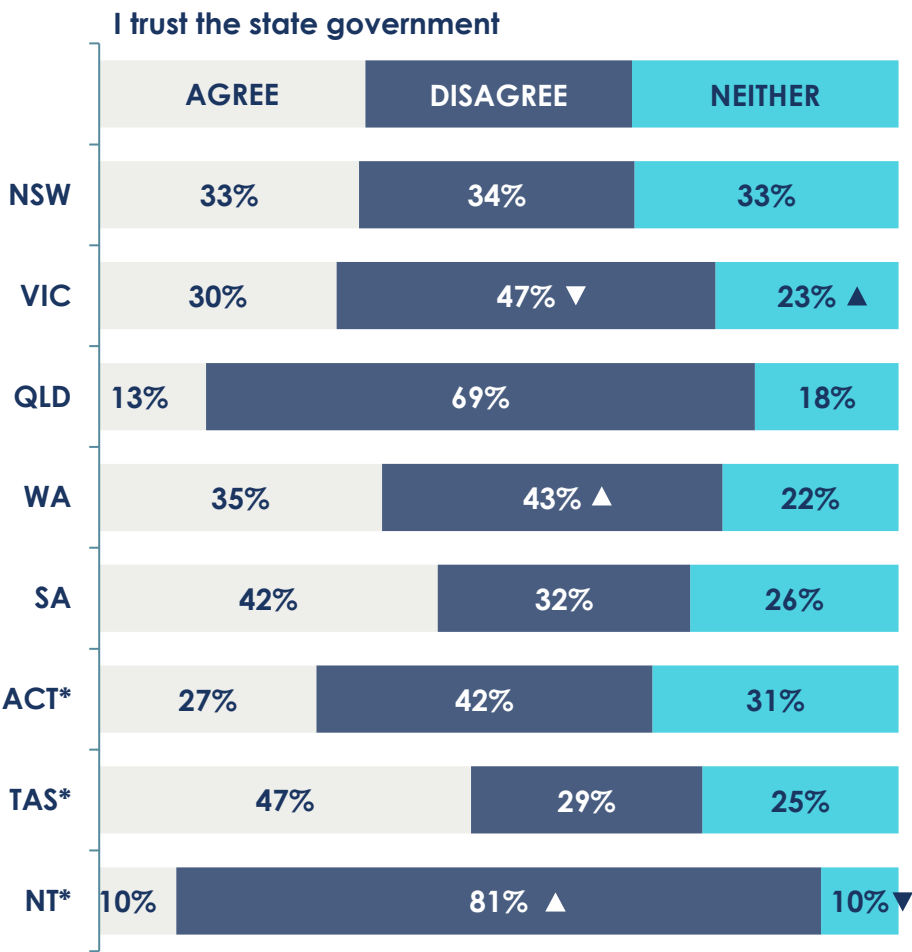
The Queensland government experienced the lowest amount of trust across major states, with only 13% of directors in the jurisdiction trusting the government, decreasing from 16% since the last DSI survey.

Trust in the Western Australian government also declined, down from 42% since the last DSI survey to 35%, while New South Wales and Victorian state governments improved slightly.



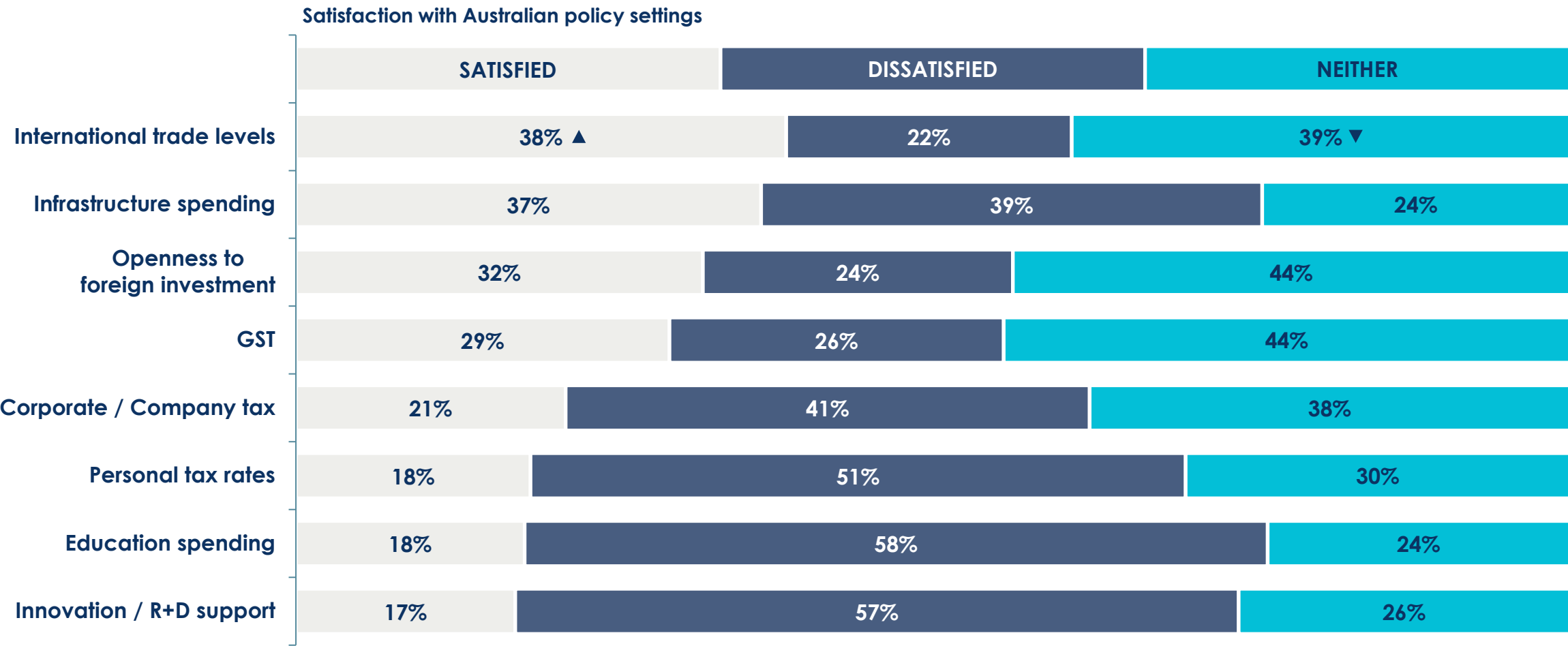
▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
RE3.2. To what extent do you agree or disagree that you trust the Federal 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=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

# Directors most satisfied with Australian international trade levels; dissatisfied with education and innovation policies



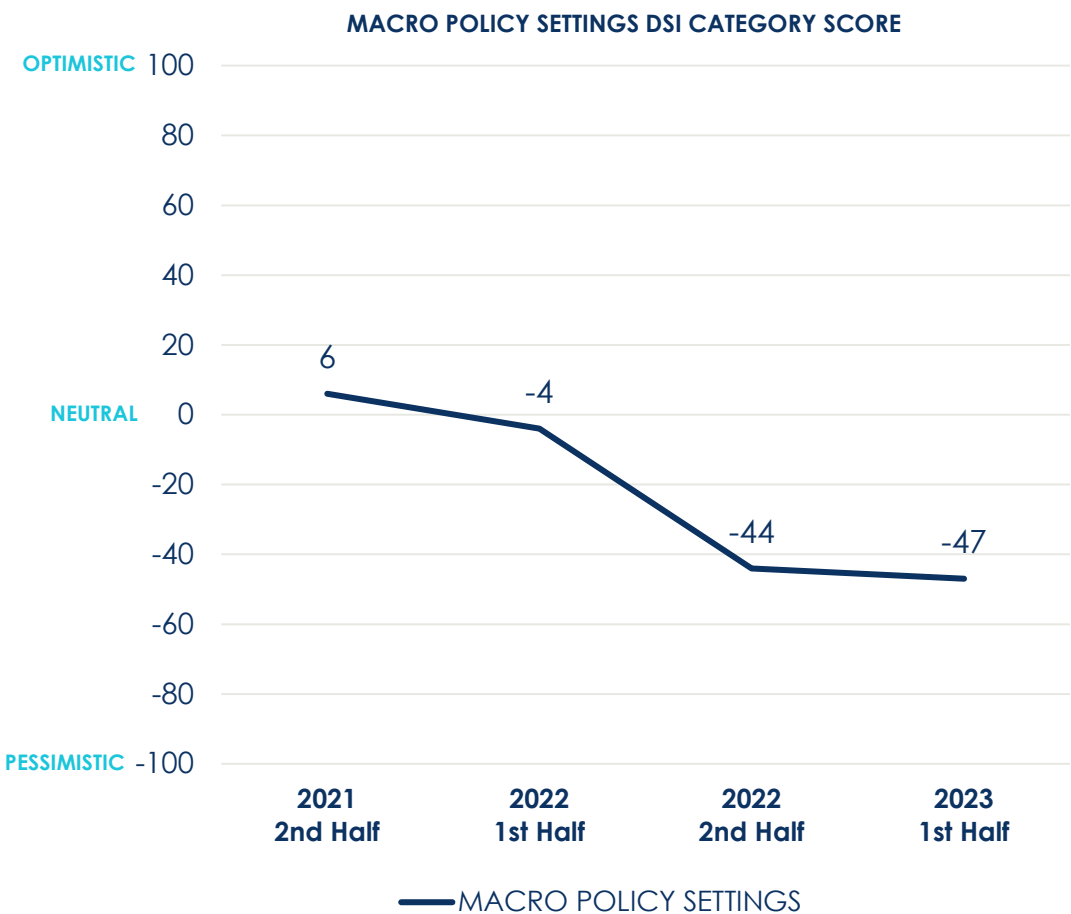
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
T1. What is your level of satisfaction with the current state of the following Australian policy settings...?  
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▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# Macro Policy Settings



# Macro Policy Setting scores decline further due to directors' negative view of RBA monetary policy and federal fiscal settings



## MACRO POLICY SETTINGS DSI CATEGORY OVERVIEW

- The Macro Policy Settings DSI category includes:
  - Assessment of the adequacy of federal and state government fiscal support and RBA monetary policy, the impact of the Australian dollar and availability of business credit.
- The Macro Policy Settings DSI category declined by 3 points in the first half 2023 results, primarily driven by federal fiscal policy settings (-56) dropping by 9 points.
- The adequacy of current RBA monetary policy (-57) remains the weakest indicator in the Macro Policy Settings DSI, down 1 point.
- Directors' assessment of the impact of the current level of the Australian dollar (-28) improved by 7 points, becoming the strongest indicator in the category.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
MA1. How positively or negatively do the following affect your business? NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

# Majority of directors see current RBA monetary policy as negative for business, almost three times higher than a year ago



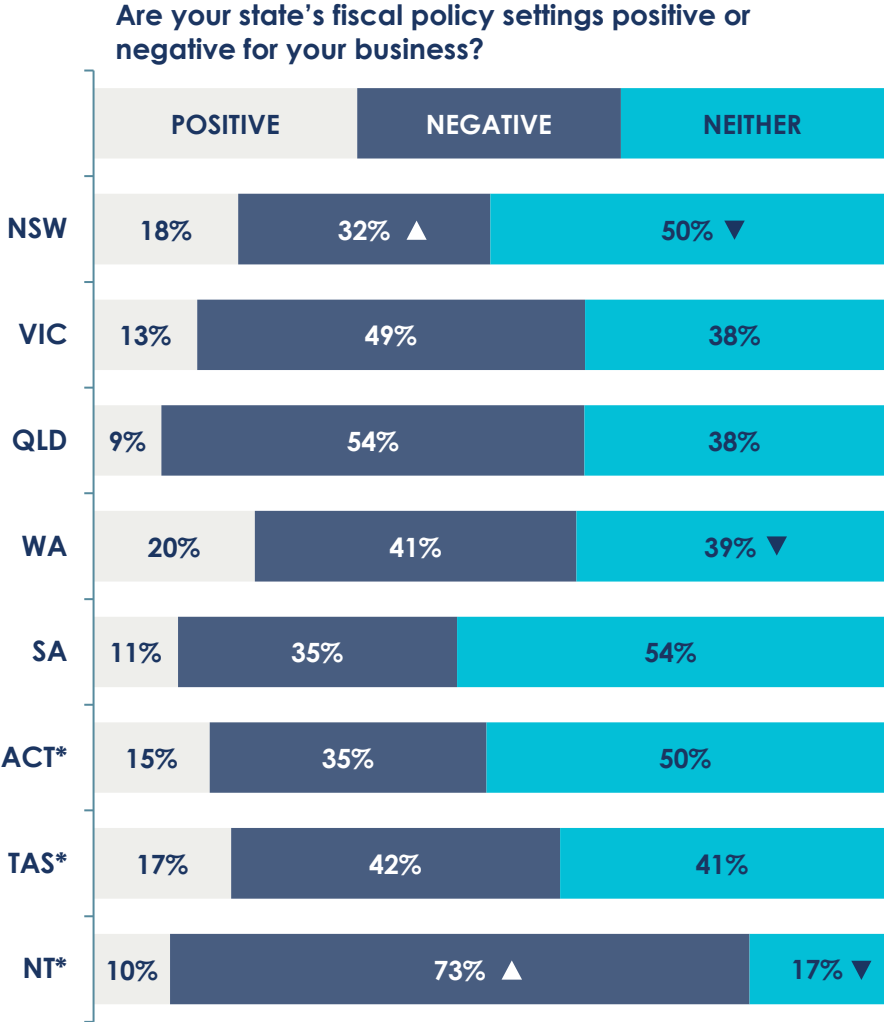
Is the current level of the AUD affecting your business positively or negatively?



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



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

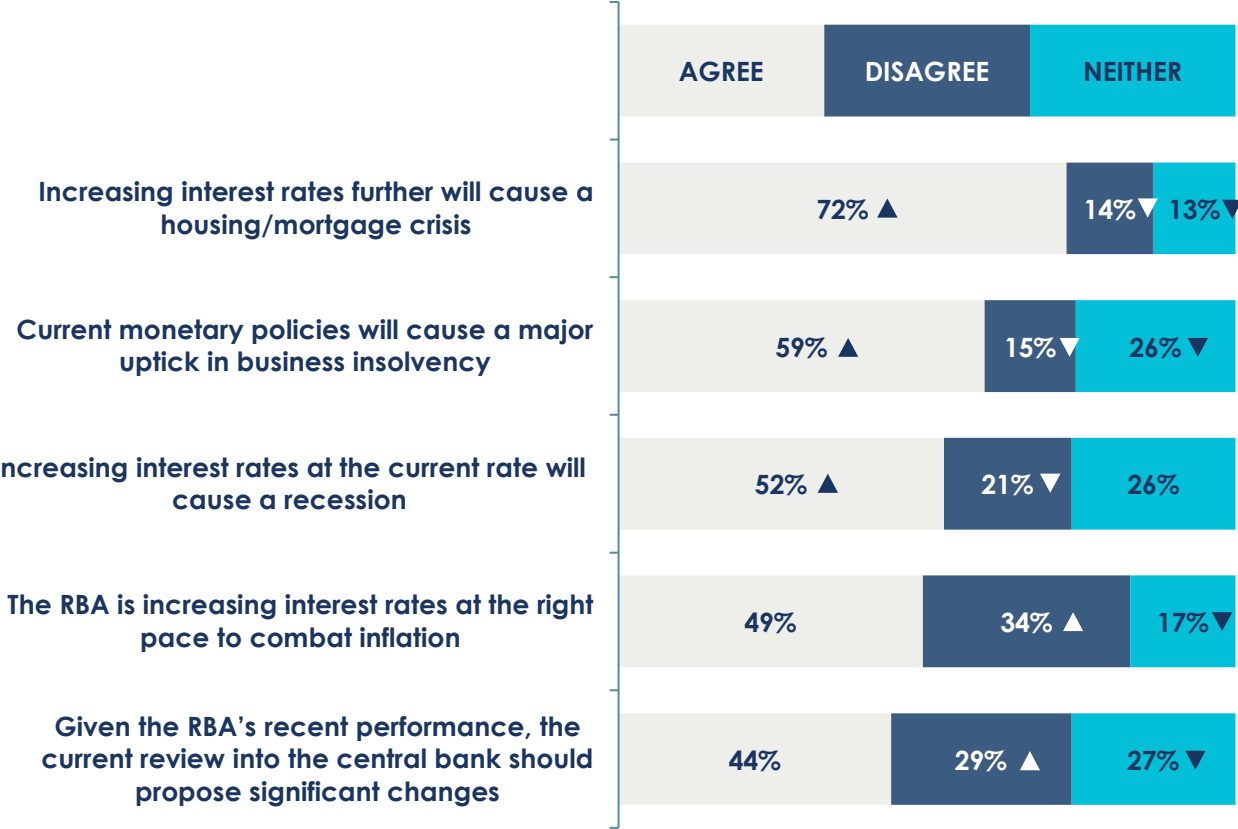


▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

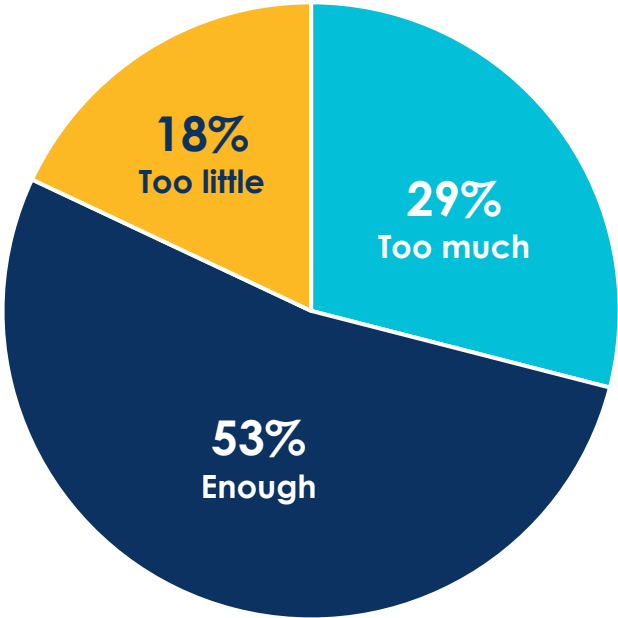
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
MA1. How positively or negatively do the following affect your business?  
NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. \* Indicates small base <50

# 7 in 10 directors forecast housing crisis if interest rates rise further; majority believe current rate of increases will cause a recession

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



Has the amount of government intervention in the RBA been too much, enough, or too little?



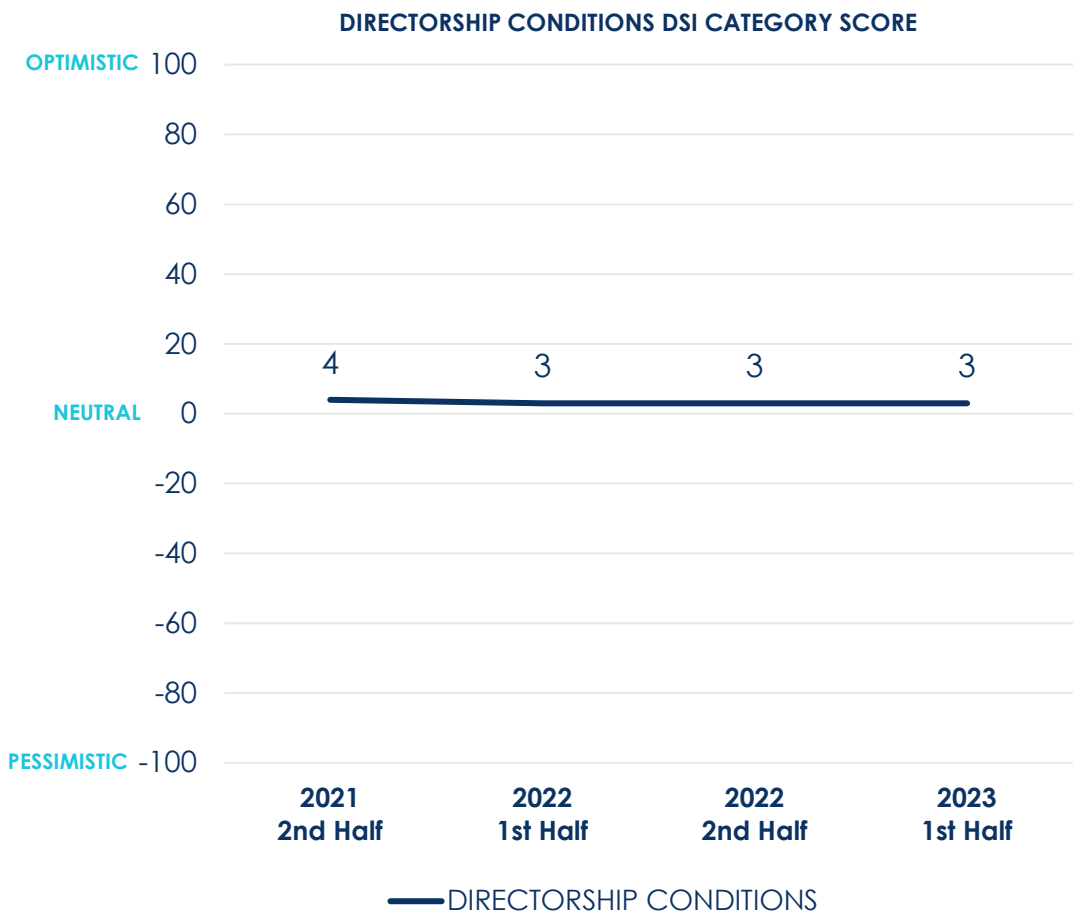
▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.  
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
RBA1. Thinking about inflation, interest rates and the RBA, please indicate the extent to which you agree or disagree with the following statements. Current monetary policies will cause a major uptick in business insolvency 1% = Not applicable.

Base: AICD Directors 18+; n=1,324. RBA1 a. Has the amount of government intervention in the RBA been too much, enough, or too little?

# Directorship Conditions



# Stability of Directorship Conditions continues; directors satisfied at level of corporate reporting requirements



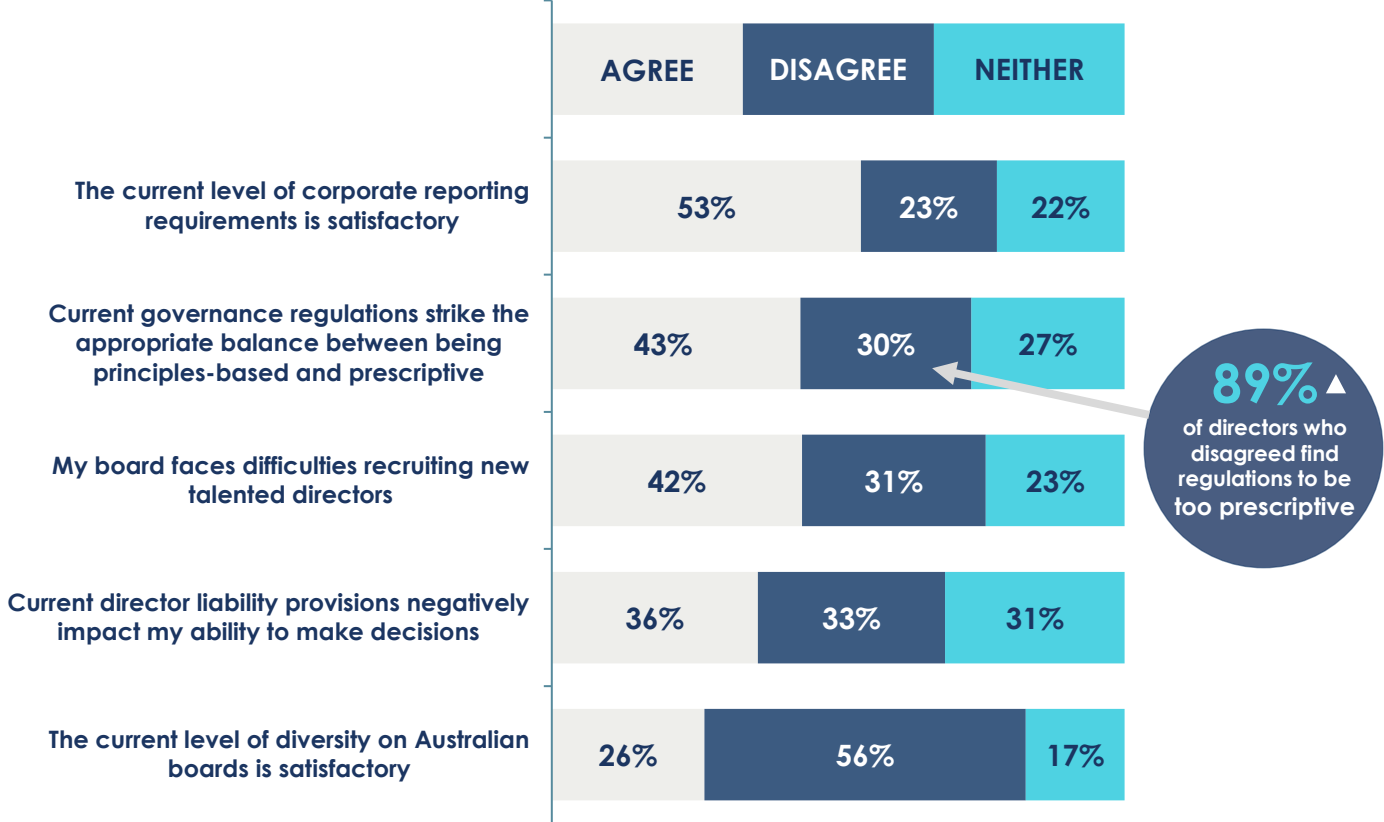
## DIRECTORSHIP CONDITIONS DSI CATEGORY OVERVIEW

- The Directorship Conditions DSI category includes:
  - Balance of current governance regulations (principles-based vs prescriptive), satisfaction of corporate reporting requirements and diversity on Australian boards, and whether director liability provisions negatively impact decision-making.
- The Directorship Conditions DSI category saw no change in the first half 2023 results. Agreement that the current level of corporate reporting requirements is satisfactory (+40) remains the strongest indicator in the category, despite dropping 1 point.
- The balance of governance regulations between being principles-based and prescriptive (+16) declined 7 points, while the level of diversity on Australian boards being satisfactory (-37) is the weakest indicator, though improved by 1 point.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
G1. Based on your personal board experience, please indicate the extent to which you agree or disagree with the following statements.  
G1A. Base: Total disagreed that governance regulations strike appropriate balance n=395.

# Corporate reporting requirements seen as satisfactory by most directors; lack of appropriate skills leading recruitment challenge

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



In your opinion, what are the top 3 challenges your board faces in recruiting new directors



▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.

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

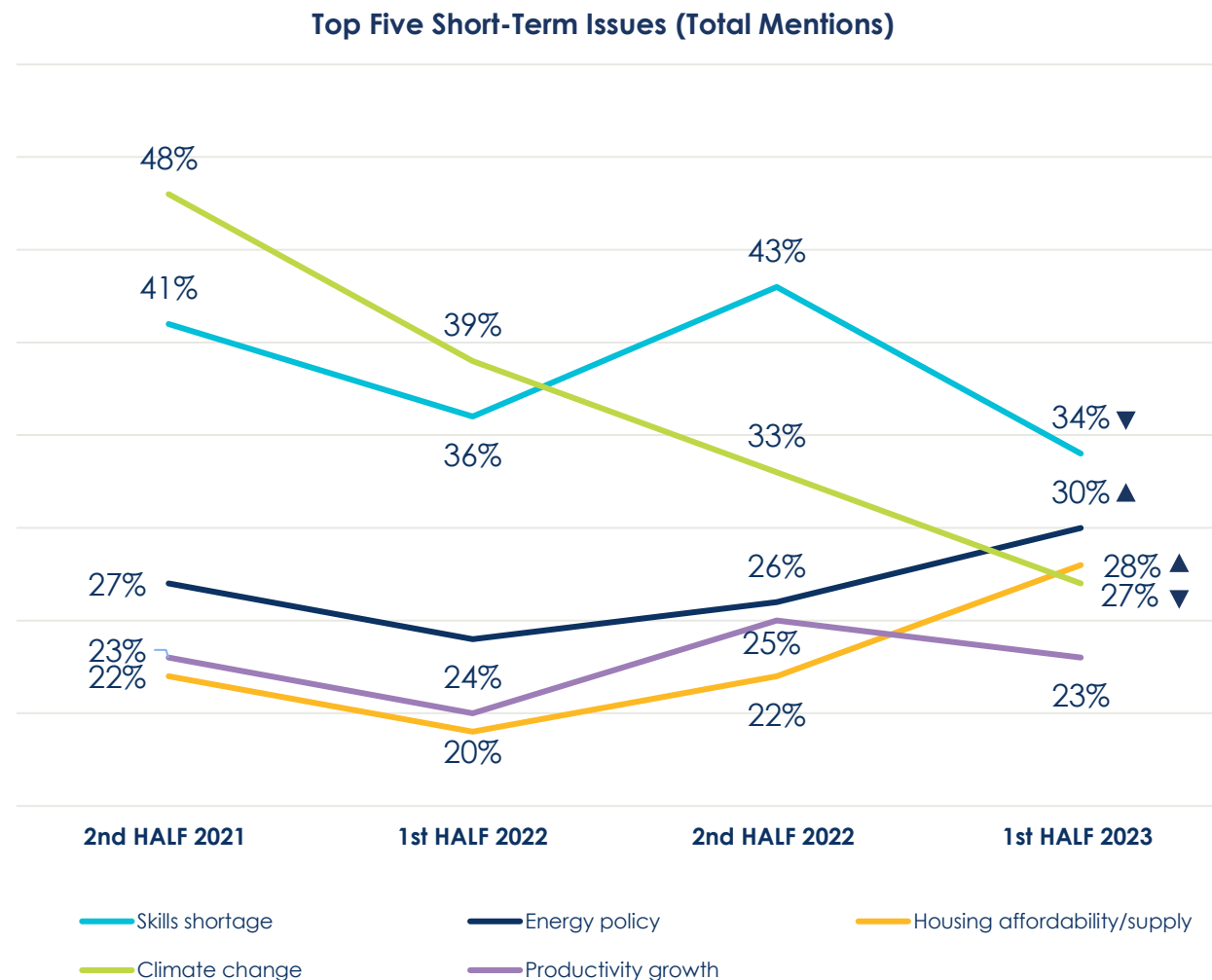
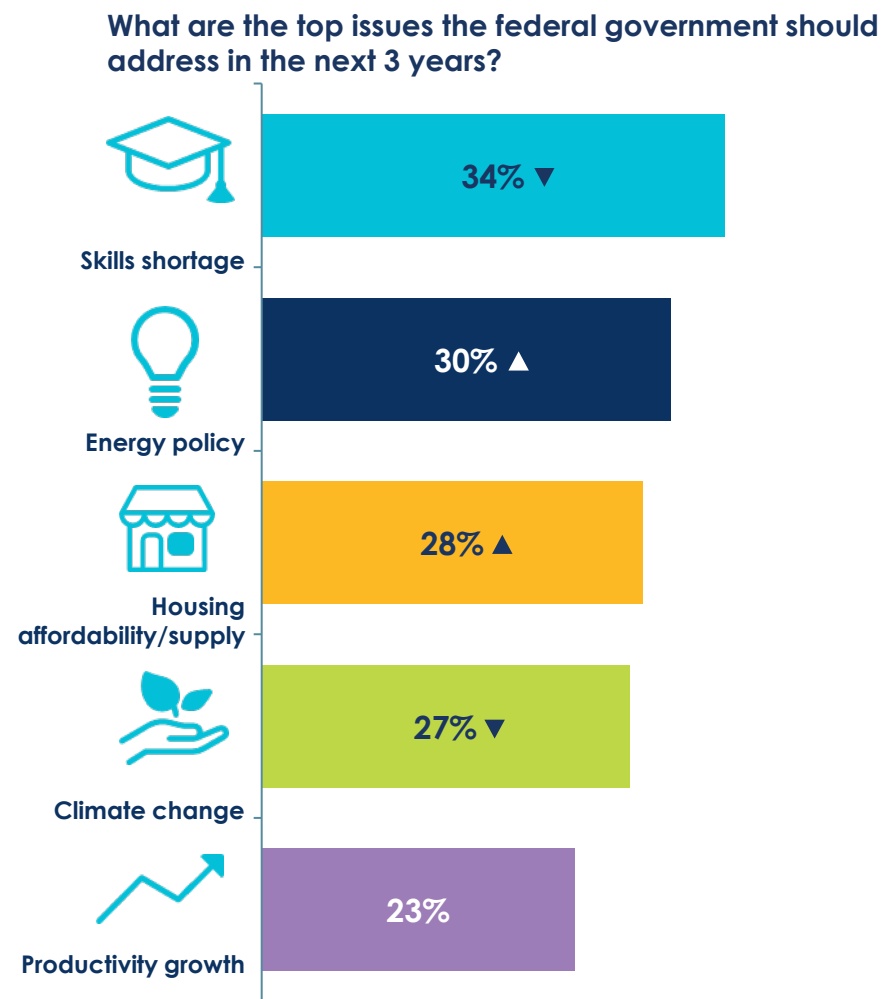
Note: Amendments to list may impact comparability with previous results. Board experience statements 1% = Not applicable; My board faces difficulties recruiting new talented directors 4% = Not applicable. Total disagreed that governance regulations strike appropriate balance n=395.

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# Topical Issues & Deep Dives



# Skills shortage remains directors' top short-term government priority; climate change continues to decline as a priority

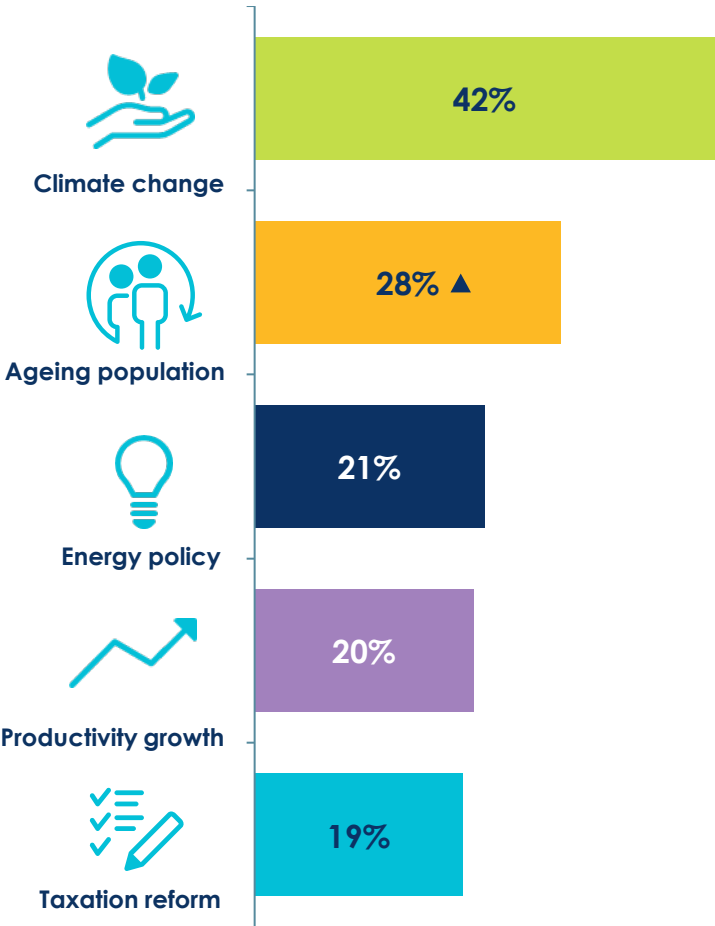


Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
RE4. In your opinion, what are the top 3 issues the federal government should address in the short term (next 3 years)?  
Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.  
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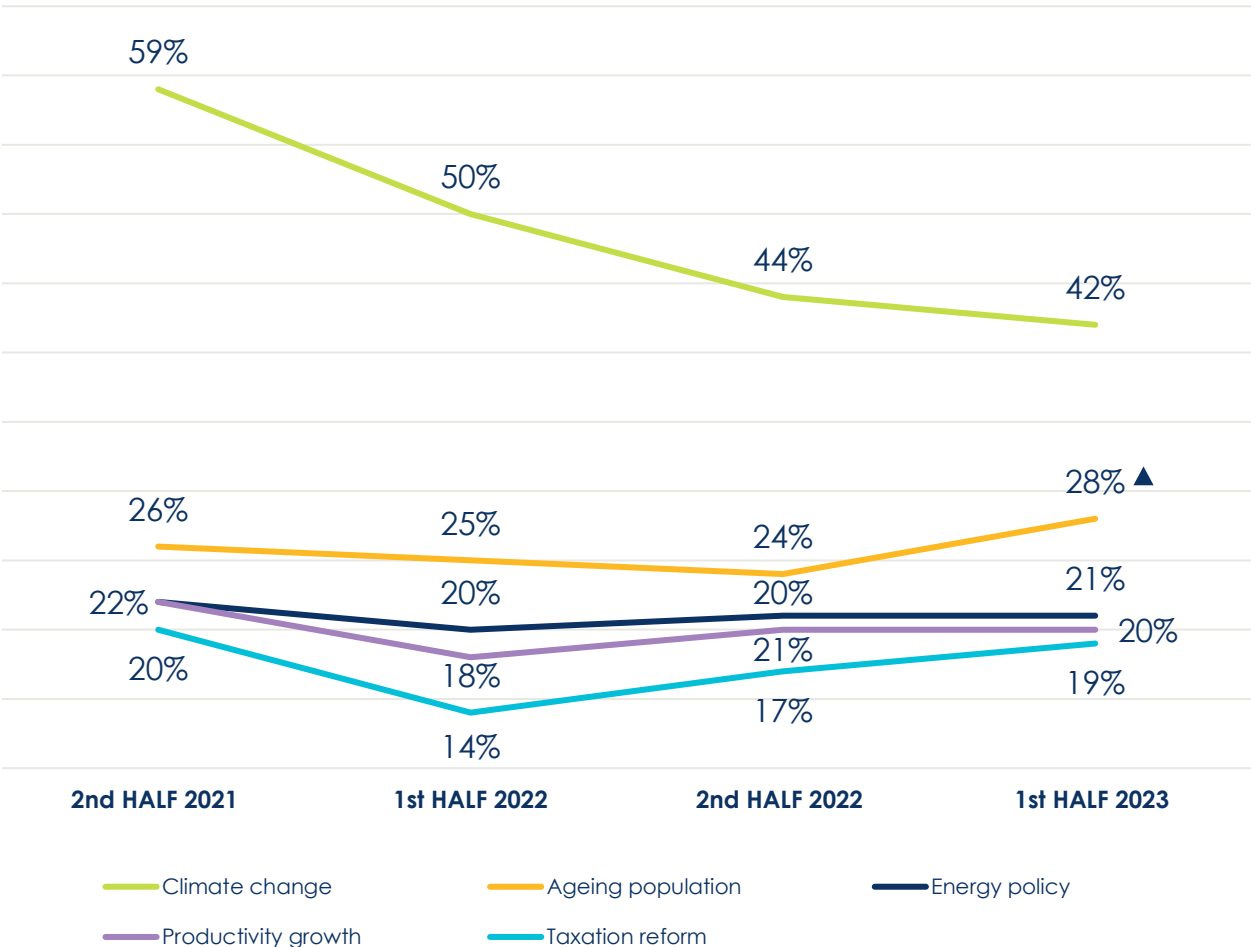
▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# Climate change leading long-term issue for government to address; ageing population increases as priority in 2023

What are the top issues the federal government should address in the next 10-20 years?



Top Five Long-Term Issues (Total Mentions)

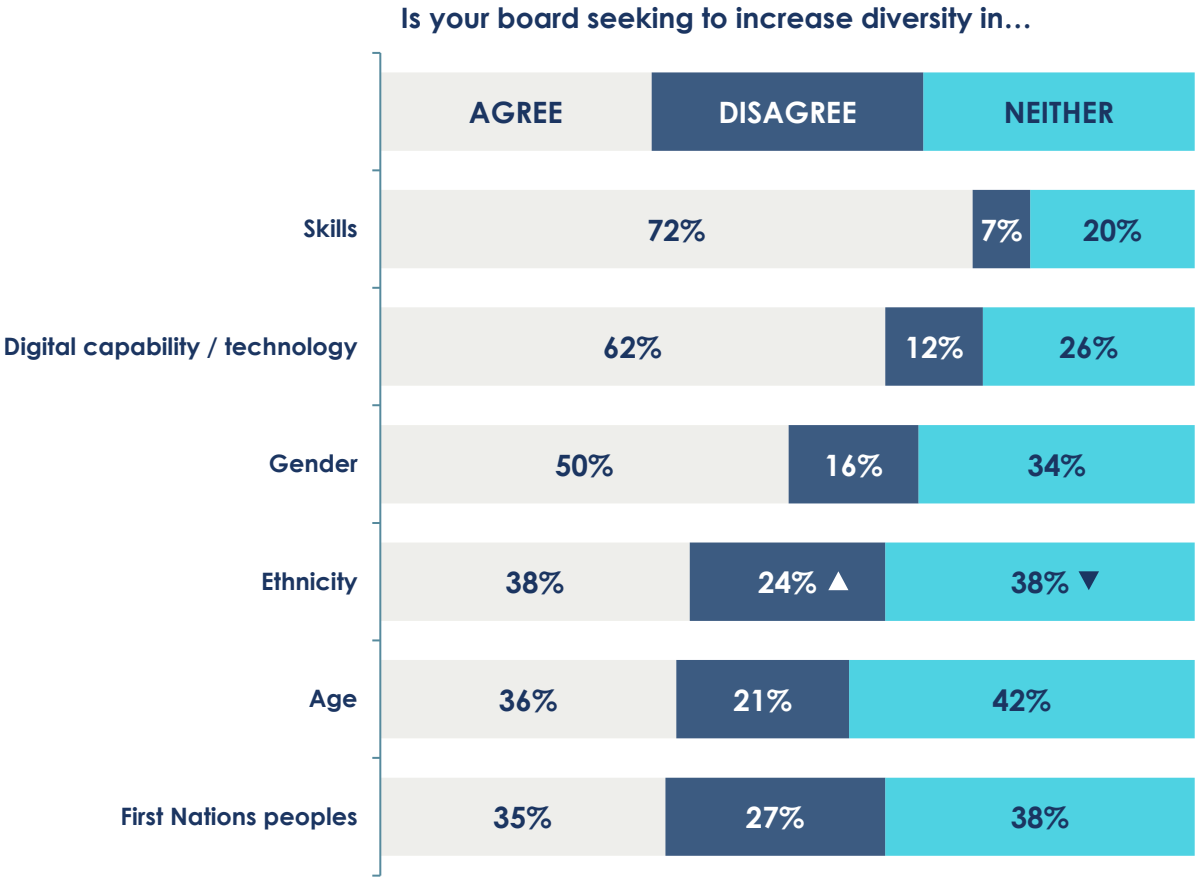
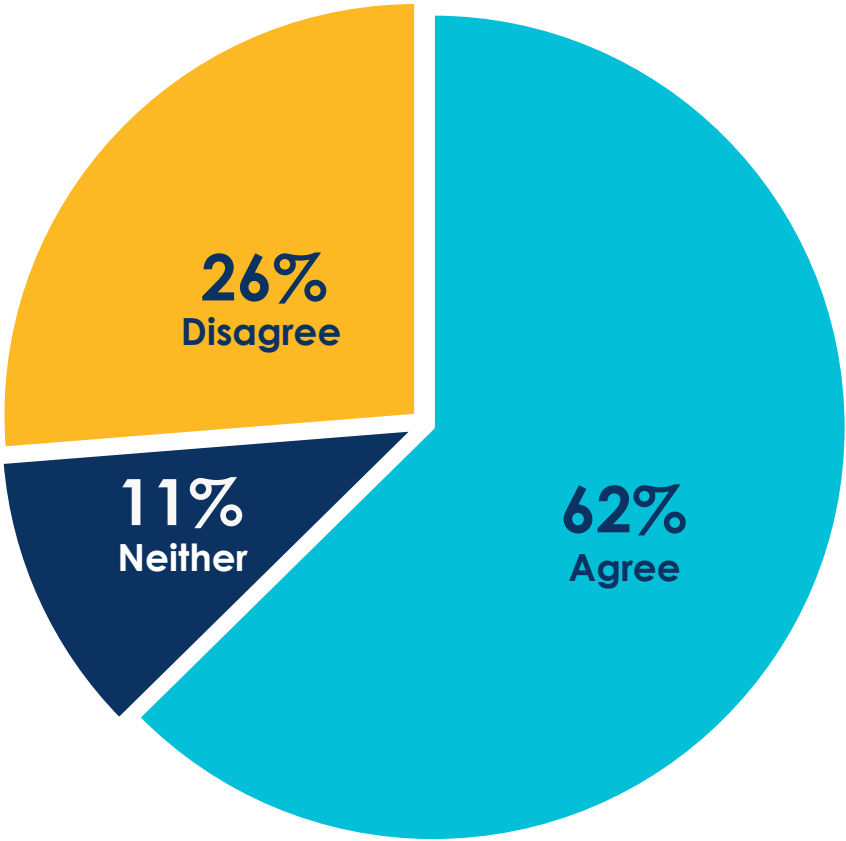


Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
RE4a. Now thinking about the longer term (next 10-20 years), what are the top 3 issues the federal government should address? Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# Over 3 in 5 directors believe advancing reconciliation with First Nations peoples is a national governance priority

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

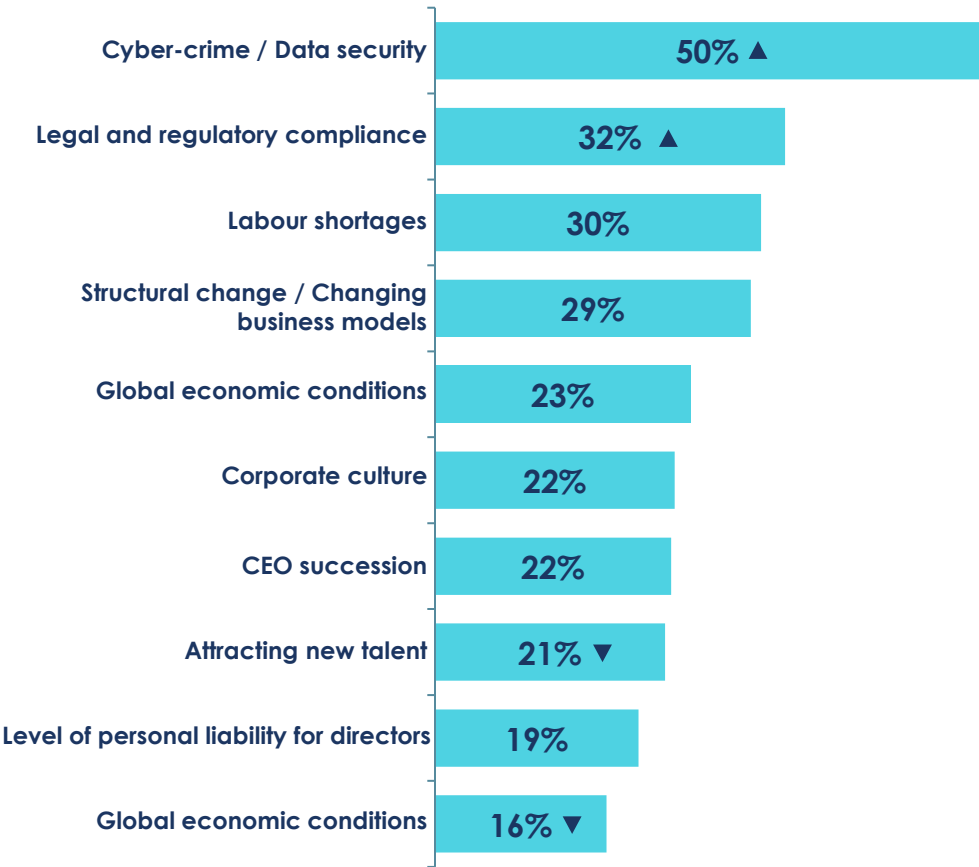


▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.  
Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
IRAP 1 a. To what extent do you agree or disagree with the following statement? Advancing reconciliation with First Nations peoples is a national governance priority for Australia. Don't know = 1%.

Base: AICD Directors 18+; n=1,324. BD2a. How much do you agree or disagree that your board is currently seeking to increase diversity in the following areas?

# Cyber-crime and data security keeping half of directors awake at night; legal and regulatory compliance overtakes labour shortages

## What are the top issues that keeps you awake at night?



## Why cyber-crime and data security?

"Increased prevalence of cyber attacks and a lack of understanding/support from governments and communities in regard to vulnerabilities and the expectation that organisations can absolutely protect against these attacks."

"You can never protect your systems 100% and the outfall of a breach is hard to manage."

"Working in technology, we see all the risks. Businesses are not prepared and are unwilling to spend money on cybersecurity."

"We are only as strong as our weakest link which is our team that log on everyday."

"The growth in scams and hacking of IT systems are adding significantly to the costs and risks of doing business."

"Ability to destroy a business along with the personal liability that can be applied to directors for perceived negligence to prevent."

"Constantly changing landscape and the increased activity by foreign state actors against Australian businesses."

"Difficult to stay ahead of the threat of cyber-crime and be up to date with constantly evolving technology in data security and data protection."

## Why legal and regulatory compliance?

"The interpretation of the regulations and the application of it within the business. Each compliance officer has a different interpretation and this brings about inconsistency in practice."

"Level and speed of change in compliance and regulatory environment. Concern that heightened levels of compliance are not achieving or matching expectations of society and are too prescriptive without addressing key principles."

"For a small not for profit organisation, finding resources to manage legal and regulatory compliance is a huge challenge."

## Why labour shortages?

"Workforce challenges are the biggest risk to provision of healthcare services."

"Given the low unemployment rate, attracting and retaining suitably skilled staff, management and leadership is increasing difficult."

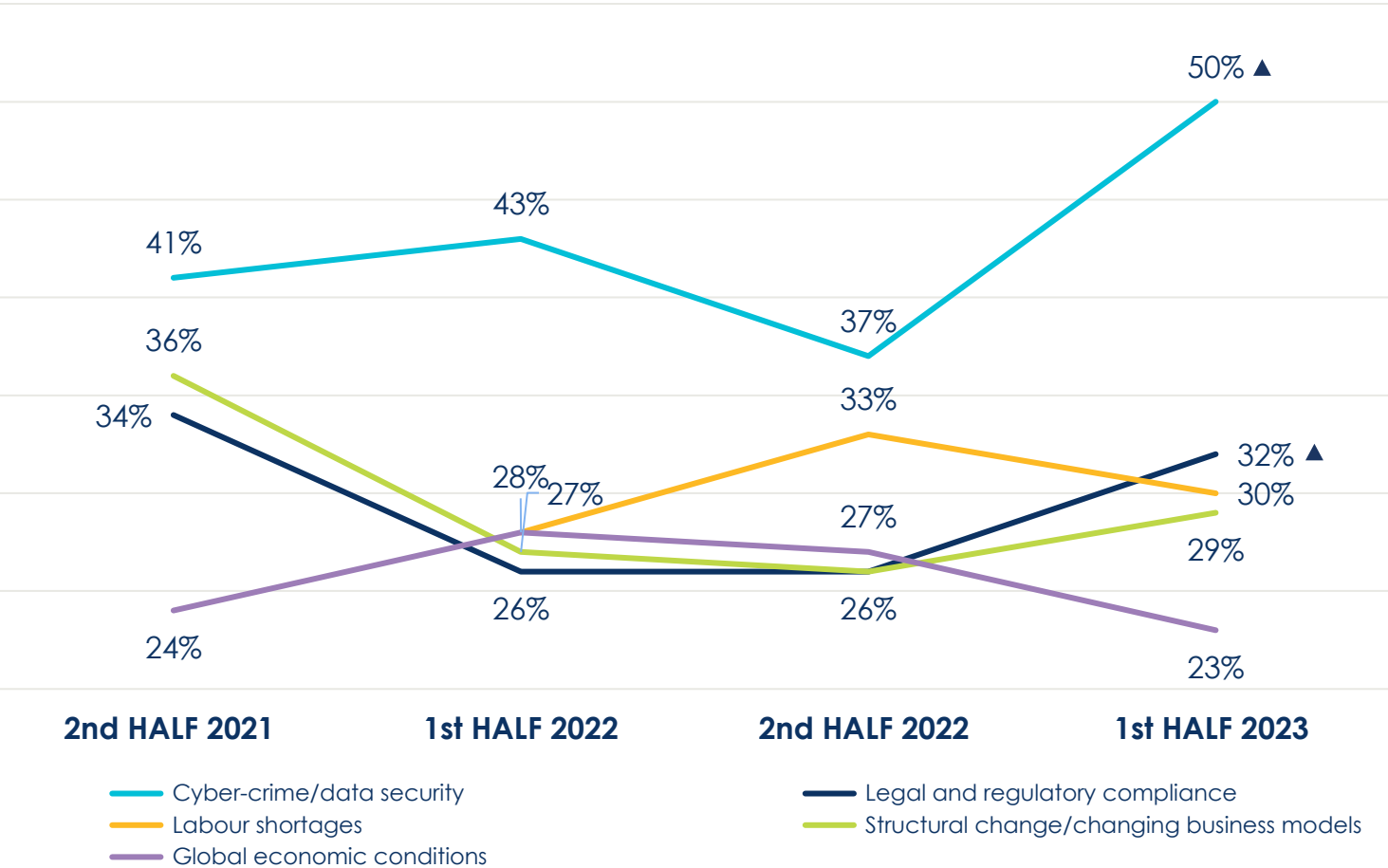
"Skilled labour is a real concern on quality of project execution across industries - including mining, infrastructure and energy. I am concerned that we have the investment capability but we can't resource to execute."

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
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.

# Cyber-crime and data security widens gap among the top five issues that keep directors awake at night

What are the top issues that keeps you awake at night? (Total Mentions)



## KEY INSIGHTS ON CYBER SECURITY

Half of directors selected cyber-crime and data security as a leading issue that keeps them awake at night, after several high-profile Australian data breaches in late 2022.

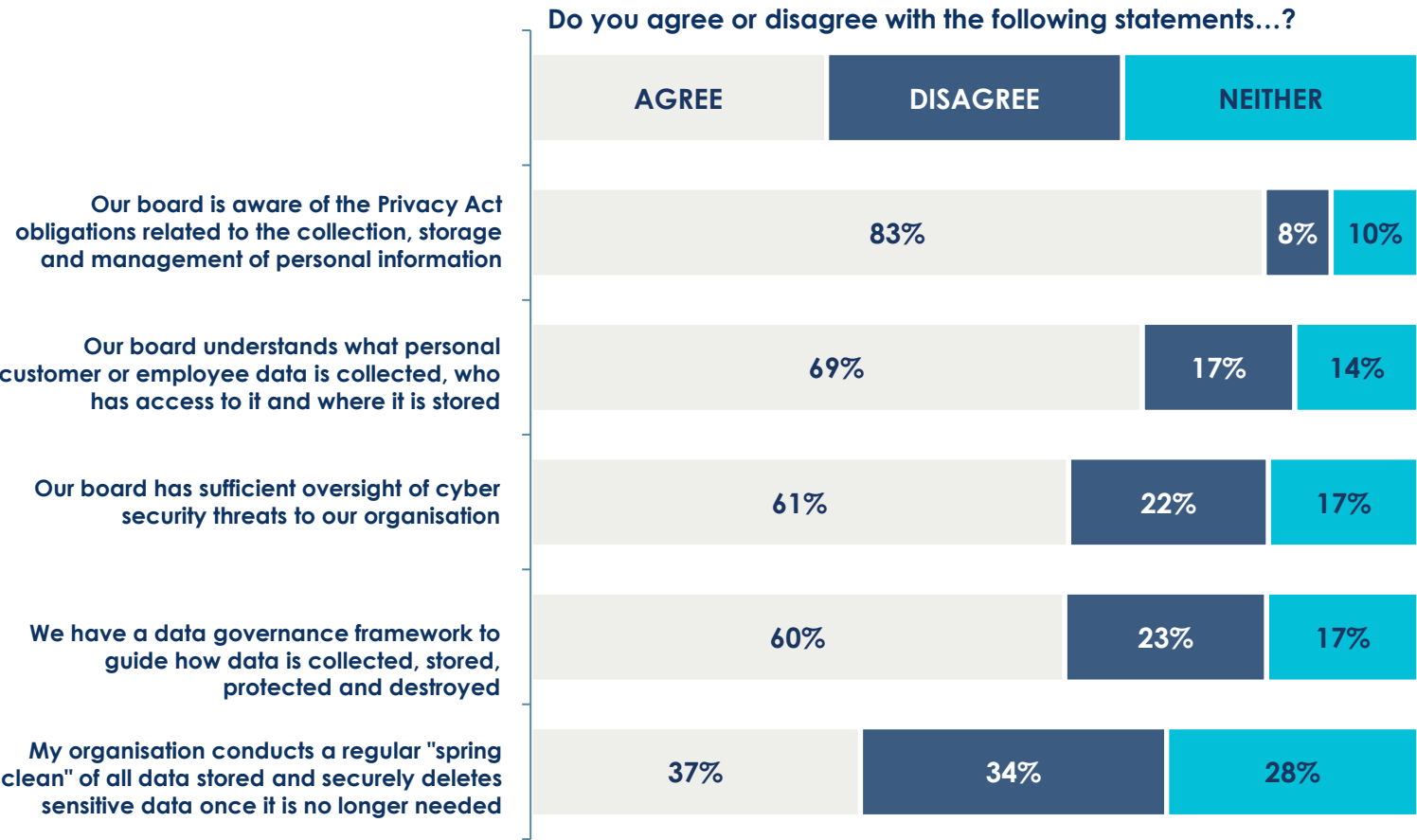
The issue remained the most prominent among directors, increasing from 37% to 50% of total mentions in the first half of 2023.

Cyber-crime and data security was selected as the most important issue by 21% of directors, almost twice as many as the next most important issue, legal and regulatory compliance at 11%.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
TQ1. What are the top 3 issues most likely to "keep you awake at night" as a director on your board? Percentage refers to respondents who nominated this as a top 3 issue. Note: Amendments to list may impact comparability with previous results.

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# 8 in 10 directors believe their board is aware of the Privacy Act obligations related to personal information



KEY INSIGHTS ON CYBER SECURITY

In the first half of 2023, 83% of directors agreed that their board is aware of the Privacy Act obligations related to the collection, storage and management of personal information.

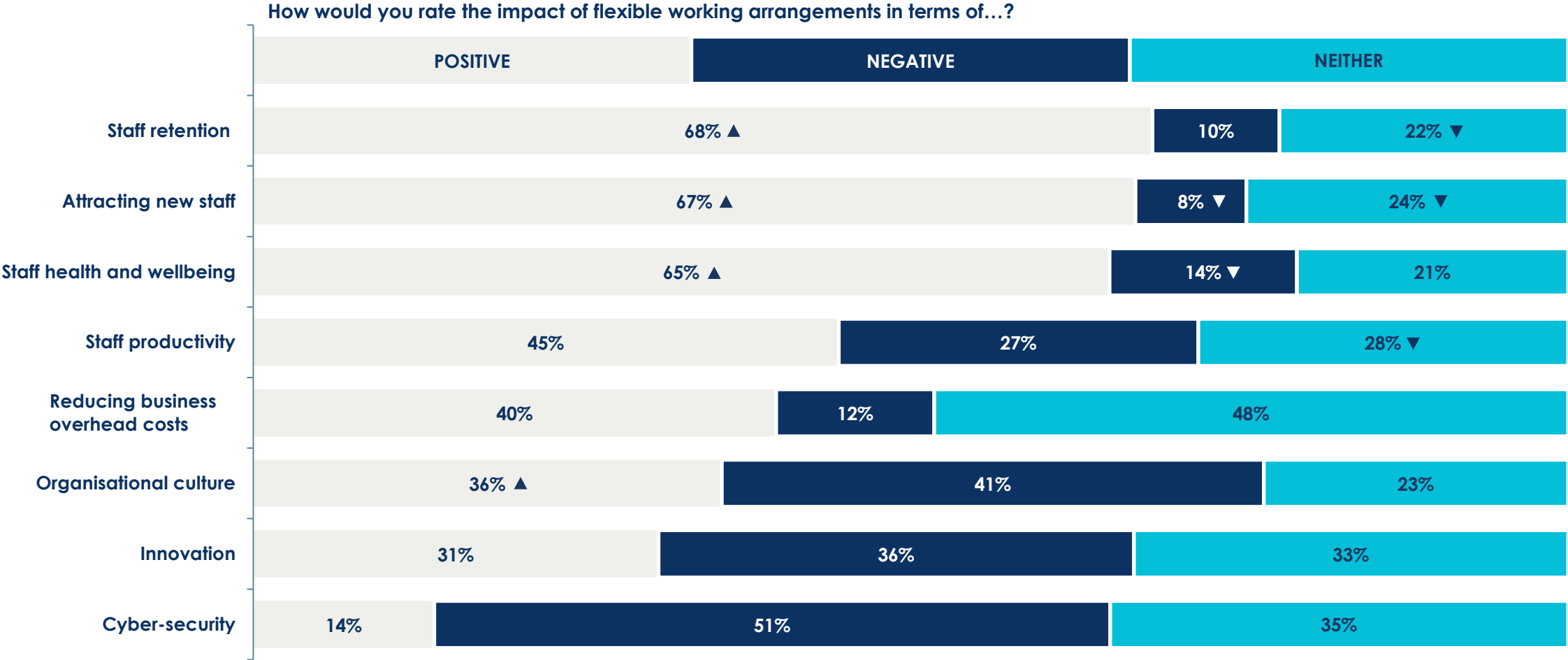
Most directors (69%) also agreed that their board understands what personal or employee data is collected and managed, with only 17% disagreeing.

Only 37% of directors agreed that their organisation conducts a regular "spring clean" of stored data and deletes sensitive data once it is no longer needed, ahead of 34% that disagreed.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324. CYB1. To what extent do you agree or disagree with the following statements...?

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

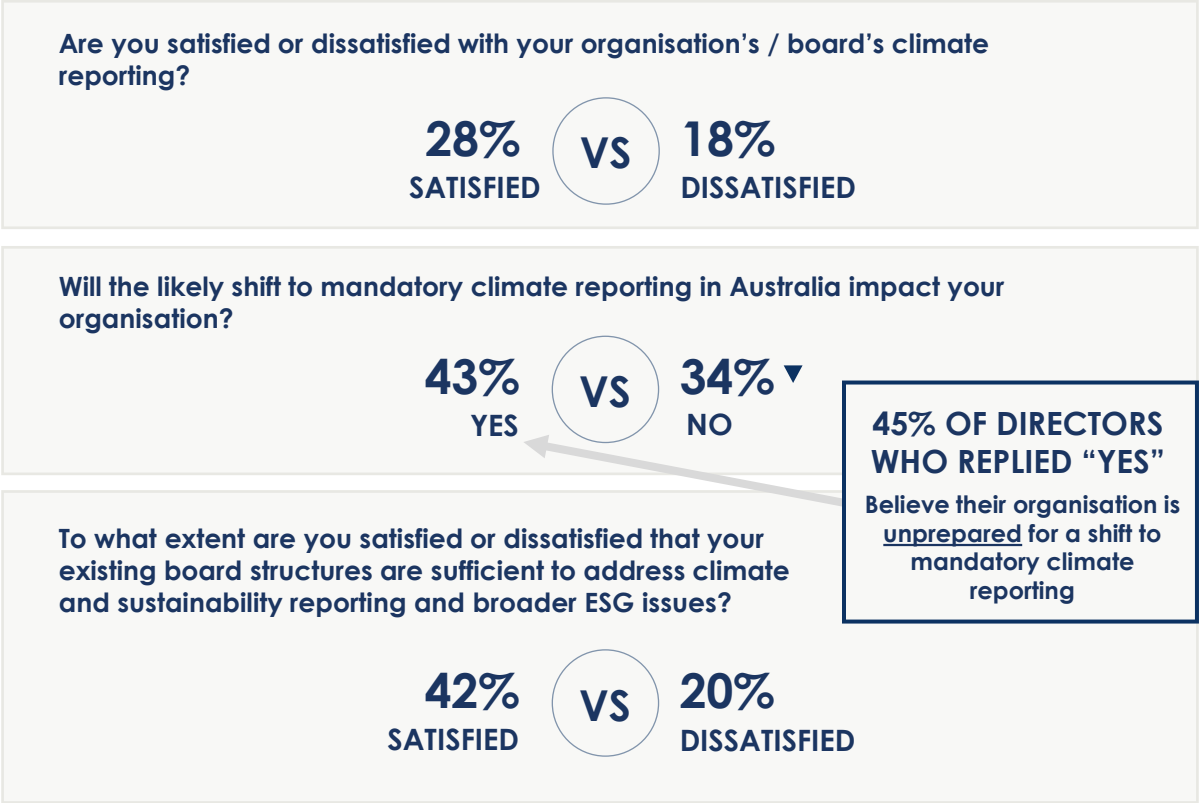
# Most directors believe flexible working arrangements are having positive impacts on attracting and retaining staff



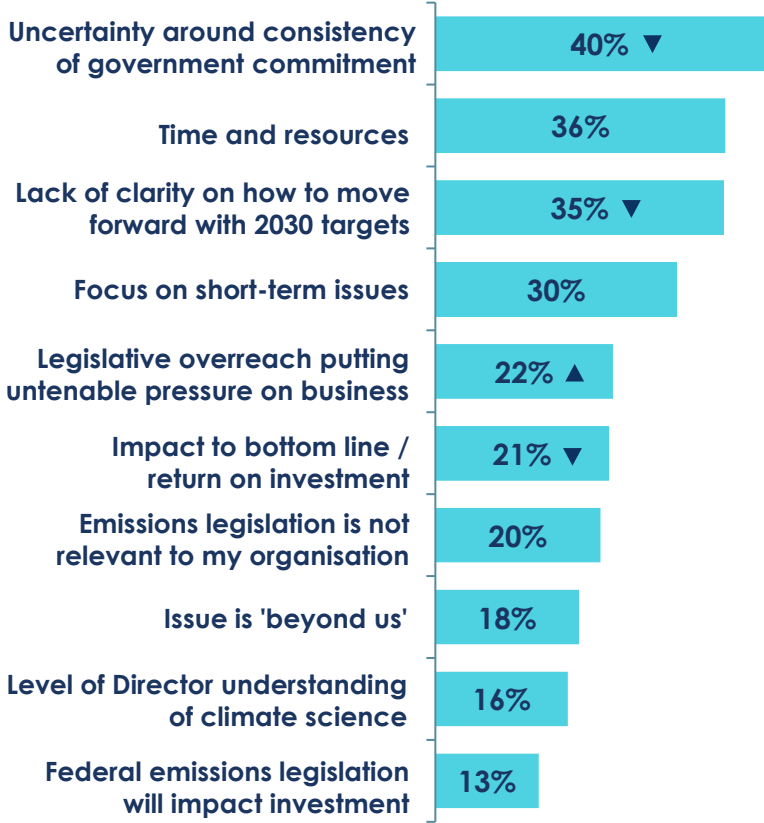
▲▼ Arrows represent significant increase or decrease at 95% confidence level since 1st half 2022 survey.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
DD1. How would you rate the impact of flexible working arrangements such as working remotely / from home in your organisation, in terms of...?

# Uncertainty of government commitment remains the greatest climate governance barrier for directors



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

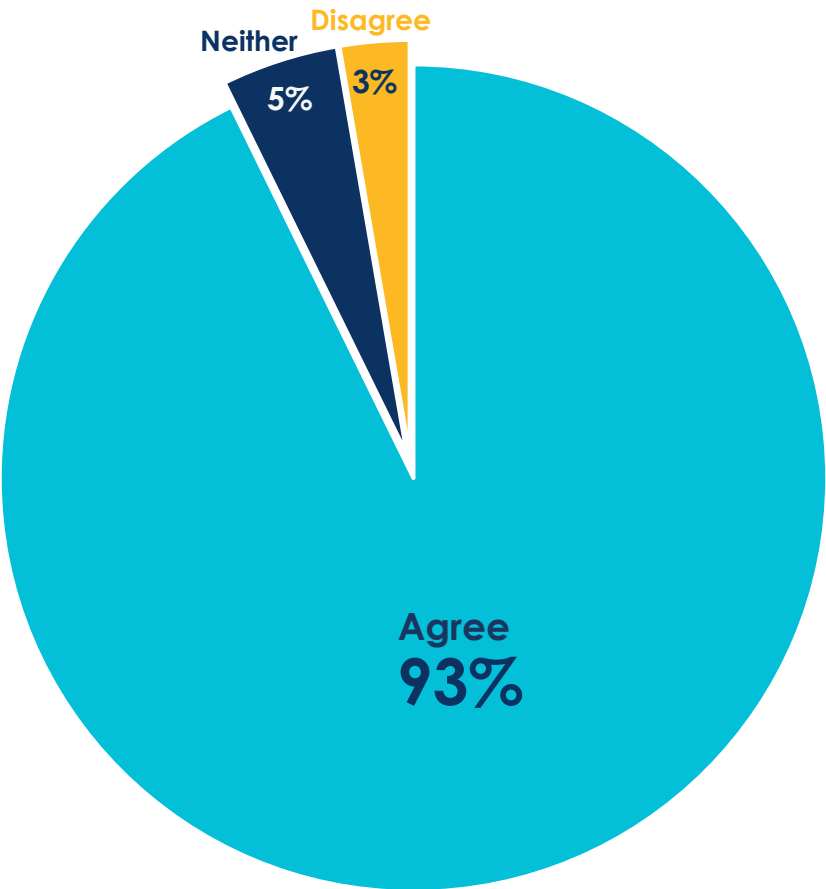


Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
DD5. To what extent are you satisfied or dissatisfied with your organisation's / board's climate reporting? Neither =54%.  
DD5ai. Will the likely shift to mandatory climate reporting in Australia impact your organisation?  
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=566.  
DD5c. To what extent are you satisfied or dissatisfied that your existing board structures are sufficient to address climate and sustainability reporting and broader ESG issues?

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.  
Base: AICD Directors 18+; n=1,324. DD2. What are the 3 biggest barriers for your organisation relating to climate governance, both in terms of risk and opportunity? Percentage of respondents that nominated issue as a top three barrier. Top 10 issues included.

# Skills shortage in the Australian workforce acknowledged by almost all directors

There is a skills shortage in the Australian workforce



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



AGREE 83%  
DISAGREE 6%

Our board has sufficient oversight of organisational culture



AGREE 76%  
DISAGREE 12%

My organisation has been affected by labour market issues



AGREE 74%  
DISAGREE 10%

Impacts of the war in Ukraine pose a threat to business supply chains



AGREE 71%  
DISAGREE 13%

Climate change is a material risk for my organisation




AGREE 47%  
DISAGREE 30%

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
TQ3. To what extent do you agree or disagree with the following statements...? Note: Amendments to list may impact comparability with previous results. All figures included in the report are rounded to whole numbers.


# Directors indicate cyber-attacks have impacted board's risk appetite more than inflation and COVID-19

The implementation of AI systems and workforce automation can resolve current skill shortages

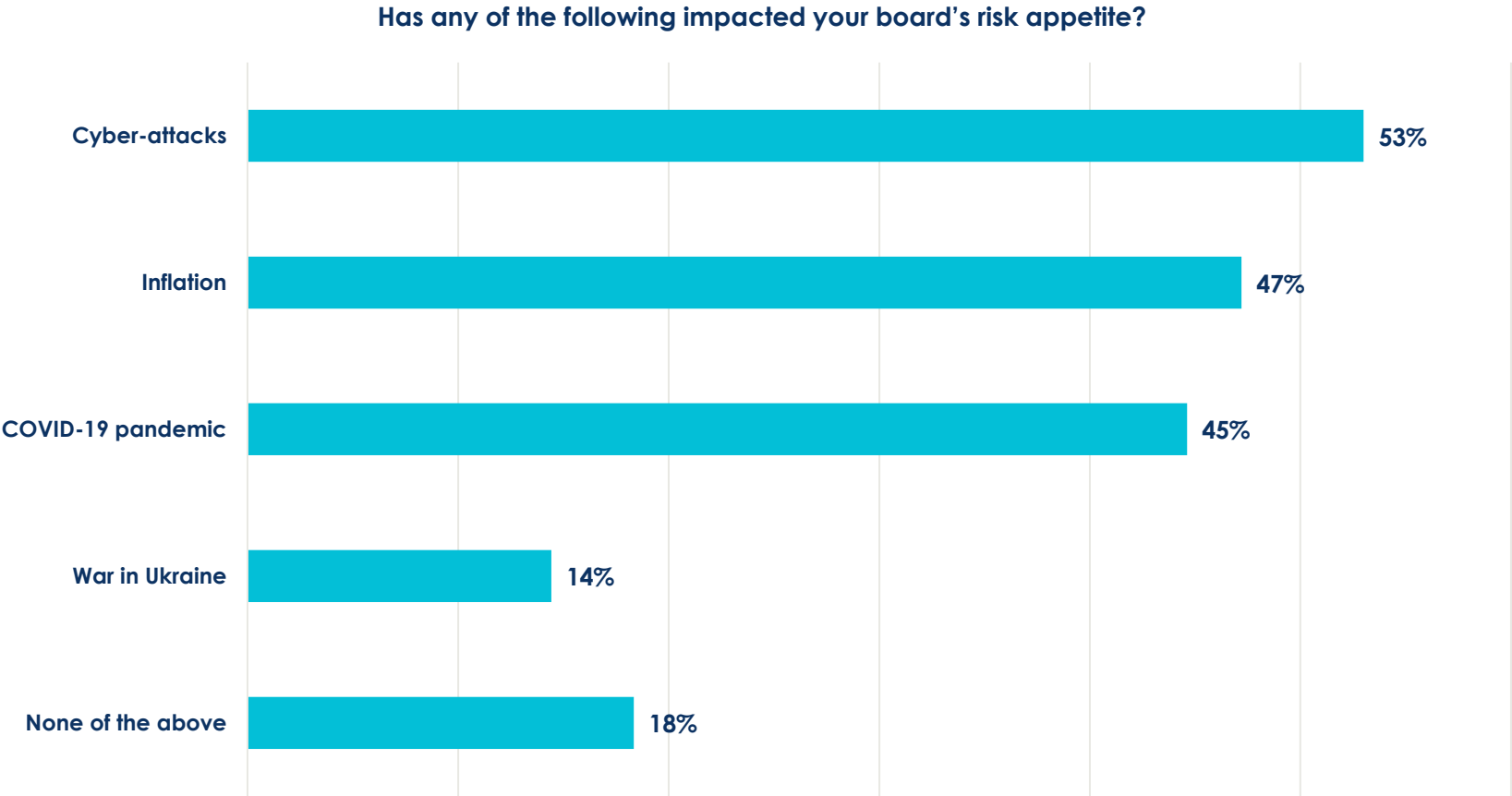


AGREE 29%  
DISAGREE 46%

My board is aware of the possible risks that may be incurred through organisational and supply chain implementation of AI systems



AGREE 40%  
DISAGREE 31%



Source: AICD Director Sentiment Index Survey 1st half 2023. Base: AICD Directors 18+; n=1,324.  
TQ3. To what extent do you agree or disagree with the following statements...? Note: Amendments to list may impact comparability with previous results. TQ3a1. Has any of the following impacted your board's risk appetite?

▲▼ Arrows represent significant increase or decrease at 95% confidence level since 2nd half 2022 survey.

# Data Appendix

# Economic Outlook & Business Conditions

ECONOMIC OUTLOOK INDICATOR (WEAK/STRONG)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the Australian economy – current	<b>+27</b>	+34	+38	+42
Health of the state economy – current	<b>+26</b>	+26	+28	+27
Health of the Chinese economy – current	<b>+13</b>	-4	+49	+20
Health of the Asian (ex. China) economy – current	<b>+18</b>	+10	+26	+18
Health of the European economy – current	<b>-40</b>	-48	-24	-9
Health of the US economy – current	<b>-3</b>	-19	+16	+14
Health of the Australian economy – future (N12M**)	<b>+7</b>	+15	+38	+53
Health of the state economy – future (N12M)	<b>+10</b>	+11	+32	+46
Health of the Chinese economy – future (N12M)	<b>+21</b>	-8	+45	+24
Health of the Asian (ex. China) economy – future (N12M)	<b>+18</b>	0	+28	+29
Health of the European economy – future (N12M)	<b>-29</b>	-42	-28	+12
Health of the US economy – future (N12M)	<b>-3</b>	-22	+14	+29

BUSINESS CONDITIONS INDICATOR (WEAK/STRONG)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – current	<b>+15</b>	+26	+28	+31
Assessment of NSW business conditions – current	<b>+13</b>	+22	+27	+38
Assessment of VIC business conditions – current	<b>+4</b>	+5	+6	-7
Assessment of QLD business conditions – current	<b>+8</b>	+23	+20	+20
Assessment of SA business conditions – current	<b>+19</b>	+16	+25	+25
Assessment of WA business conditions – current	<b>+57</b>	+56	+69	+70
Assessment of TAS* business conditions – current	<b>+33</b>	+14	+49	+69
Assessment of ACT business conditions – current	<b>+12</b>	+35	+42	+31
Assessment of NT* business conditions – current	<b>+12</b>	-1	0	0

ECONOMIC OUTLOOK INDICATOR (WEAK/STRONG)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Health of the NSW economy – current	<b>+32</b>	+33	+42	+55
Health of the VIC economy – current	<b>+7</b>	+1	+3	-18
Health of the QLD economy – current	<b>+20</b>	+22	+8	+1
Health of the SA economy – current	<b>+14</b>	+14	+20	+26
Health of the WA economy – current	<b>+83</b>	+82	+84	+82
Health of the TAS* economy – current	<b>+29</b>	+34	+62	+68
Health of the ACT* economy – current	<b>+37</b>	+50	+52	+48
Health of the NT* economy – current	<b>-52</b>	-15	-19	-18
Health of the NSW economy – future (N12M)	<b>+7</b>	+14	+41	+69
Health of the VIC economy – future (N12M)	<b>-6</b>	-14	+12	+24
Health of the QLD economy – future (N12M)	<b>+7</b>	+10	+21	+19
Health of the SA economy – future (N12M)	<b>-2</b>	+2	+32	+34
Health of the WA economy – future (N12M)	<b>+70</b>	+63	+79	+75
Health of the TAS* economy – future (N12M)	<b>+10</b>	+28	+53	+72
Health of the ACT* economy – future (N12M)	<b>+25</b>	+39	+47	+51
Health of the NT* economy – future (N12M)	<b>-52</b>	+2	+2	+3

BUSINESS CONDITIONS INDICATOR (WEAK/STRONG)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Assessment of AUS business conditions – future (N12M)	<b>+11</b>	+15	+30	+50
Assessment of NSW business conditions – future (N12M)	<b>+8</b>	+13	+33	+63
Assessment of VIC business conditions – future (N12M)	<b>-5</b>	-4	+10	+20
Assessment of QLD business conditions – future (N12M)	<b>+8</b>	+14	+16	+26
Assessment of SA business conditions – future (N12M)	<b>+11</b>	+7	+23	+33
Assessment of WA business conditions – future (N12M)	<b>+56</b>	+55	+70	+68
Assessment of TAS* business conditions – future (N12M)	<b>+9</b>	+36	+46	+53
Assessment of ACT business conditions – future (N12M)	<b>+15</b>	+29	+46	+47
Assessment of NT* business conditions – future (N12M)	<b>-27</b>	-10	+25	+16

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. 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 & Micro/Structural Policy Settings

BUSINESS CONDITIONS INDICATOR ( TOP ECONOMIC CHALLENGES)	1st HALF 2023 % OF TOTAL MENTIONS	2nd HALF 2022 % OF TOTAL MENTIONS	1st HALF 2022 % OF TOTAL MENTIONS	2nd HALF 2021 % OF TOTAL MENTIONS
Inflation and rising interest rates	56%	49%	N/A	N/A
Labour shortages	52%	60%	60%	55%
Cost of living	33%	24%	N/A	N/A
Global economic uncertainty	27%	28%	55%	30%
Energy policy	24%	20%	21%	22%
Supply chain challenges	23%	33%	N/A	N/A
Climate change	18%	22%	34%	38%
Regulation requirements / red tape	17%	12%	20%	23%
Productivity growth	16%	17%	24%	22%
Taxation system	11%	7%	11%	13%
Health of Australia China relationship	9%	10%	23%	30%
Government debt levels	8%	9%	13%	14%
Global protectionism	2%	2%	6%	7%
Coronavirus/ COVID-19	1%	4%	27%	43%
Incompetent/ ineffective government	1%	0%	1%	1%
Global logistics/ supply chain	0%	0%	1%	N/A
Other	2%	2%	3%	3%

MICRO/STRUCTURAL INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Federal government understands business	-11	-2	+6	+7
NSW government understands business	+30	+25	+29	+61
VIC government understands business	-12	-18	-23	-22
QLD government understands business	-52	-48	-40	-40
SA government understands business	+7	+7	+39	+22
WA government understands business	+16	+22	+11	+13
TAS* government understands business	+29	+37	+45	+54
ACT government understands business	-14	-10	+4	+11
NT* government understands business	-42	-20	-46	-26

BUSINESS CONDITIONS INDICATOR (DECREASE/INCREASE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Investment Levels	+13	+15	+36	+54
Staffing Levels / Labour Demands	+28	+45	+57	+60
Wage Levels	+72	+78	+72	+67
Costs (e.g. raw materials, energy)	+86	+89	+89	+83
Turnover / Sales	+35	+43	+56	+66
Profitability	+1	+1	+15	+32

MICRO/STRUCTURAL INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Trust in Federal Government	-10	+1	-22	-17
Trust in NSW government	-2	-6	-1	+34
Trust in VIC government	-18	-26	-19	-23
Trust in QLD government	-55	-50	-45	-42
Trust in SA government	+11	+11	+28	+24
Trust in WA government	-7	+12	0	+2
Trust in TAS* government	+18	+27	+26	+68
Trust in ACT* government	-15	-4	+2	+33
Trust in NT* government	-71	+4	-35	-24

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. 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

# Micro/Structural & Macro Policy Settings

MICRO/STRUCTURAL INDICATOR (DISSATISFIED/SATISFIED)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Corporate taxation / company tax rates	-20	-20	-19	-18
Personal taxation / personal income tax	-33	-30	-30	-28
GST	+3	+2	0	+3
Government spending on infrastructure	-3	-2	-6	+10
Government openness to foreign investment	+8	+7	+3	+4
Support for international trade	+16	+12	+11	+10
Gov. spending on education and training	-40	-40	-41	-32
Gov. support for innovation and R&D	-40	-40	-40	-37

MACRO POLICY INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	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	+16	+23	N/A	N/A
Increasing interest rates at the current rate will cause a recession	+32	+21	N/A	N/A
Increasing interest rates further will cause a housing / mortgage crisis	+58	+41	N/A	N/A
Current monetary policies will cause a major uptick in business insolvency	+44	+34	N/A	N/A
Given the RBA's recent performance, the current review into the central bank should propose significant changes	+15	+25	N/A	N/A

MACRO POLICY INDICATOR (NEGATIVE/POSITIVE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Impact on business of current Federal fiscal policy settings	-29	-22	-14	-11
Impact on business of current state fiscal policy settings	-27	-23	-15	-8
Impact on business of current RBA monetary policy	-36	-32	+14	+19
Impact on business of current level of the Australian dollar	-9	-13	+3	+6
Impact on business of the availability of business credit	-12	-10	+9	+13

MACRO POLICY INDICATOR (NEGATIVE/POSITIVE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
NSW policy settings affect on business	-14	-11	-7	+14
VIC policy settings affect on business	-36	-31	-24	-28
QLD policy settings affect on business	-45	-49	-33	-34
SA policy settings affect on business	-25	-17	-3	+5
WA policy settings affect on business	-20	-14	-12	0
TAS* policy settings affect on business	-24	-14	+15	+39
ACT* policy settings affect on business	-20	-26	-5	-12
NT* policy settings affect on business	-64	-35	-32	-18

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324. NSW n=394, VIC n=338, QLD n=222, SA n=88, WA n=146, TAS n=38, ACT n=42, NT n=12. 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

# Directorship Conditions & Topical / Deep-Dive Issues

DIRECTORSHIP CONDITIONS INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Current governance regulations are appropriately balanced	+13	+17	N/A	N/A
Current level of corporate reporting requirements is satisfactory	+30	+30	+30	+32
Current level of diversity on Australian boards is satisfactory	-29	-30	-33	-33
Current director liability provisions have a negative impact on decision making	+3	-2	+3	+6
My board faces difficulties recruiting new talented directors	+11	+9	+10	N/A

TOPICAL/DEEP-DIVE INDICATOR (ISSUES KEEP YOU AWAKE)	1st HALF 2023 TOTAL MENTIONS	2nd HALF 2022 TOTAL MENTIONS	1st HALF 2022 TOTAL MENTIONS	2nd HALF 2021 TOTAL MENTIONS
Cyber-crime / data security	50%	37%	43%	41%
Legal and regulatory compliance	32%	26%	26%	34%
Labour shortages	30%	33%	28%	N/A
Structural change/changing business models	29%	26%	27%	36%
Global economic conditions	23%	27%	28%	24%
Corporate culture	22%	21%	22%	20%
CEO succession	22%	18%	19%	20%
Attracting new talent	21%	26%	24%	28%
Level of personal liability for directors	19%	18%	14%	21%
Global political conditions	16%	20%	N/A	N/A
Climate change	13%	17%	20%	19%
Industrial relations	7%	8%	N/A	N/A
Climate / sustainability reporting	5%	5%	N/A	N/A
Other	4%	4%	3%	4%
Impacts of COVID-19	4%	7%	19%	30%
OH&S	0%	0%	1%	N/A
Geopolitics	0%	0%	1%	N/A
None	0%	0%	2%	1%

BOARD DIVERSITY TOPICAL/DEEP-DIVE INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Gender	+33	+35	+36	+38
Age	+15	+17	+18	+18
Skills	+65	+65	+66	+66
Ethnicity	+14	+16	+20	+15
Digital capability / technology	+50	+49	+44	+45
First Nations people	+8	+7	N/A	N/A

TOPICAL/DEEP-DIVE INDICATOR (CLIMATE GOVERNANCE BARRIERS)	1st HALF 2023 TOTAL MENTIONS	2nd HALF 2022 TOTAL MENTIONS	1st HALF 2022 TOTAL MENTIONS	2nd HALF 2021 TOTAL MENTIONS
Uncertainty around consistency of government commitment	40%	45%	N/A	49%
Time and resources	36%	37%	N/A	23%
Lack of clarity on how to move forward with 2030 targets	35%	41%	N/A	31%
Focus on short-term issues	30%	31%	N/A	39%
Legislative overreach putting untenable pressure on business	22%	18%	N/A	N/A
Impact to bottom line / return on investment	21%	25%	N/A	19%
Emissions legislation is not relevant to my organisation	20%	22%	N/A	N/A
Issue is 'beyond us'	18%	16%	N/A	15%
Level of Director understanding of climate science	16%	15%	N/A	14%
Federal emissions legislation will impact investment	13%	13%	N/A	N/A
No barriers	10%	8%	N/A	14%
Stakeholder resistance	8%	N/A	N/A	N/A
Lack of Director consensus on climate science	7%	7%	N/A	5%
Existing board structures	2%	N/A	N/A	N/A
Other	2%	5%	N/A	N/A

CLIMATE REPORTING TOPICAL/DEEP-DIVE INDICATOR (DISSATISFIED/SATISFIED)	1st HALF 2023 NET BALANCE	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?	+10	+11	N/A	+26
To what extent are you satisfied or dissatisfied that your existing board structures are sufficient to address climate and sustainability reporting and broader ESG issues?	+21	N/A	N/A	N/A
How prepared is your organisation for the likely shift to mandatory climate reporting in Australia?*	-10	-9	N/A	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324; 2nd Half 2022 n=1,475; 1st Half 2022 n=1,737; 2nd Half 2021 n=1,645. Note: Additional response options impact comparability with previous wave. Total mentions = Percentage of respondents who nominated this as a top 3 issue. \*Scale is unprepared/prepared. Base: AICD Directors 18+ who believe the likely shift to mandatory climate reporting in Australia will impact their organisation; 1st half 2023 n=566; 2nd half 2022, n=658.

# Topical / Deep-Dive Issues

TOPICAL INDICATOR (TOP ISSUES GOVERNMENT SHOULD ADDRESS)	1st HALF 2023 SHORT-TERM	2nd HALF 2022 SHORT-TERM	1st HALF 2022 SHORT-TERM	2nd HALF 2021 SHORT-TERM	1st HALF 2023 LONG-TERM	2nd HALF 2022 LONG-TERM	1st HALF 2022 LONG-TERM	2nd HALF 2021 LONG-TERM
Lack of skills in workforce/ skills shortages	34%	43%	36%	41%	18%	20%	18%	18%
Energy policy	30%	26%	24%	27%	21%	21%	20%	22%
Housing affordability/ housing supply	28%	22%	19%	22%	15%	13%	14%	15%
Climate change	27%	33%	39%	48%	42%	44%	50%	59%
Productivity growth	23%	25%	20%	23%	20%	20%	18%	22%
Taxation reform	21%	19%	21%	26%	19%	17%	14%	20%
Health	19%	16%	16%	17%	18%	16%	15%	16%
Education	15%	12%	16%	17%	17%	17%	18%	20%
Indigenous reconciliation	14%	9%	N/A	N/A	9%	10%	N/A	N/A
Innovation policy / Barriers to innovation	13%	11%	17%	0%	15%	14%	17%	0%
Ageing population	12%	12%	15%	12%	28%	24%	25%	26%
Australia-China relationship	12%	11%	18%	0%	9%	11%	14%	0%
Defence	12%	11%	10%	0%	16%	15%	11%	0%
Federal budget deficit	12%	11%	10%	14%	16%	16%	15%	18%
International competitiveness	11%	11%	12%	20%	18%	21%	21%	27%
Infrastructure	10%	10%	14%	15%	14%	14%	16%	18%
Industrial relations	6%	8%	N/A	N/A	3%	5%	N/A	N/A
Other	2%	1%	2%	0%	1%	1%	1%	0%

TOPICAL INDICATOR (DISAGREE/AGREE)	1st HALF 2023 NET BALANCE	2nd HALF 2022 NET BALANCE	1st HALF 2022 NET BALANCE	2nd HALF 2021 NET BALANCE
Climate change is a material risk to my organisation	+16	+15	+20	+22
Organisation affected by labour market issues	+64	+64	+54	+45
Sufficient oversight of organisation culture	+64	+60	+63	+62
There is a skills shortage in the Australian workforce*	+90	N/A	N/A	N/A
Skilled migration levels are not keeping up with labour demand in Australia and will impact growth	+77	+76	N/A	N/A
The implementation of AI systems and workforce automation can resolve current skill shortages*	-17	N/A	N/A	N/A
My board is aware of the possible risks that may be incurred through organisational and supply chain implementation of AI systems*	+9	N/A	N/A	N/A
Impacts of the war in Ukraine pose a threat to business supply chains*	+58	N/A	N/A	N/A

Source: Roy Morgan AICD Director Sentiment Index Survey 1st Half 2023. Base: AICD Directors 1st Half 2023 18+; n=1,324; 2nd Half 2022 n=1,475; 1st Half 2022 n=1,737; 2nd Half 2021 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 1st Half 2023. Amendments to list may impact comparability with previous results.



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