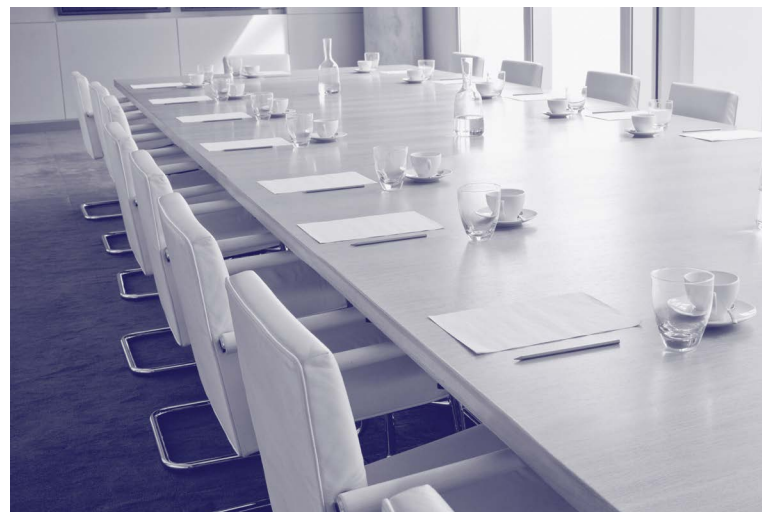


DIRECTOR SENTIMENT INDEX: RESEARCH SUMMARY SECOND HALF 2017

Delivered by Ipsos Connect



Methodology

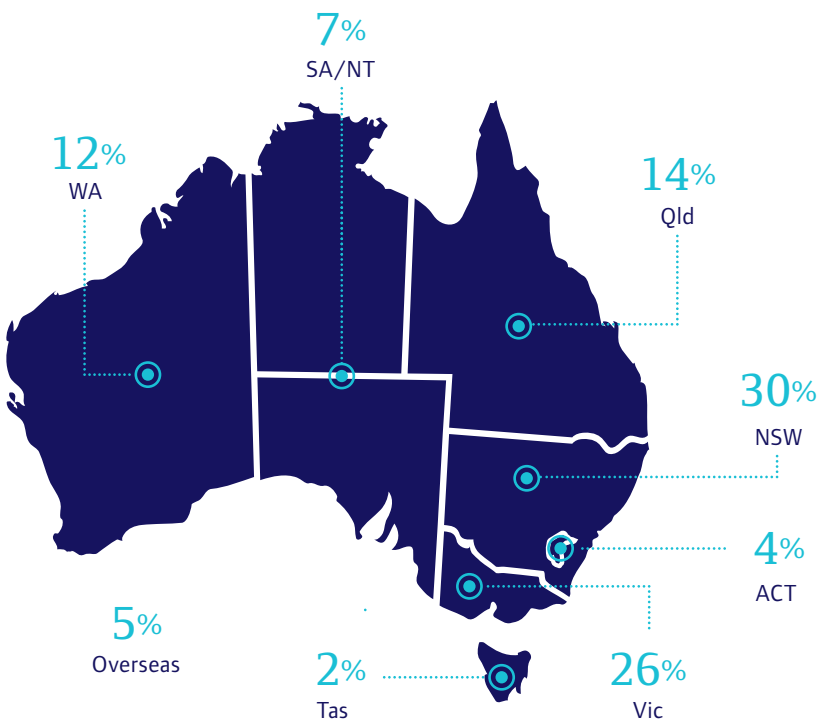
The Director Sentiment Index (DSI) results are a representation of the Australian Institute of Company Directors (AICD) membership.

The AICD's DSI is the only indicator measuring the opinions and future intentions of directors on a range of issues including the Australian and world economies, government policy and governance regulations.

The survey was conducted with 973 members between 21 September and 4 October 2017.

Results have been weighted by gender to reflect the profile of the AICD member base.

Primary directorship location



Primary directorship company



12%
Publicly listed
Australian entity



45%
Private/non-listed
Australian entity



29%
Not-for-profit
entity



8%
Public sector/
government body



5%
Overseas entity

Gender



70%
Male



30%
Female

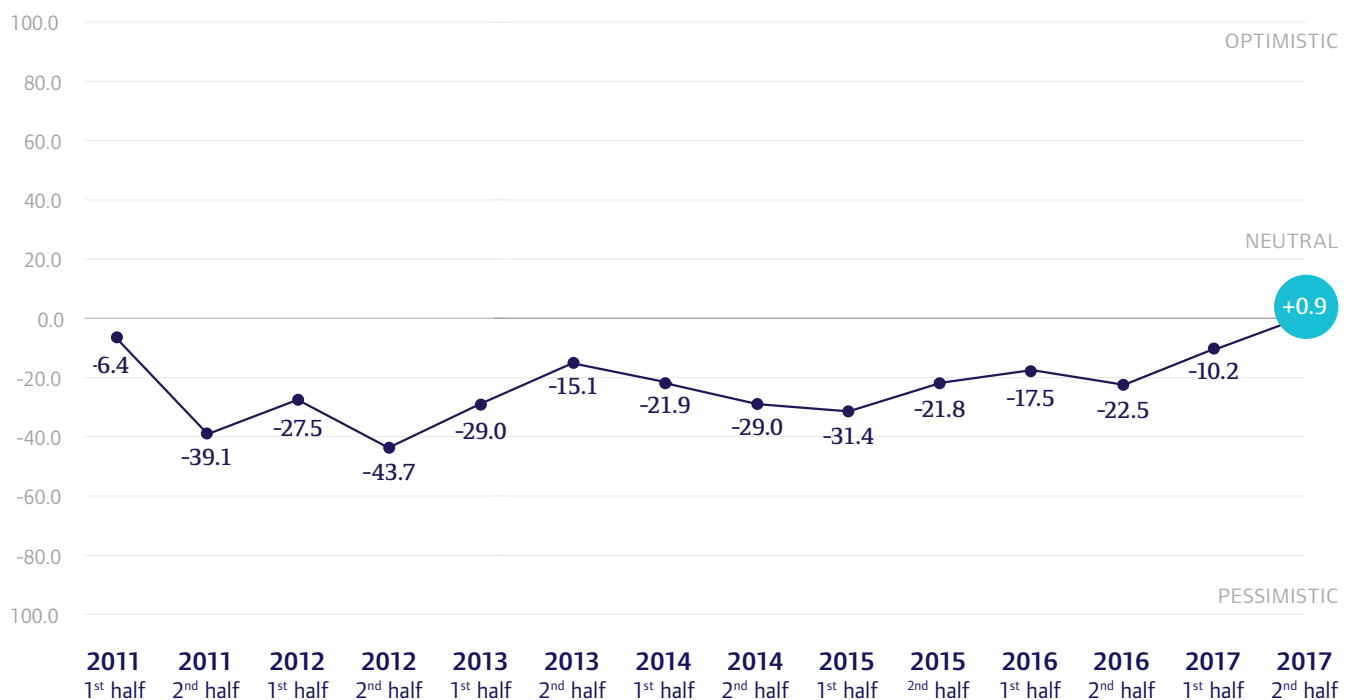
Sentiment takes another positive turn

Director sentiment is at its highest point since 2011, largely on the back of increased confidence about the strength of the Australian economy, as well as other major economies around the world.

Directors are feeling highly optimistic about domestic conditions, which is reflected in their views on future profits, job hires and level of wages growth.

Despite directors feeling more optimistic about economic and business conditions, energy prices and energy policy are both major underlining concerns as well as Australia's ineffective and inefficient tax system.

Overall Director Sentiment Index



Directors highly optimistic about domestic business conditions

Continuing the recent trend directors are feeling far more optimistic about domestic business conditions.

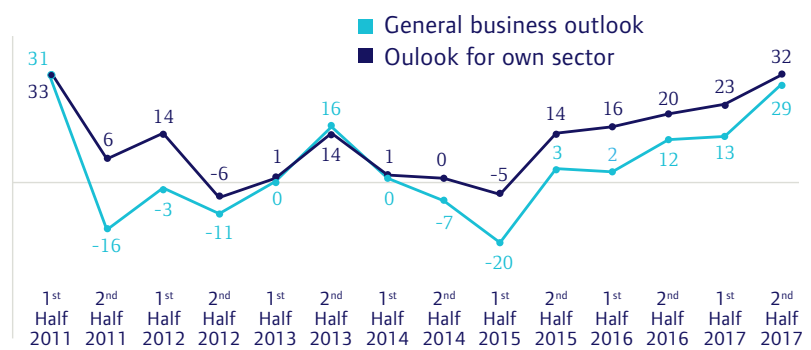
Directors are nearly as confident as they have ever been in relation to both the general business outlook, and the outlook for their own sector.

Once again directors also said they were optimistic about investing in the Australian economy, which received a record rating, and hiring more staff.

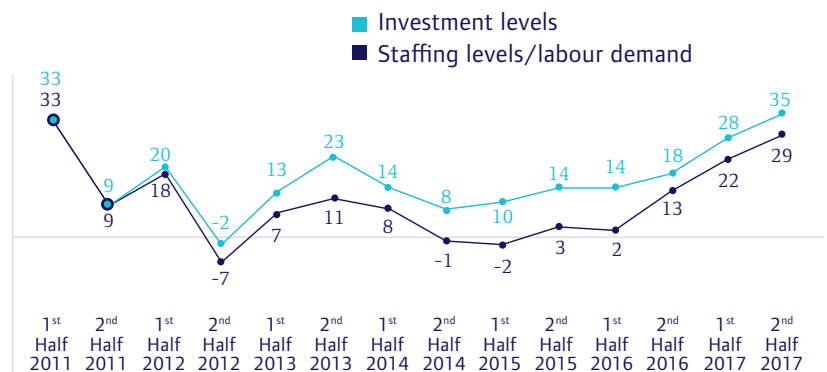
Directors are also more optimistic about economies around the world, including Asia, Europe and the United States (US).

The European economy in particular has recovered from directors' concerns about the potential consequences of the United Kingdom leaving the European Union. This optimism can also be seen in the improved prospects for the US economy after the initial shock of the election of President Trump.

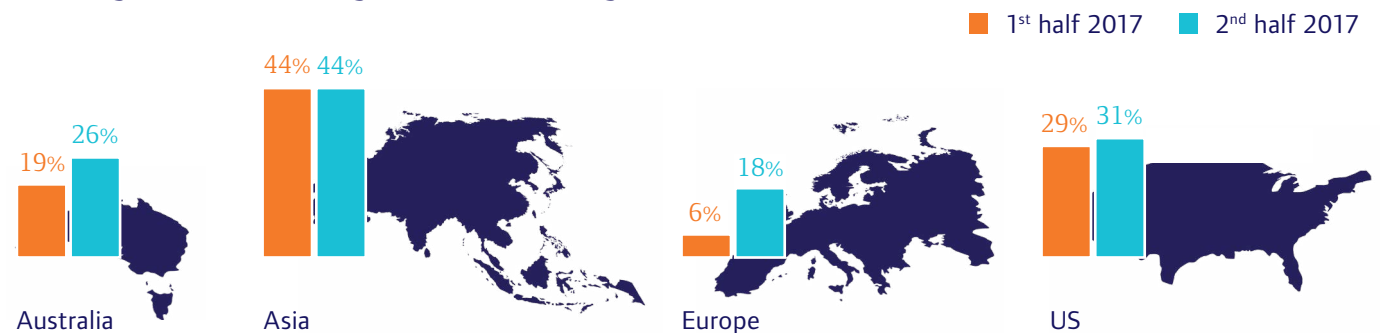
Confidence in business outlook – next 12 months



Changes in the business in the coming year



Percentage of directors rating economies as strong over next 12 months



Directors focusing on improving culture and enhancing corporate reputation

Directors are attuned to the need to foster a good culture in their organisations, and culture is seen as one of the main ways by which directors can help enhance the reputation of their organisations.

The vast majority of directors (92 per cent) are putting in either substantial or some effort to change culture within their organisation.

Directors are tackling this issue in a variety of ways. Particularly capturing data on key cultural indications, communicating the ethical positions of their organisations to staff as well as ensuring it is a regular item on their board agenda.

Directors are focusing on this point in part because they understand it is one of the key ways they can enhance their business standards and their social licence to operate. Other main focuses for directors are a greater focus on long-term planning and reporting, improving accountability for corporate misconduct and better explaining the important contributions of business to the broader community.

What effort are you placing on improving the culture of your organisation?

	2 nd half 2017
Substantial effort	36%
Some effort	56%
No effort	8%

What are boards focused on to improve culture in their organisation



Capturing data on key cultural indicator



Communicating ethical position of board and business generally



Ensuring culture is a regular feature on the board and audit committee agenda

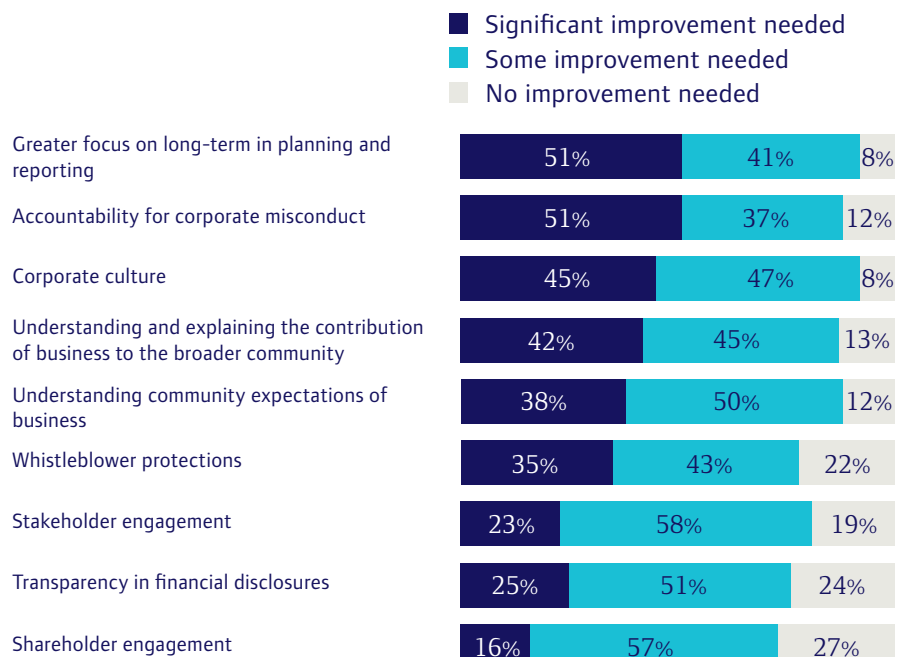


Ensuring directors have broader interaction across the organisation



Ensuring directors have relationships with key employees to gather insights about the company culture and issues

What are boards focused on to improve culture in their organisation



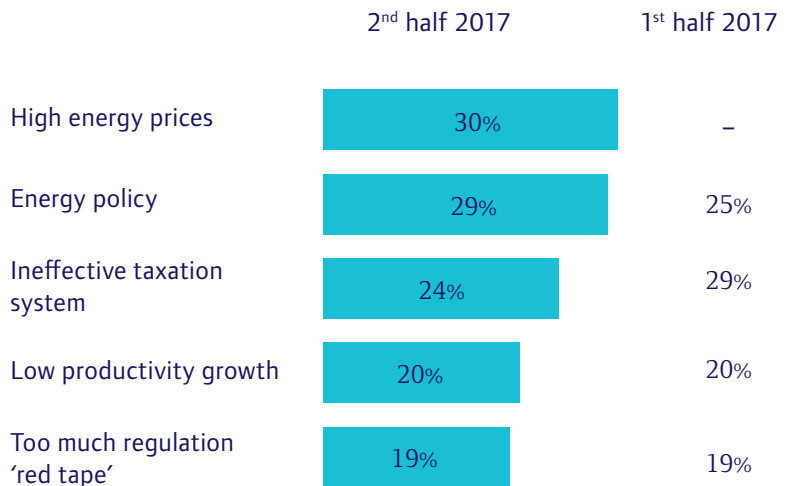
Priorities for Government

Electricity prices and energy policy are the top two challenges currently facing Australian businesses. Energy policy is also the number one issue directors want the Federal Government to address in the short-term.

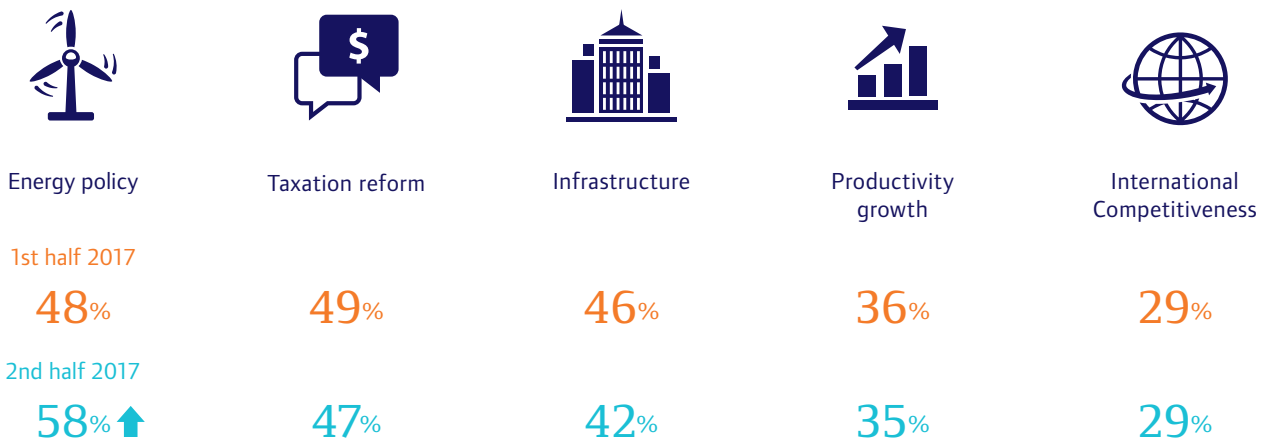
Directors have highlighted electricity prices and energy policy as the major economic challenges facing Australian businesses, followed by the ineffective taxation system.

The focus on energy policy has risen again since the index was last recorded earlier this year, while directors have been focused on the need to improve the tax system for many years.

These results are reflected in what issues directors want the Federal Government to address in the short term, with energy policy leading taxation reform, followed by infrastructure.



Main economic challenges currently facing Australian business



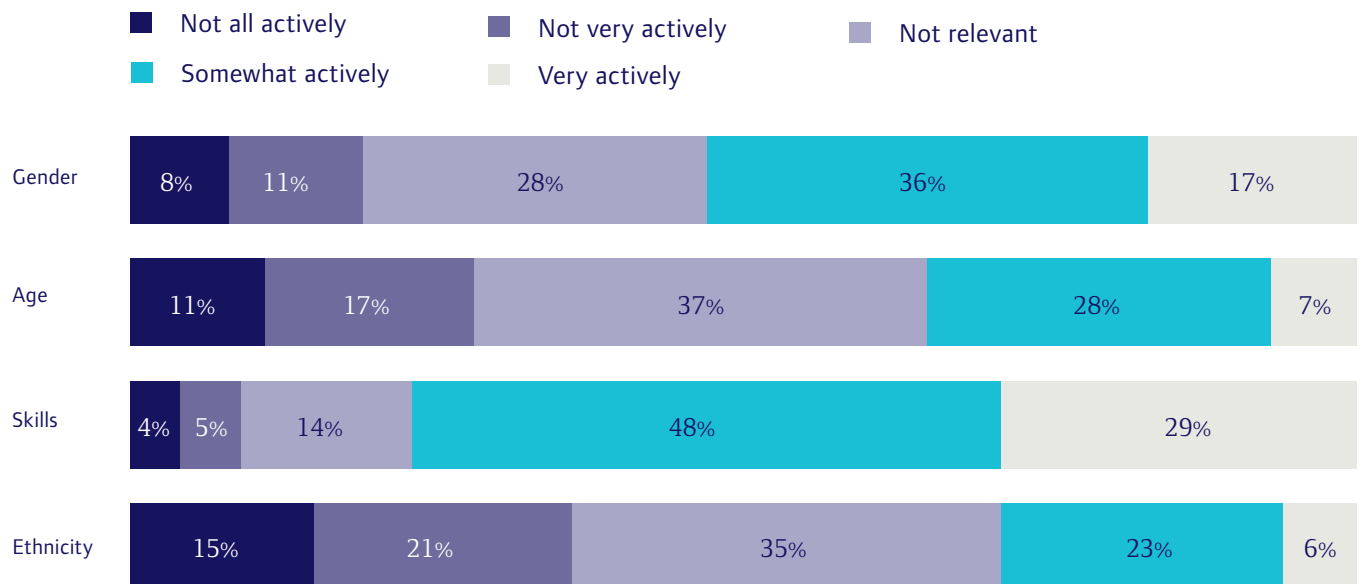
Board and director issues

Directors continue to focus on improving board diversity in a number of ways including gender, age and ethnicity.

Ensuring a diversity of skills is a particular focus of directors, with 77 per cent of respondents saying they are actively looking at improving diversity on their board through representation of diverse skills.

Robust discussions are actively encouraged in Australia’s boardrooms with only 16 per cent of directors saying that dissenting views are discouraged.

To what extent are boards actively seeking to increase their diversity?



To what extent are dissenting views encouraged in the boardroom?



A Blueprint for Growth

In March 2017 the AICD released our updated *Governance of the Nation: A Blueprint for Growth* – a forward-looking agenda of national reform priorities to boost growth and prosperity. The AICD's reform prescription is a call for a focus on the long-term – combatting the short-termism in policy debate and settings that underscore many of the DSI responses.

The Blueprint recommends national reform in six key areas:

- **Reforming national governance:** to modernise our machinery of government and encourage a longer-term perspective in policy settings and implementation.
- **Fiscal sustainability:** calling for bold policy action to address the nation's unsustainable fiscal position through spending restraint and comprehensive tax reform.
- **Innovation and entrepreneurialism:** urging push back against protectionism and ongoing improvements to Australia's 'innovation system'.
- **Human capital:** to simplify industrial relations regulation, boost female workforce participation, and enhance and improve Australia's investment in skills and training.
- **Not-for-profit partnership:** recognising the vital role that the sector plays, the need for funding certainty, and a fit for purpose regulatory system for its effective operation and governance.
- **National infrastructure:** urging investment in national infrastructure priorities through 'good' government borrowing, infrastructure bonds and asset recycling.

To read more, visit companydirectors.com.au

For more information please contact:

e: contact@aicd.com.au

w: companydirectors.com.au/dsi