



INSTITUTE OF DIRECTORS
IN IRELAND

Director Sentiment Monitor

Quarterly Members' Survey
2021



The Institute of Directors in Ireland

The Institute of Directors (IoD) in Ireland is a dynamic network with members drawn from companies large and small in the private, public and not-for-profit sectors. As the leading voice in the debate on improving corporate governance standards, IoD Ireland is dedicated to developing and improving the effectiveness and performance of directors and boards throughout Ireland. Our focus is the professional development of our members by offering key services such as: director training; board services, such as the Boardroom Centre and Board Evaluation Service; access to insight and expertise through online and print resources; and networking opportunities through inspirational events.

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Foreword



Having marked the first anniversary of the first confirmed case of COVID-19 in Ireland, it would not be an exaggeration to say that so much has changed. The impact on people's lives and business has been immense. We also recognise the huge loss of lives, the grief of so many, the loneliness and the financial impacts.

Now, as the Government moves cautiously towards reopening the economy and society, in parallel with the rollout of the national vaccination programme, there are solid grounds for optimism, boosted further by the longer, brighter days of late Spring.

Our quarterly Director Sentiment Monitors (DSM) track sentiment amongst our members on a range of issues, many impacted by the COVID-19 pandemic, and we very much appreciate and value this feedback and input.

In our latest DSM research, for Q1 2021, IoD members have told us that they see the final quarter of the year as the most likely period when the economy can fully reopen and a majority of their staff can return to the company workplace, although the future of work and the workplace may be quite different to pre-COVID times.

Our research also finds that a continuing slow rollout of the COVID-19 vaccination programme is seen by business leaders as the biggest risk to their organisations. That said, the complexity of the situation would seem to be acknowledged by our members, with a clear majority in our research of the belief that employers should continue to follow the Government's advice with regard to working from home for all non-essential staff. Patience and compliance will serve everyone best over the coming weeks and months.

This latest DSM research also finds that a majority of our respondents are personally in favour of the concept of directors' individual accountability, while an even larger majority thinks that the Government should proceed with the introduction of the Central Bank (Amendment) Bill 2019, which includes the provision on the Senior Executive Accountability Regime (SEAR).

The vast majority of company directors are both cognisant of their fiduciary duties and act responsibly. Indeed, the importance of the role has never been so affirmed as it has been during the COVID-19 pandemic. Boards are working with CEOs and senior management in trying to navigate successfully through the immense challenges many companies have faced. Most directors take their responsibilities very seriously and the fact that a clear majority of those surveyed supports the Government's Bill on accountability is indicative of that.

Our first Director Sentiment Monitor of the year also has interesting findings relating to international trade, the post-Brexit situation, and the ups and downs of the international vaccine rollout. A clear majority of respondents (89%) thinks the Irish Government needs to actively improve business and trade relations with the UK Government.

A handwritten signature in blue ink that reads "Maura Quinn".

**Maura Quinn, Chief Executive,
Institute of Directors in Ireland**

Demographics

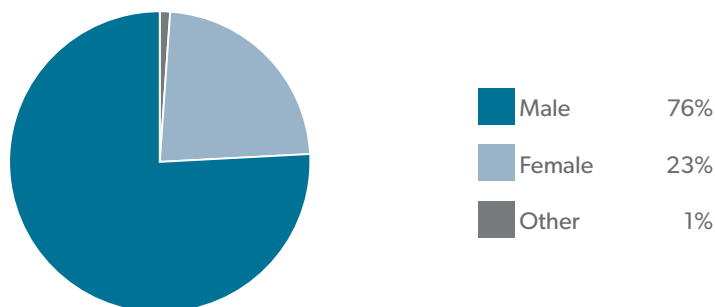
The Q1 2021 Director Sentiment Monitor had 245 respondents. In addition, 74% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 26th March - 12th April 2021.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys in 2020 are also included in this publication in certain instances. The findings in this research have been rounded up or down to the nearest decimal point. For the majority of questions, respondents were given the option of one response. In certain cases, these figures will not add up to 100% due to rounding up or down of percentages. The exception is for Figure 11, where the respondents were given the option to have multiple responses. For this reason, each response given is a percentage of the full sample and the results will not add up to 100%.

Gender

The Q1 2021 survey had 76% of respondents who were male and 23% who were female.

Figure 1: Gender of respondents

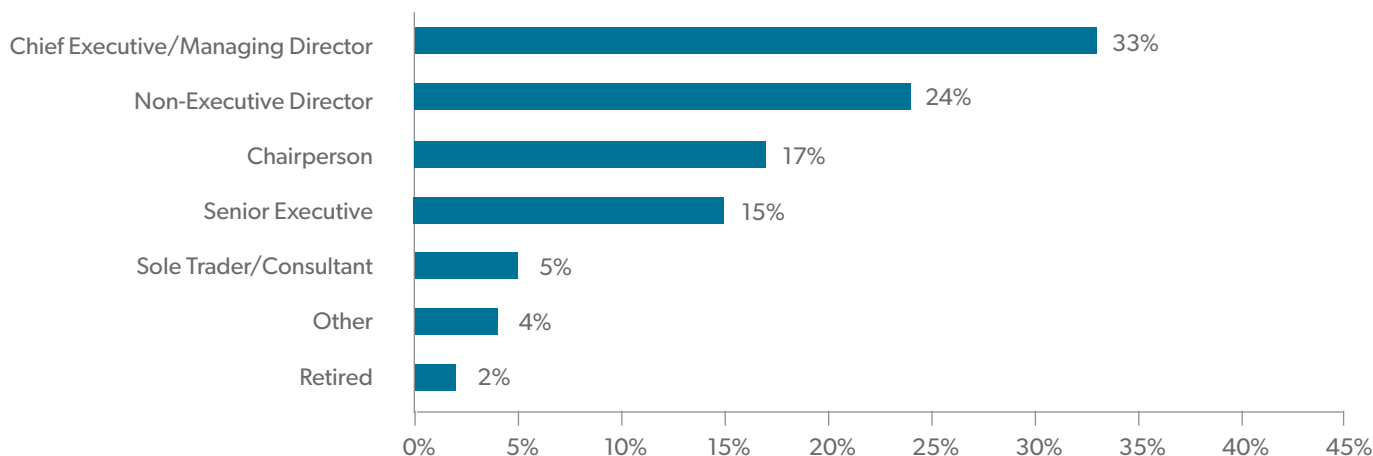


Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Role/Position

The respondents to the Q1 2021 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



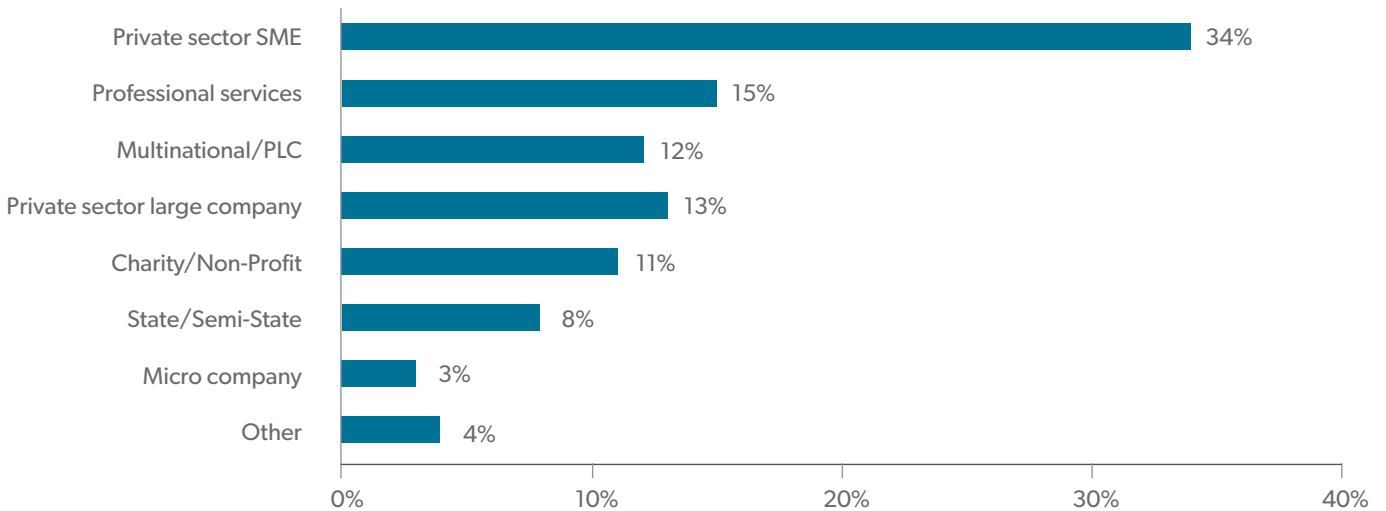
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Demographics

Company Type

The respondents to the Q1 2021 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

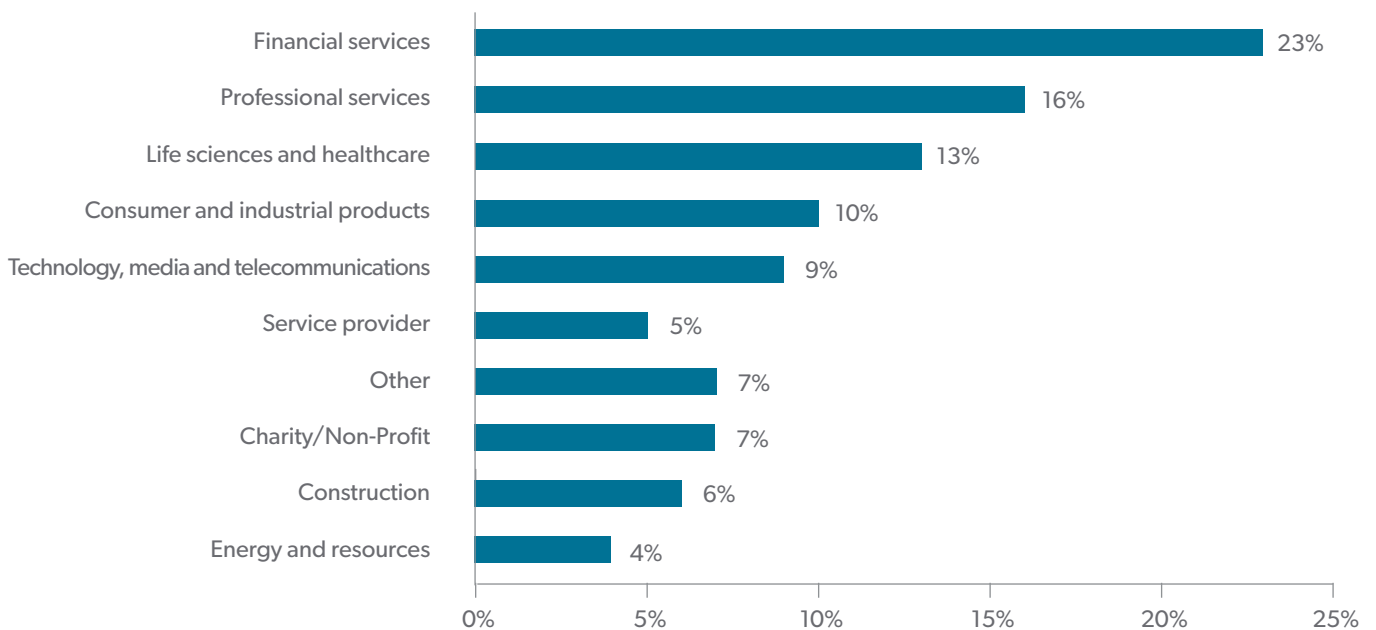


Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Industry Sector

The respondents to the Q1 2021 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

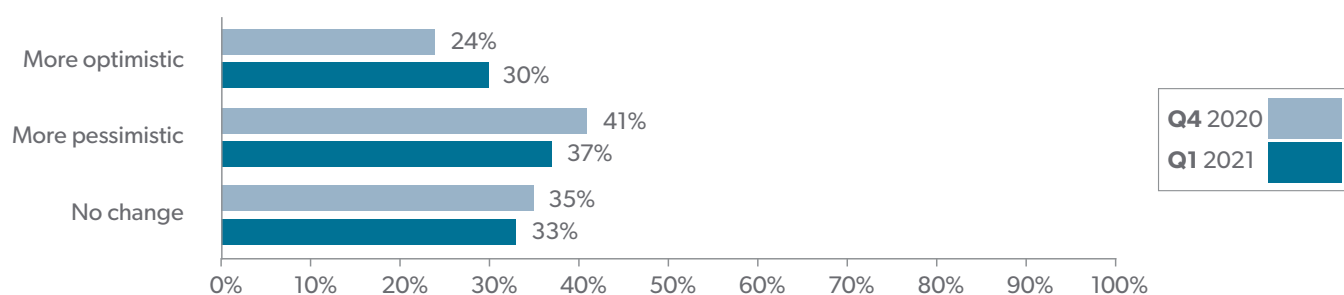
The Economy and Trade

Business Confidence and the Irish Economy

After the seismic impact on sentiment as a result of the arrival of COVID-19 in 2020, there was a slight return to a more positive outlook in the previous two quarters and this has continued into Q1 2021.

- 37% of directors are 'more pessimistic' in respect of the economy in Q1 2021 compared to 41% in Q4 2020, an improvement in positive sentiment of 4%.
- 30% of directors are 'more optimistic' in Q1 2021 compared to 24% in Q4 2020, 6% increase quarter-on-quarter.
- In Q1 2021, 33% of business leaders signified 'no change' in how they feel about the economy compared to 35% in Q4 2020, a 2% decrease.

Figure 5: Business confidence in the Irish economy in Q1 2021 compared to Q4 2020



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

The Economy and Trade

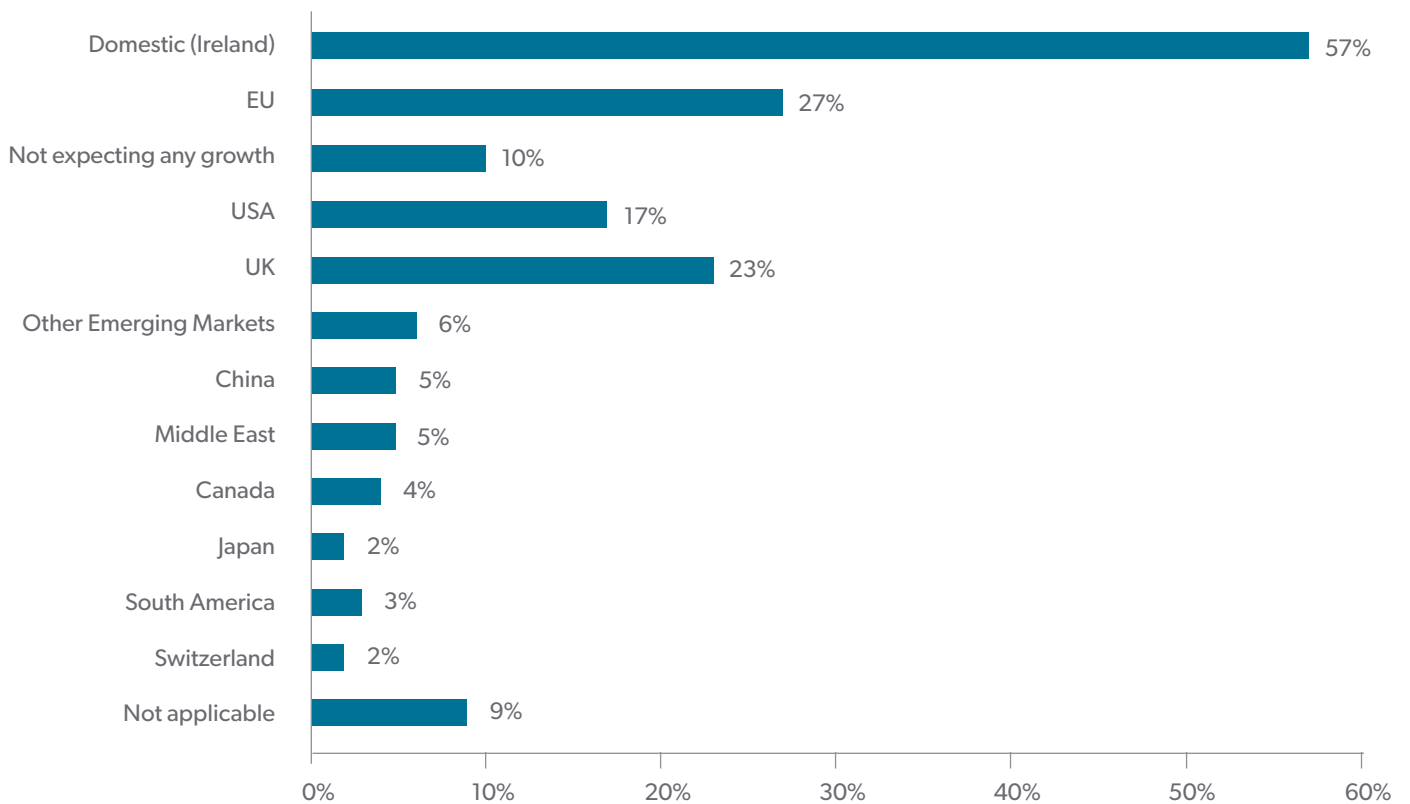
Market Growth

Notwithstanding the COVID-19 crisis and its impact on domestic and overseas markets, plus issues regarding the impact of Brexit, there has been an increase in positive sentiment in respect of the four main markets quarter-on-quarter and year-on-year.

- The domestic market ranked highly for 50% of respondents in Q4 2020 and this has increased by 7% to 57% in Q1 2021. The UK has also increased by 7%, from 16% in Q4 2020 to 23% in Q1 2021. The EU and the US have seen a 1% increase each, quarter-on-quarter, with the US moving from 16% in Q4 2020 to 17% in Q1 2021 and the EU moving from 26% in Q4 2020 to 27% in Q1 2021.
- The most significant movements in anticipated opportunities for market growth are seen in the year-on-year figures. Where the domestic market figured highly for 33% of respondents in Q1 2020, it has increased substantially by Q1 2021 to 57%, which is a 24% increase year-on-year. Where the EU was in second place in terms of anticipated market growth in Q1 2020 with 16% of respondents, year-on-year it has increased by 11% to 27% in Q1 2021. The UK has increased from 15% in Q1 2020 to 23% in Q1 2021, an increase of 8%. The US has increased from 13% in Q1 2020 to 17% in Q1 2021, a 4% increase.

Outside of these top four markets, there has been little movement of any significance in the other markets cited in our survey during 2020 and into Q1 2021. (Please note for this question, respondents were given the option to select multiple responses. Therefore, each response given is a percentage of the full sample, for example, the EU is 27% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 6: In respect of your primary organisation, in which markets do you anticipate opportunities for growth during the second quarter of 2021?



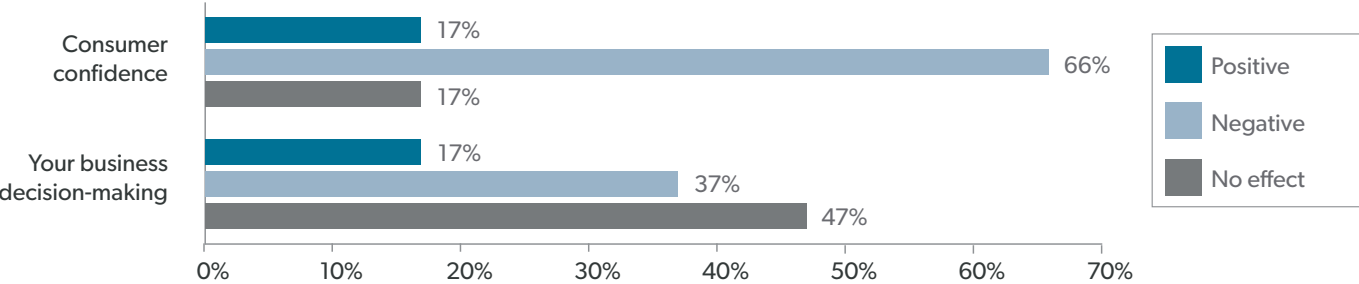
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

The Economy and Trade

Effect of Government's Performance

66% of respondents to our survey believe that the effect of the current Government's performance on consumer confidence has been negative, with 17% believing it has been positive. These compare with 51% and 25%, respectively, in Q4 2020. In addition, 37% believe the Government's effect on their business decision-making has been negative, while 17% say it has been positive. This compares with 34% and 25%, respectively, in Q4 2020. Also of significance are the findings related to those who say the Government's performance has had no effect on consumer confidence (17% in Q1 2021, but 23% in Q4 2020) and on their business decision-making (47% in Q1 2021, but 42% in Q4 2020).

Figure 7: What do you believe has been the effect of the current Government's performance to date on the following?



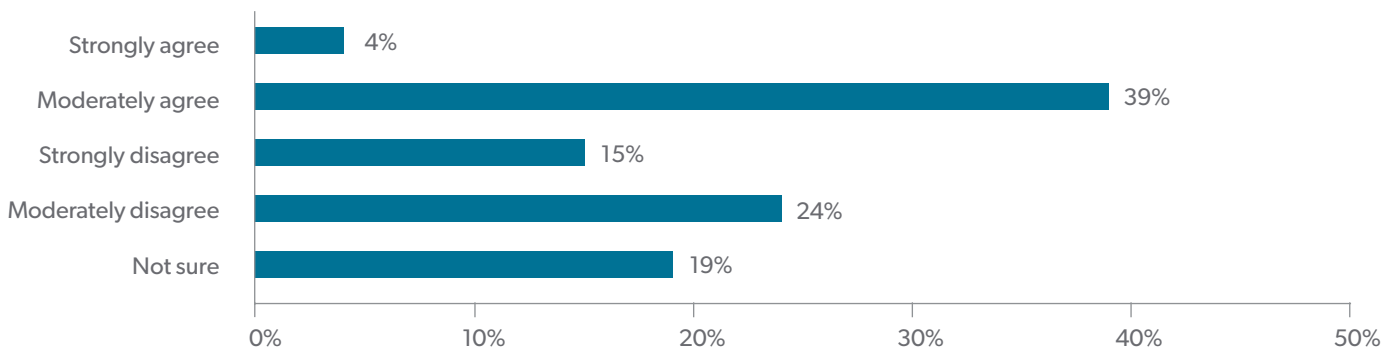
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

The Economy and Trade

Trade Relations

Figure 8: In respect of your primary organisation, do you agree that the EU-UK Trade and Cooperation Agreement has brought much needed clarity to post-Brexit trade relations between Ireland and the UK?

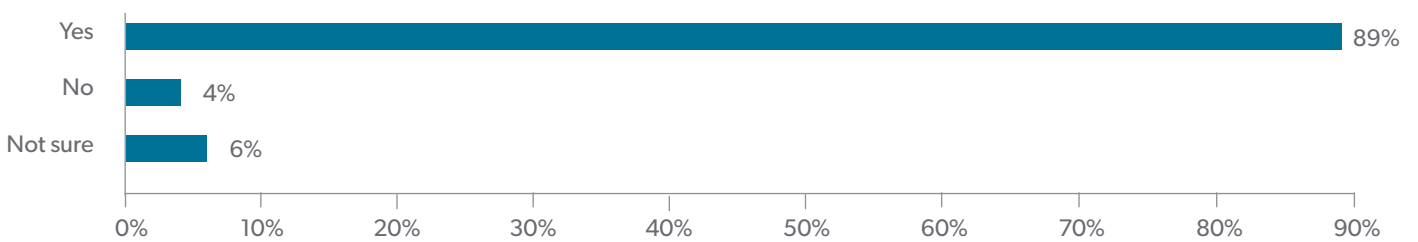
There is just a 4% difference between those respondents who either strongly or moderately agree that the EU-UK Trade and Cooperation Agreement has brought much needed clarity to post-Brexit trade relations between Ireland and the UK (43%) and those who either strongly or moderately disagree that it does not (39%). Almost a fifth (19%) are not sure if it does or not.



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Figure 9: Post-Brexit and the international vaccine rollout, do you think the Irish Government needs to actively improve business and trade relations with the UK Government?

It is clear that a significant majority (89%) of respondents in Q1 2021 believes the Irish Government needs to actively improve business and trade relations with the UK Government.



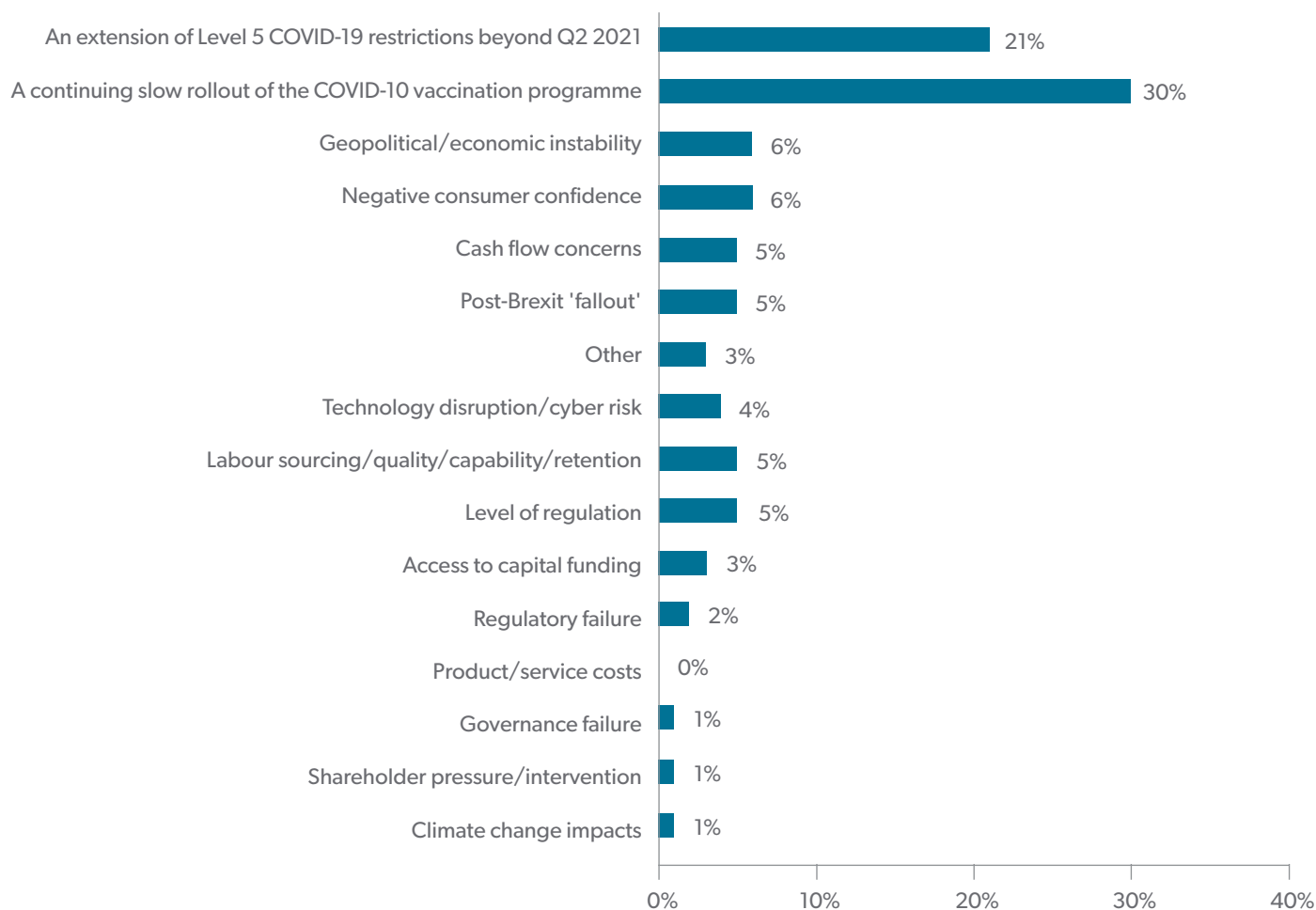
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Financial Performance and Risk

Risk Factors

In Q4 2020, the two biggest risks for our respondents were COVID-19 related: a slow rollout of the COVID-19 vaccination programme (33%) was the single biggest risk, followed by an extension of Level 5 restrictions beyond Q1 2021 (23%). In Q1 2021, the same two risk factors dominate, with 'a continuing slow rollout of the COVID-19 vaccination programme' (30%) the single biggest risk, followed by 'an extension of Level 5 restrictions beyond Q2 2021' (21%). These are followed by 'negative consumer confidence' (6%) and 'geopolitical/economic instability' (6%).

Figure 10: The single biggest risk respondents say is facing their organisation at present



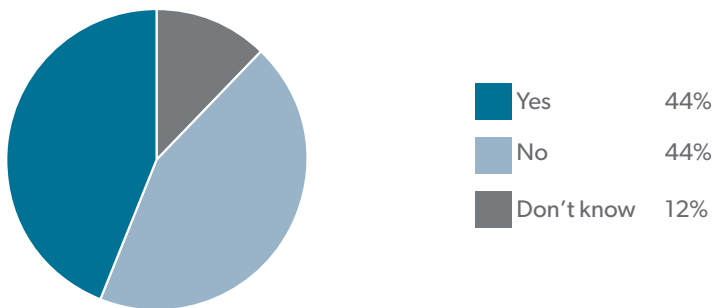
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Financial Performance and Risk

Financial Performance

Optimistic sentiment in terms of financial performance was more evident as we approached the end of 2020 and this has continued into Q1 2021. In Q4 2020, 37% of our respondents believed the financial performance of their primary organisation would improve in Q1 2021 and this has increased by 7% to 44% in respect of Q2 2021. Furthermore, it was not surprising that after such a difficult year in 2020, 52% of business leaders believed the financial performance of their primary organisation would not improve in Q1 2021 but, when looking towards Q2 2021, this has fallen by 8% to 44%, signifying a positive shift.

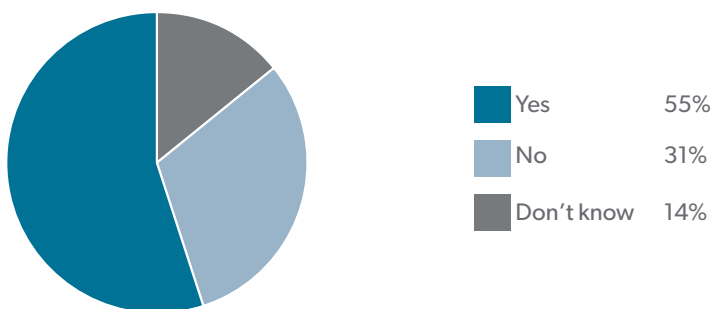
Figure 11: Do you think that the financial performance of your primary organisation will improve in Q2 2021?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

When looking beyond Q2 2021 to the whole year, a majority of our respondents are also optimistic, with 55% believing the financial performance of their primary organisation will improve for the year 2021 while 31% do not. 14% answered 'Don't know'.

Figure 12: Do you think that the financial performance of your primary organisation will improve for the year 2021?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Working Life

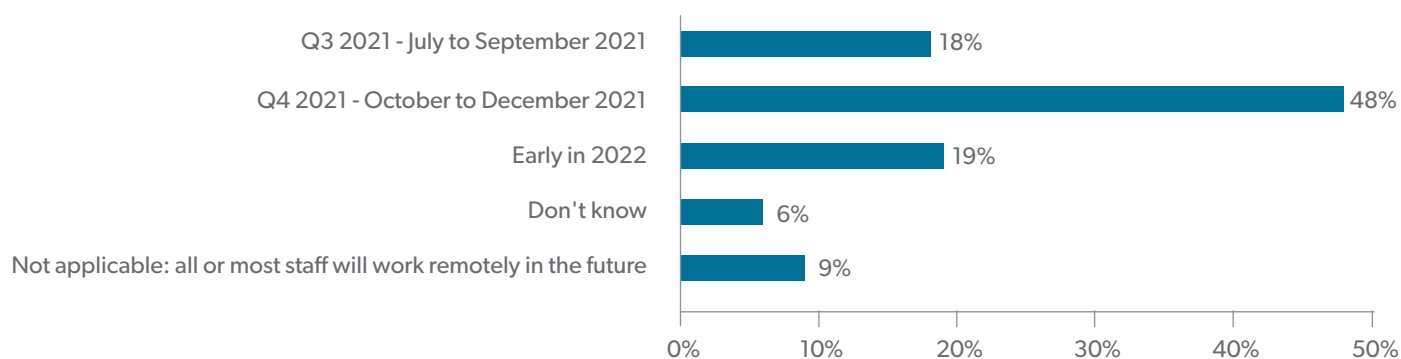
Return to Company Workplace

In our Q3 2020 Director Sentiment Monitor, business leaders saw Q2 2021 (26%) and Q3 2021 (23%) as the most likely periods when the majority of their staff would return to the company workplace. The rollout of a new national vaccination programme added a new perspective to our Q4 2020 survey findings which saw that result moved further out in the calendar to Q4 2021 for 37% of respondents, with Q3 2021 favoured by 33%.

In our latest research for Q1 2021, 48% now believe it will be Q4 2021, an increase of 11% on the previous findings. Q3 2021 is now seen as less likely, with 18% believing that is the most likely return period for the majority of staff, a drop of 15%. Indeed, 'Early in 2022' is seen as the second most likely outcome from our latest research, with 19% believing that to be the possible return period for a majority of staff.

Just 6% of respondents in Q1 2021 say they don't know the likely return date, while 9% say all or most staff will work remotely in the future, both of which are consistent with the previous quarter's findings.

Figure 13: In respect of your primary organisation, and in view of the phased nationwide vaccine rollout, do you foresee the majority of staff being in the office/workplace by?

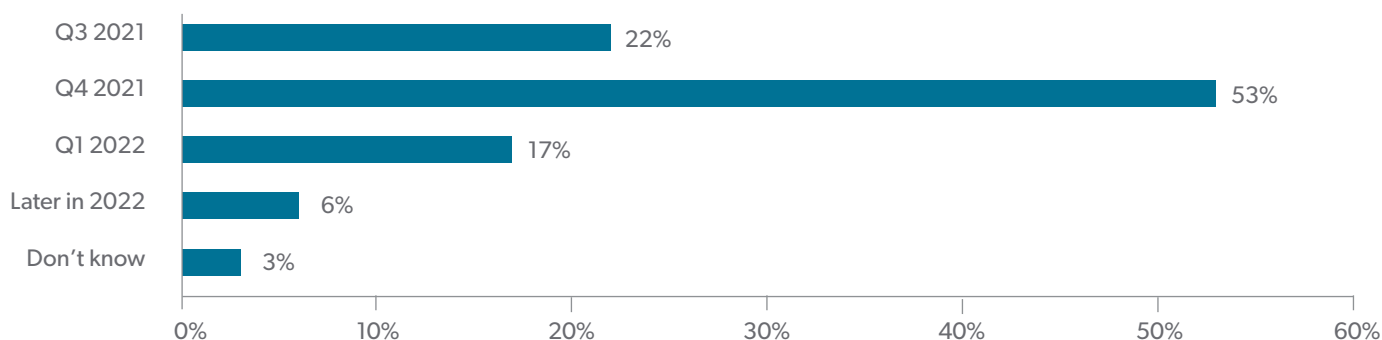


Source: IoD Ireland Director Sentiment Monitor Q1 2021.

The Economy and Vaccination Rollout

Figure 14: When do you think the majority of the Irish public will be fully vaccinated against COVID-19 so that the economy can fully reopen?

As with the previous question regarding return to the company workplace, a majority of respondents (53%) believes that Q4 2021 will be the crucial quarter when the economy can fully reopen following a largely completed national vaccination programme. Just over one-fifth (22%) think this will be achieved in Q3 2021, while 17% believe it will be in Q1 2022 or later next year.



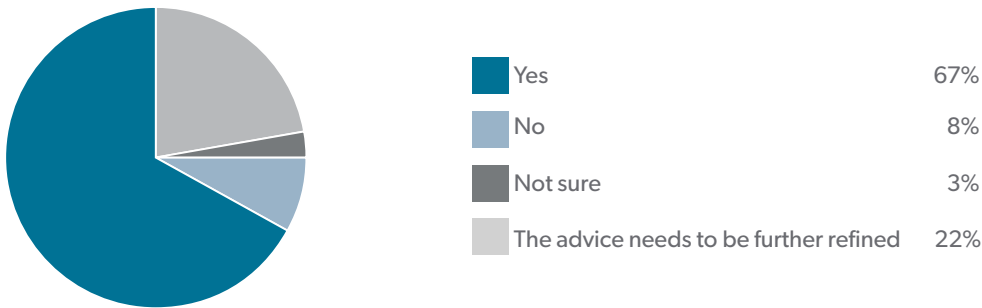
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Working Life

Remote Working and Government Advice

Figure 15: Do you think employers should continue to follow the Government’s advice with regard to working from home for all non-essential staff?

A clear majority (67%) of our respondents believes in following the Government’s advice with regard to working from home for all non-essential staff. 22% believe that advice needs to be further refined, with suggestions by those who offered additional comments that this advice could take account of the vaccination status of some or all staff.



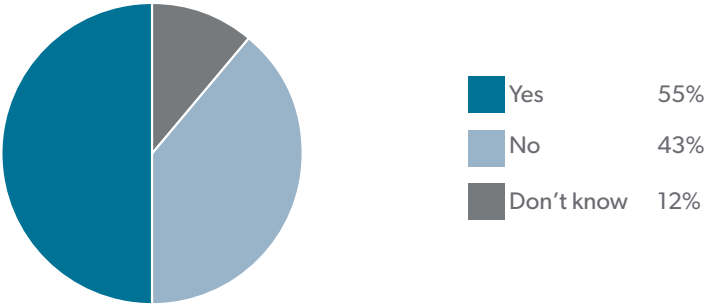
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Governance

Environmental, Social and Corporate Governance (ESG)

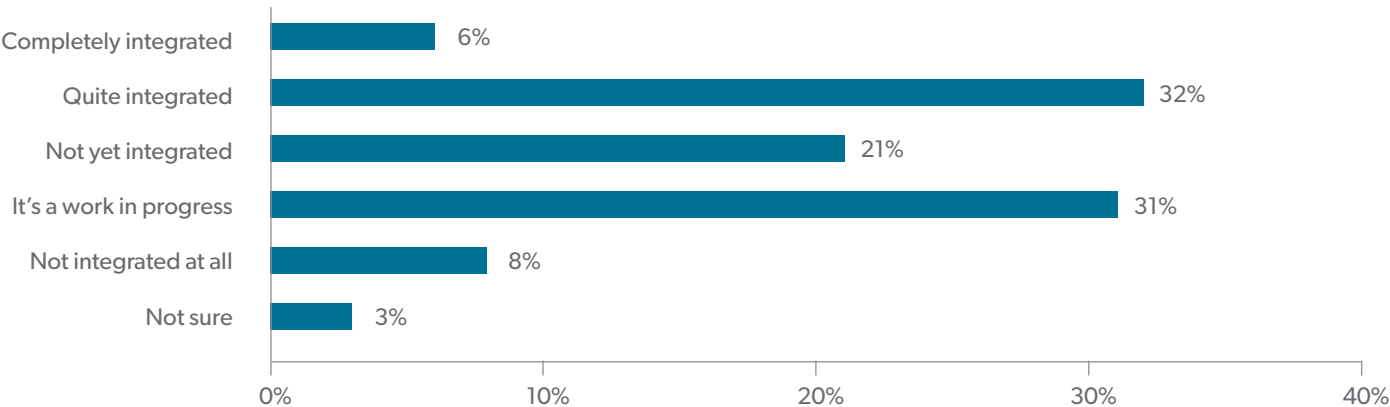
The increased awareness and inclusion of Environmental, Social and Corporate Governance (ESG) issues is reflected in our Q1 2021 research findings, with a majority (55%) of respondents saying ESG matters have been added as a regular standing item on their board’s agenda. Furthermore, in our second question on this issue, when we asked about the level of integration of (ESG) principles in their primary organisation’s supply chain and operations, 38% said they are completely or quite integrated, while just 8% said they are not integrated at all. Interestingly, the majority of respondents (52%) said that ESG principles are not yet integrated (21%) or that the integration is a work in progress (31%).

Figure 16: In respect of your primary organisation, have Environmental, Social and Corporate Governance (ESG) issues been added as a regular standing item on your board’s agenda?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Figure 17: In respect of your primary organisation, how integrated are Environmental, Social and Corporate Governance (ESG) principles in your organisation’s supply chain and operations?



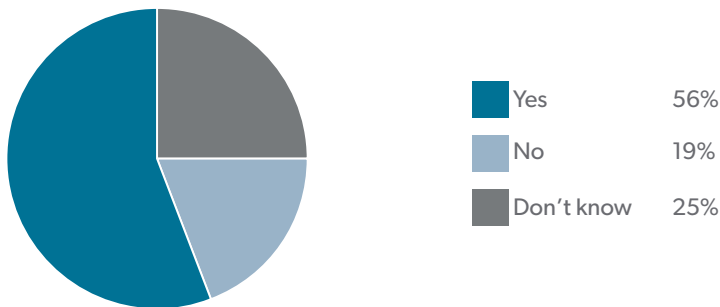
Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Governance

Accountability

While a majority of respondents (56%) are personally in favour of the concept of directors’ individual accountability, as proposed by the Senior Executive Accountability Regime (SEAR), a quarter (25%) are not sure if they are in favour of it, while 19% are not. That said, 65% of respondents think the Government should proceed with the introduction of the Central Bank (Amendment) Bill 2019 – which includes provisions relating to Senior Executive Accountability Regime (SEAR) and Conduct Standards on all Regulated Financial Service Providers (RFSP), while just 11% believe they should not. Again, a quarter (25%) of respondents say they don’t know if the Government should proceed with the legislation.

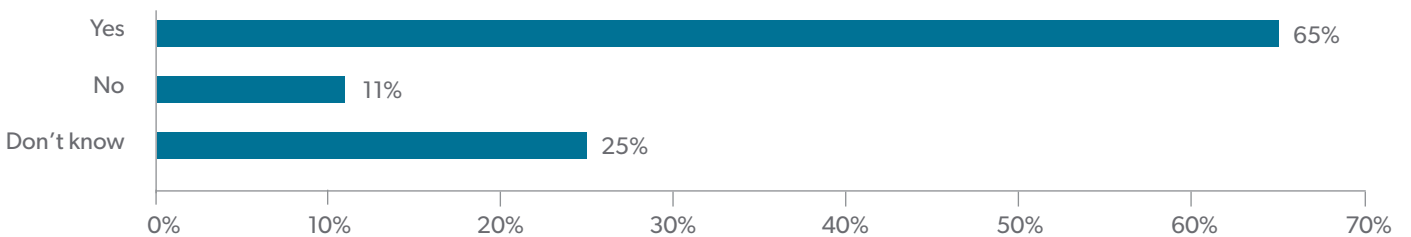
Figure 18: Are you personally in favour of the concept of directors’ individual accountability, as proposed by the Senior Executive Accountability Regime (SEAR)?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

When looking at respondents in the financial sector alone, the figures are: Yes (69%), No (19%), Don’t know (13%).

Figure 19: Do you think the Government should proceed with the introduction of the Central Bank (Amendment) Bill 2019 – which includes provisions relating to Senior Executive Accountability Regime (SEAR) and Conduct Standards on all Regulated Financial Service Providers (RFSP)?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

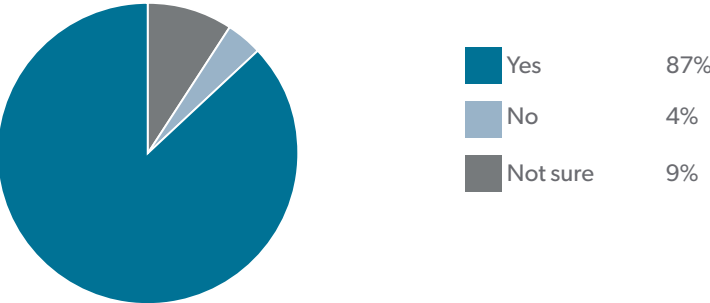
When looking at respondents in the financial sector alone, the figures are: Yes (67%), No (19%), Don’t know (15%).

Governance

Directors and Officers (D&O) Insurance

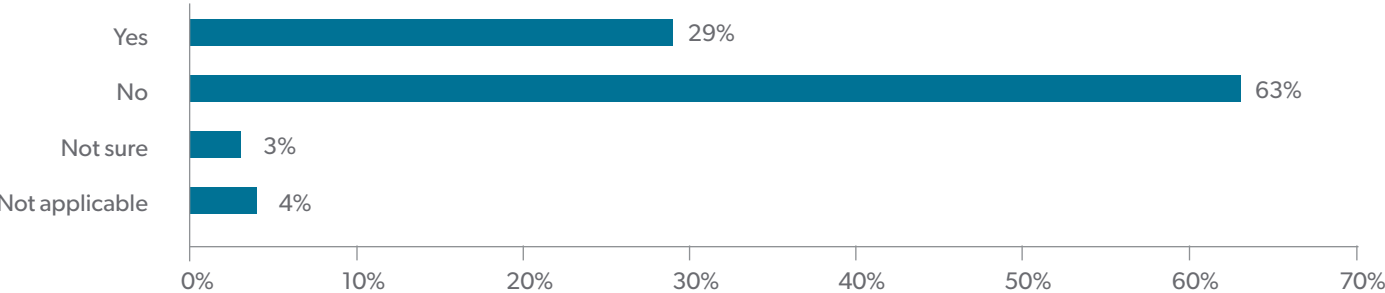
Our research finds that there is little doubt about the importance of indemnity insurance, with an overwhelming majority (87%) of our respondents viewing Directors & Officers Insurance 'an essential' that all directors should have. Furthermore, a substantial majority (63%) says they do not have their own personal D&O Insurance in addition to that provided by the company/organisation on whose board/s they serve. However, 29% say they do have their own personal D&O Insurance in addition to that provided by the company/organisation on whose board/s they serve.

Figure 20: Do you consider that Directors & Officers (D&O) Insurance is 'an essential' that all directors should have?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Figure 21: Do you have your own personal Directors & Officers (D&O) Insurance for each board on which you serve, in addition to that provided by the company/organisation?

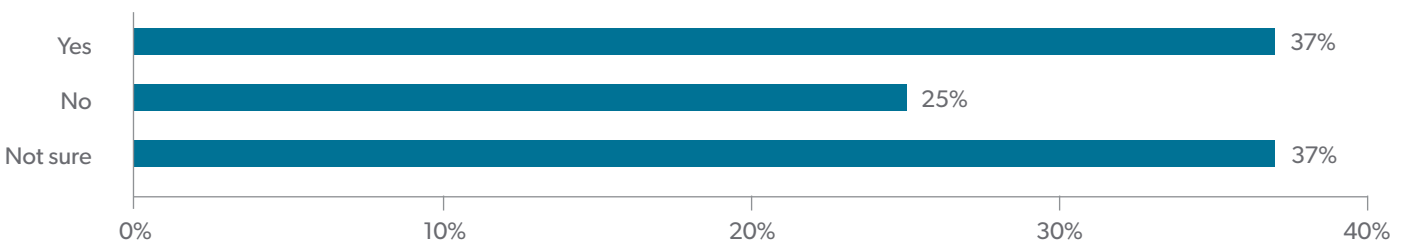


Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Governance

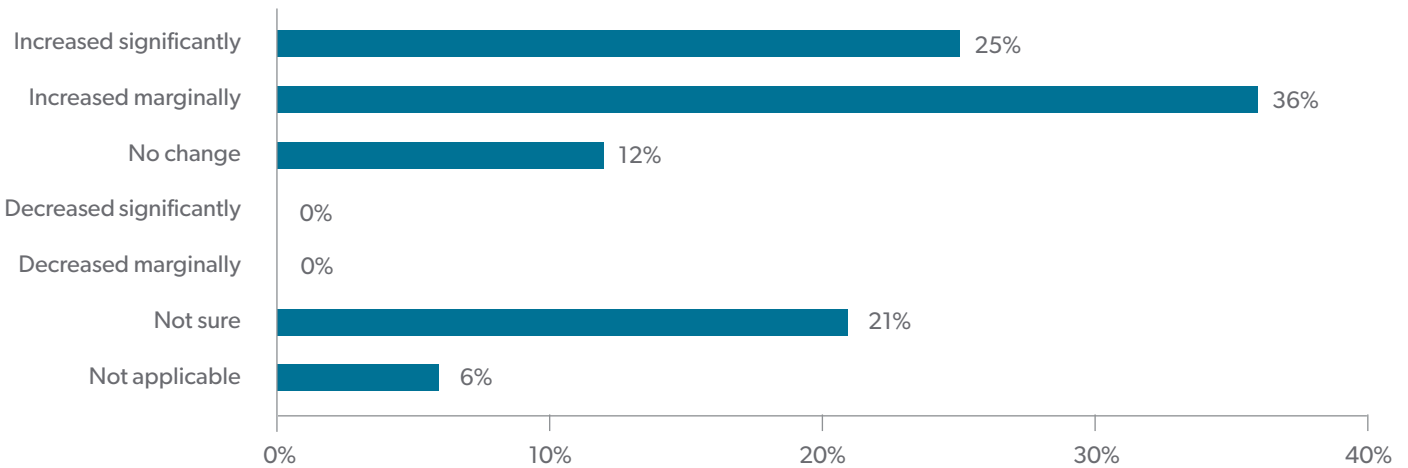
Those who answered 'yes' to the previous question (See Fig 21) were then asked if they believe it has become more difficult to obtain D&O Insurance cover over the past year: 37% answered 'yes', 25% answered 'no' and another 37% were 'not sure'. They were then asked to select from a number of options regarding the cost of D&O Insurance and which statements were correct with regard to their D&O Insurance policy over the past year, and 61% replied that the cost has increased either marginally or significantly, with 12% saying there had been 'no change' and 21% saying there were 'not sure'. Not one respondent selected 'decreased significantly' or 'decreased marginally'.

Figure 22: Do you believe it has become more difficult to obtain D&O Insurance cover over the past year?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Figure 23: In respect of cost, which of the statements below is correct with regard to your D&O Insurance policy over the past year?

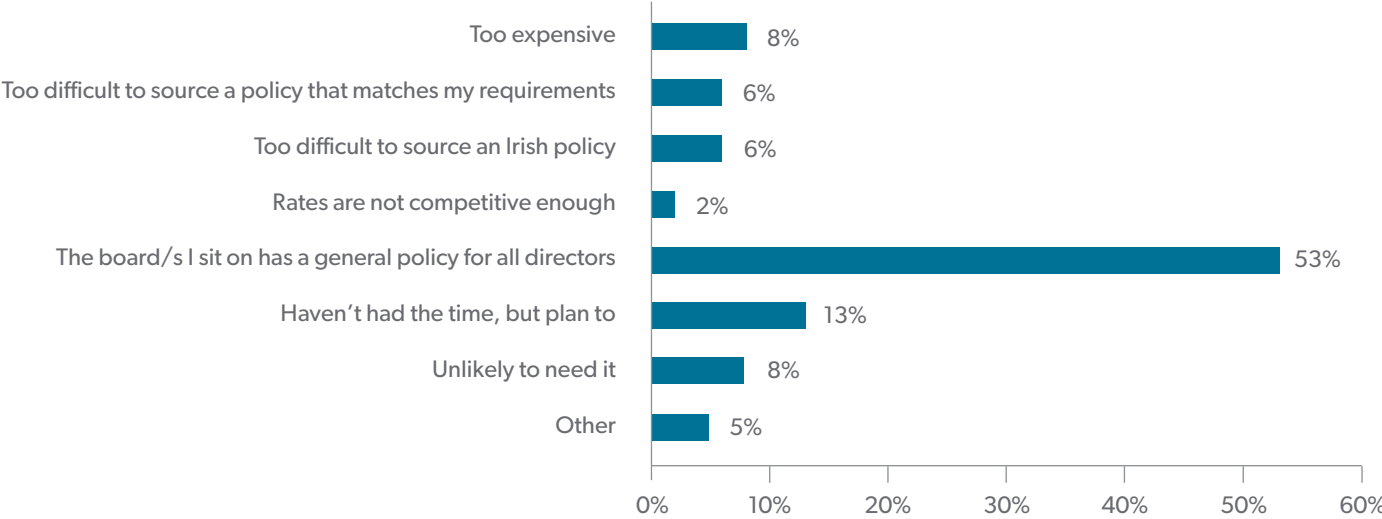


Source: IoD Ireland Director Sentiment Monitor Q1 2021.

Governance

Those who answered 'No' to the question in Fig. 21 (page 17), 'Do you have your own personal Directors & Officers (D&O) Insurance for each board on which you serve, in addition to that provided by the company/organisation?' were then asked the question, 'What do you believe is the primary reason for you deciding not to take out individual D&O insurance for any board on which you serve?' and asked to select from a number of options. A majority (53%) selected 'The board/s I sit on has a general policy for all directors' while 13% said they 'Haven't had the time, but plan to'. Just 8% selected 'Too expensive' while 2% chose 'Rates are not competitive enough'. Difficulty in sourcing the right policy (6%) or an Irish policy (6%) also featured. Interestingly, 8% chose 'Unlikely to need it'.

Figure 24: What do you believe is the primary reason for you deciding not to take out individual D&O insurance for any board on which you serve?



Source: IoD Ireland Director Sentiment Monitor Q1 2021.



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