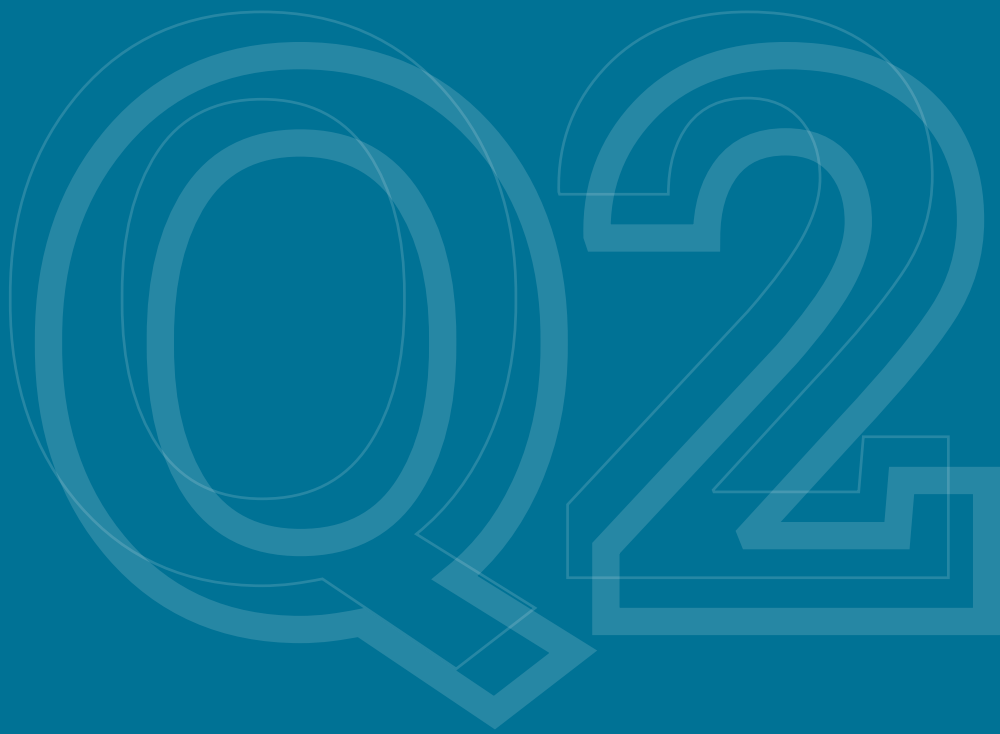




INSTITUTE OF DIRECTORS
IN IRELAND

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



Our latest quarterly Director Sentiment Monitor (DSM) for Q2 2021 provides insights into our members' views on a range of topics, in particular the growing importance of Environmental, Social and Corporate Governance (ESG) issues, with 72% of respondents indicating that ESG has now become part of their board's agenda.

Further detail confirms which elements of ESG their boards are most focused on, with 50% of respondents saying 'Governance' and 41% saying 'Environmental', and just 10% saying 'Social'.

Looking more broadly, when asked what they believe will be the most desired experience/expertise needed by their primary organisation's board over the next two years, ESG (29%) came in second to strategy (35%). We also see as noteworthy the prioritisation of innovation (24%), cyber security (22%), digital (21%), marketing/sales/business development (21%) and risk management (21%). The pandemic has impacted just about every organisation - as it has the rest of society - and this movement in relation to board members' expertise and experience reflects this.

A further indication of the seismic societal change wrought by the COVID-19 pandemic is seen in our members' views in relation to the nature of work or, more precisely, where their organisations' staff will work once the relevant restrictions are lifted. While a resounding 69% of respondents to our DSM Q2 2021 survey say that all staff will work a mix of being in the office/workplace and working remotely (i.e. a hybrid model), just 8% indicate that all staff will exclusively work in the office/workplace, while just 2% indicate that all staff will exclusively work remotely. Significant change, then, but it remains to be seen how sustainable these findings will be in practice as we all negotiate the coming months.

Q3 and Q4 2021 will also be vitally important for the wider economy, not least in relation to the importance of the Government's Budget 2022 in October and the international negotiations regarding the OECD taxation proposals. Our members' views on these issues, and more, are also revealed in this report.

Thank you to all our members who took part in this latest IoD Ireland quarterly survey. We value your participation and insights.

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

Demographics

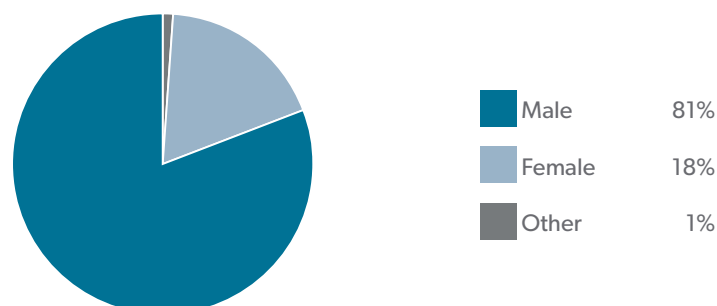
The Q2 2021 Director Sentiment Monitor had 226 respondents. In addition, 72% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 22nd June 2021 - 23rd July 2021.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys 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 exceptions are for Fig 6: Market Growth, Fig 12: Ireland's competitiveness and Fig 22 and Fig 23: Governance, 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 Q2 2021 survey had 81% of respondents who were male and 18% who were female.

Figure 1: Gender of respondents

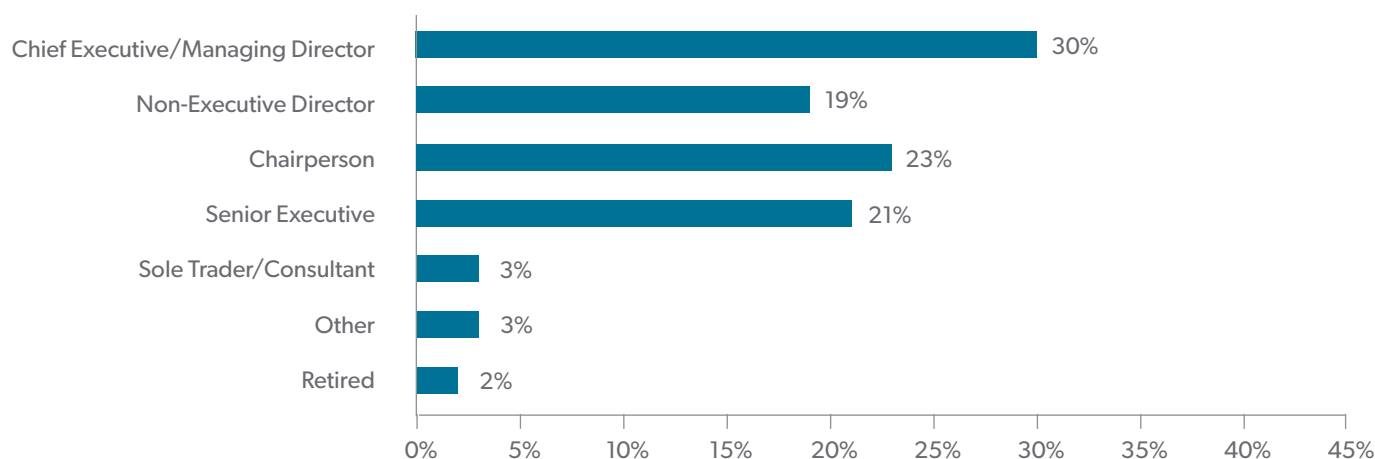


Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Role/Position

The respondents to the Q2 2021 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



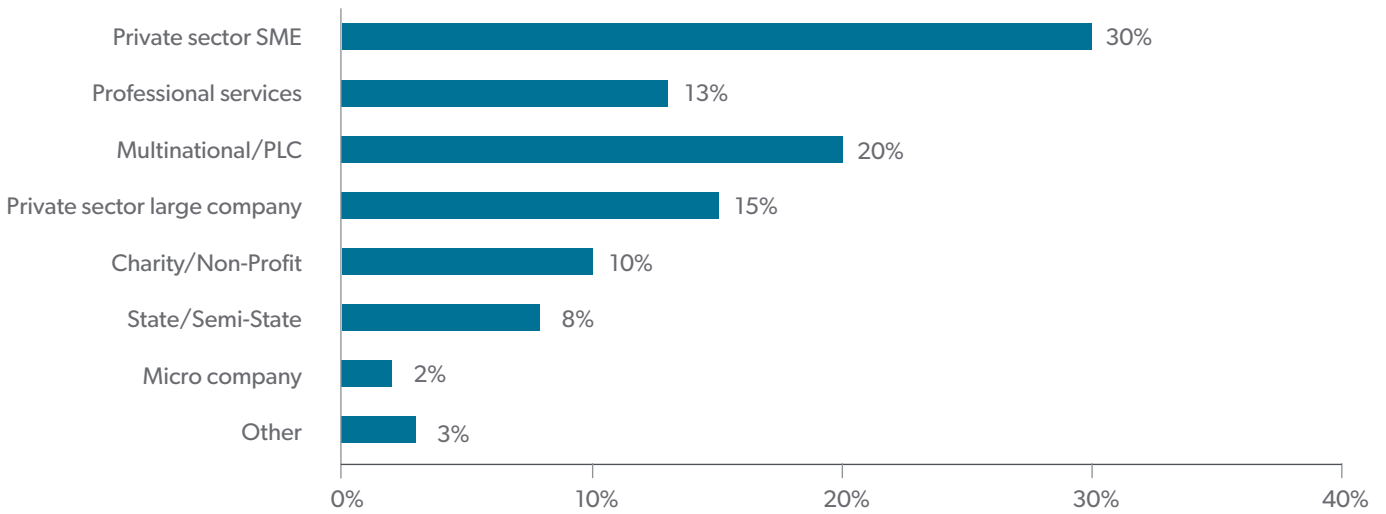
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Demographics

Company Type

The respondents to the Q2 2021 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

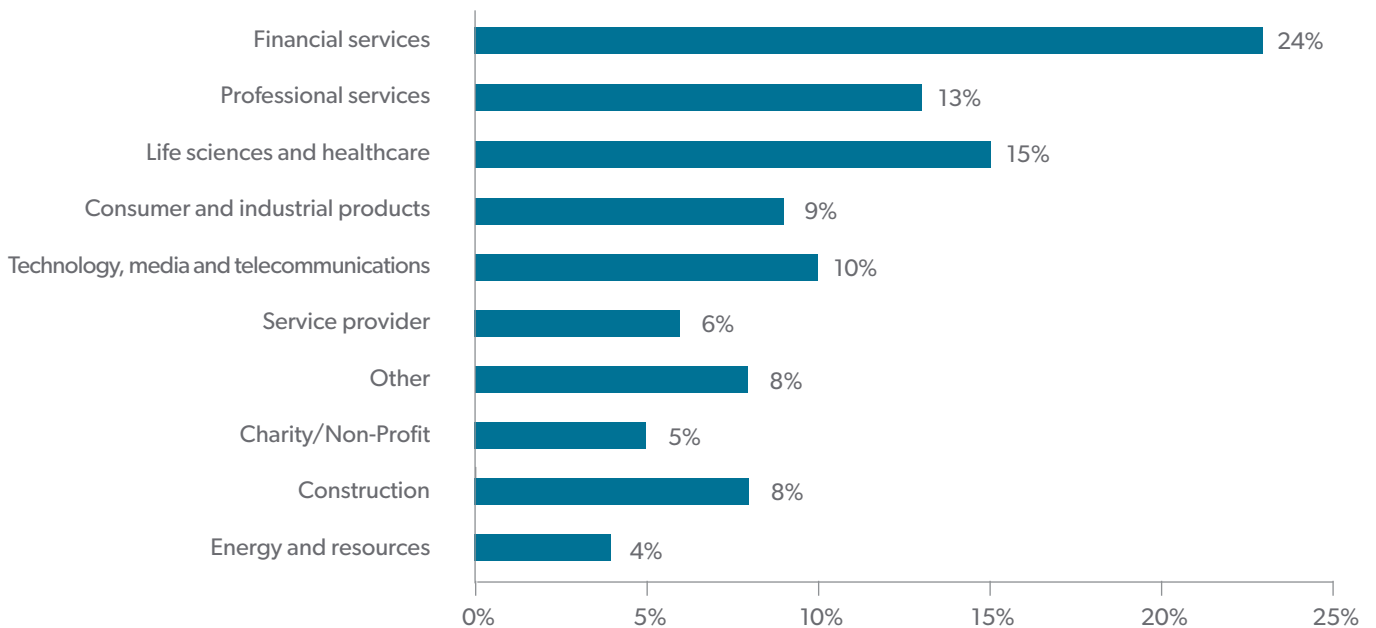


Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Industry Sector

The respondents to the Q2 2021 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

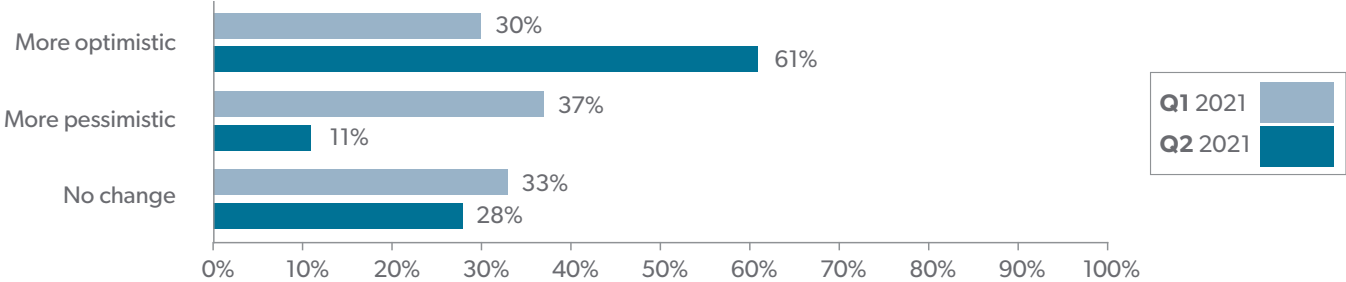
The Economy and Trade

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 Q1 2021 and this has increased significantly in Q2 2021.

- 61% of directors are 'more optimistic' in Q2 2021 compared to 30% in Q1 2021, an increase of 31%.
- Just 11% of directors are 'more pessimistic' in Q2 2021 compared to 37% in Q1 2021, an improvement of 26%.
- In Q2 2021, 28% of business leaders signified 'no change' in how they feel about the economy compared to 33% in Q1 2021, a decrease of 5%.

Figure 5: Business confidence in the Irish economy in Q2 2021 compared to Q1 2021



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

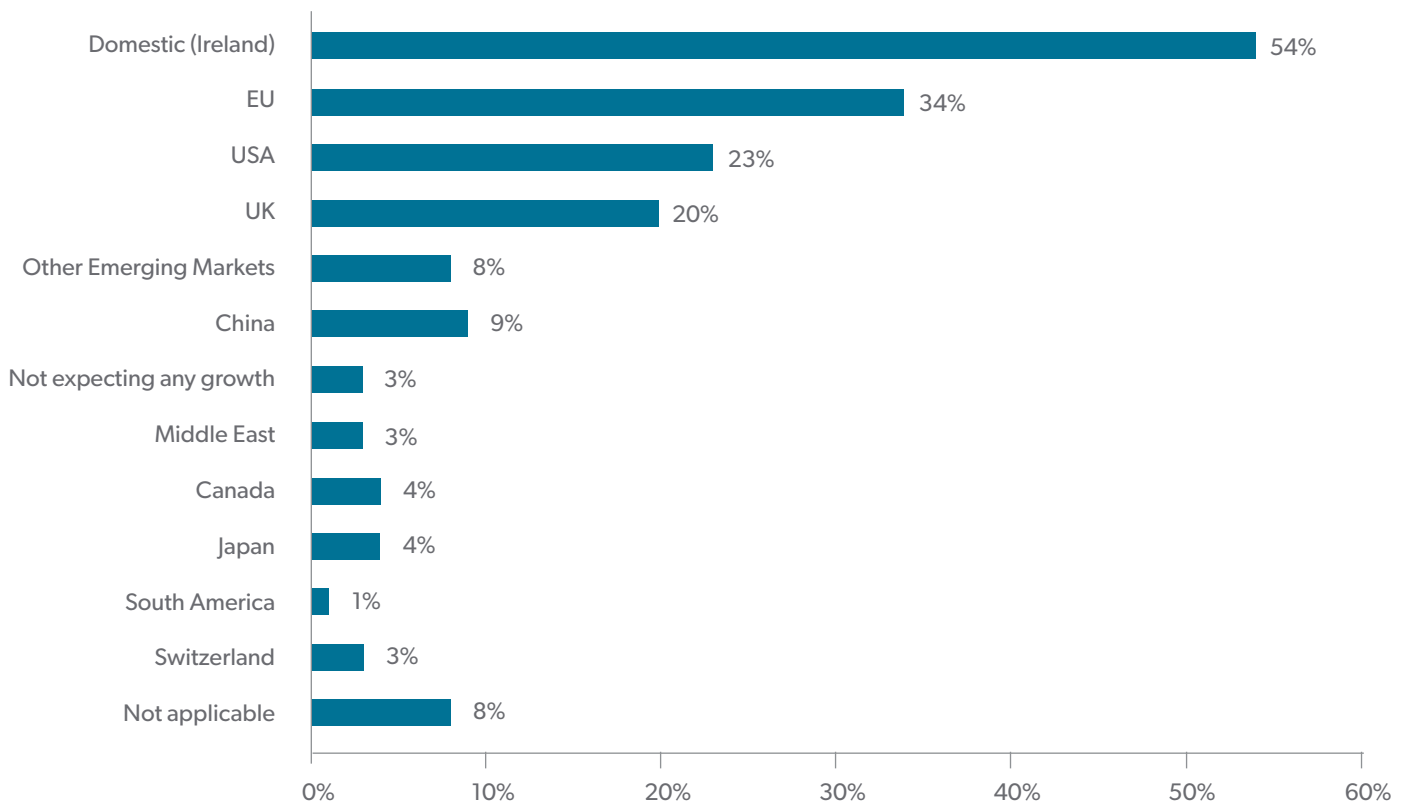
The Economy and Trade

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 notable movement in sentiment quarter-on-quarter and, indeed, year-on-year in terms of opportunities for market growth. (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 34% out of 100%. For this reason, the responses will not add up to 100%.)

- The domestic market ranked highly for 57% of respondents in Q1 2021 but this has decreased slightly by 3% to 54% in Q2 2021. The UK had increased from 16% in Q4 2020 to 23% in Q1 2021, but this has also dropped by 3%, to 20% in Q2 2021. Larger, more positive differentials over time are evident for both the US and EU markets: with the US moving from 16% in Q4 2020 to 17% in Q1 2021 to 23% in Q2 2021, and the EU moving from 26% in Q4 2020 to 27% in Q1 2021 to 34% in Q2 2021.
- Outside of these top four markets, there has been little movement of any significance in the other markets cited in our survey from Q1 2021 to Q2 2021, although it worth noting that both Japan and China increased quarter-on-quarter, by 2% and 4% respectively.
- It is also noteworthy that in Q1 2021, 10% of directors signified that they were 'not expecting any growth' and this had fallen by 7% in Q2 2021 to just 3%.

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



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

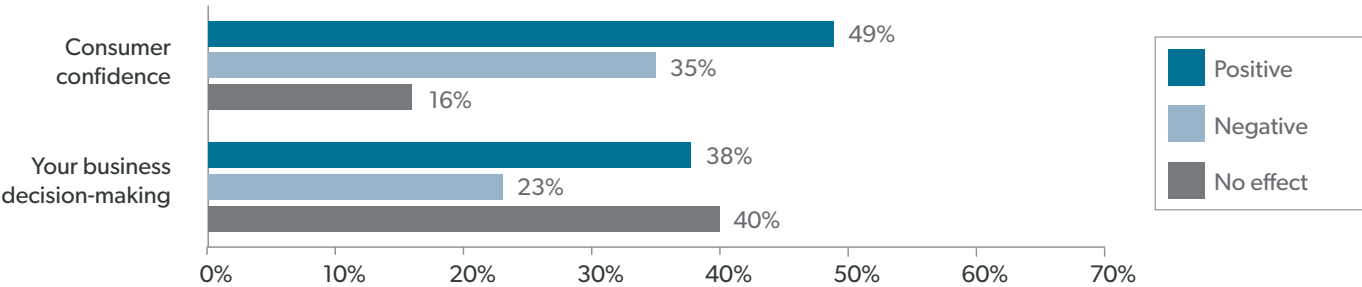
The Economy and Trade

Effect of Government's Performance

There appears to be a significant sea-change in director sentiment quarter-on-quarter with regard to the effect of the current Government's performance to date on consumer confidence, on the one hand, and business decision-making, on the other hand.

- With respect to consumer confidence, in Q1 2021, just 17% of business leaders believed the effect of the current Government's performance to be positive; that has increased to 49% in Q2 2021. Furthermore, in Q1 2021, 66% of business leaders believed the effect of the current Government's performance to be negative; that has decreased to 35% in Q2 2021.
- With respect to directors' decision-making, in Q1 2021 just 17% of business leaders believed the effect of the current Government's performance to be positive; that has now increased to 38% in Q2 2021. Furthermore, in Q1 2021, 37% of business leaders believed the effect of the current Government's performance to be negative; that has decreased to 23% in Q2 2021.
- Worth highlighting, too, are the findings related to those who say the Government's performance has had no effect on consumer confidence (17% in Q1 2021, but 16% in Q2 2021) and on their business decision-making (47% in Q1 2021, but 40% in Q2 2021).

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



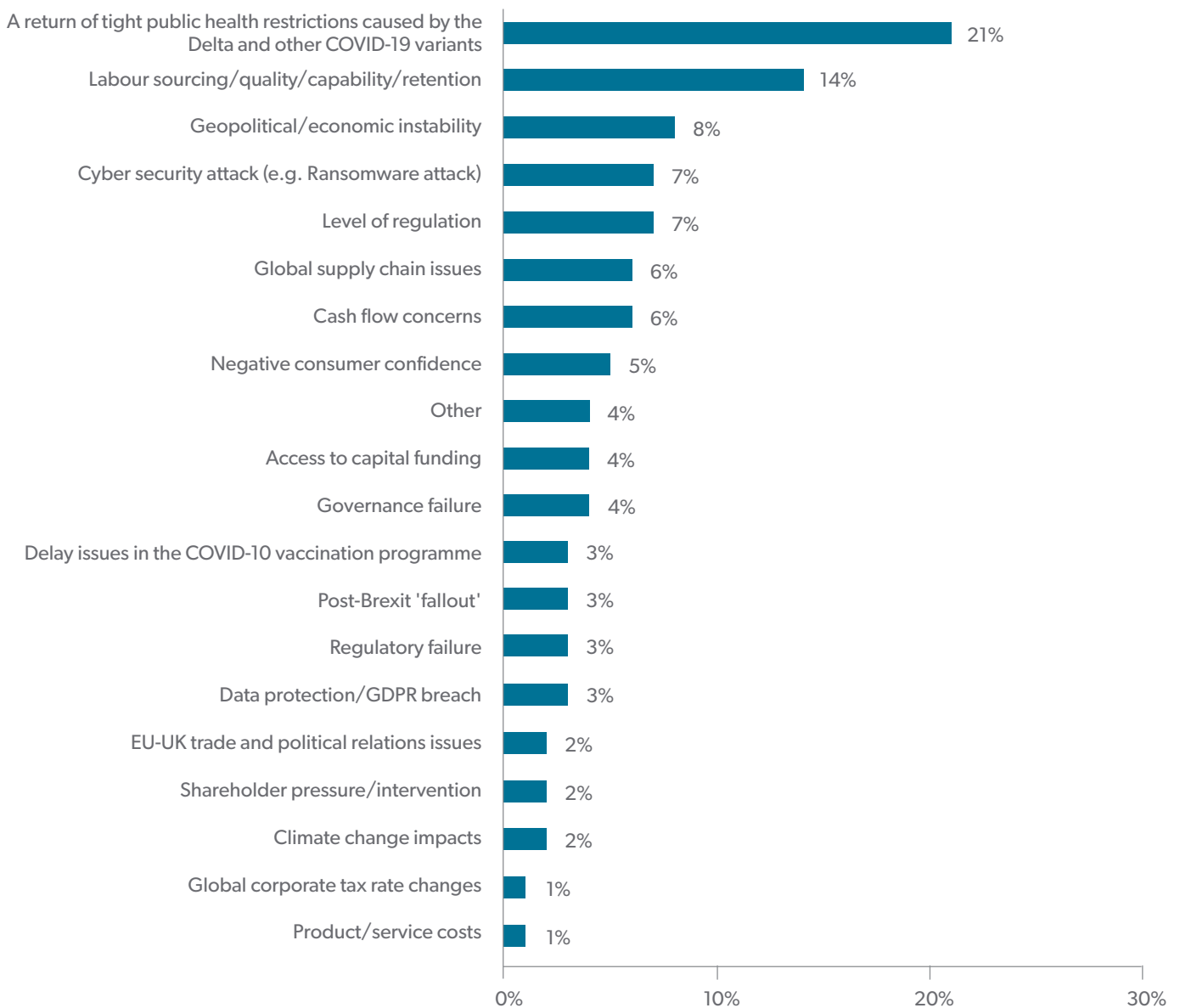
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Financial Performance and Risk

Risk Factors

In Q1 2021, 'a continuing slow rollout of the COVID-19 vaccination programme' (30%) was the single biggest risk, followed by 'an extension of Level 5 restrictions beyond Q2 2021 (21%)'. The themes of COVID-19 and public health continue to dominate in Q2 2021, with the largest group of respondents (21%) selecting their biggest risk as 'a return to tight public health restrictions caused by the Delta and other COVID-19 variants'. Other notable risks selected from our list by business leaders, and some way behind the main risk in terms of percentages, include 'labour sourcing/quality/capability/retention' (14%), 'geopolitical/economic instability' (8%), 'cyber security attack (e.g. Ransomware attack)' (7%), and 'level of regulation' (7%).

Figure 8: The single biggest risk respondents say is facing their organisation at present



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

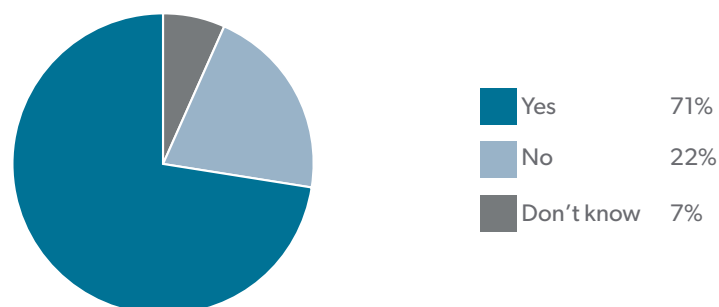
Financial Performance and Risk

Financial Performance

Optimistic sentiment in terms of financial performance was more evident as we approached the end of 2020, and this has continued through Q1 2021 and into Q2 2021.

In Q4 2020, 37% of our respondents believed the financial performance of their primary organisation would improve in Q1 2021. In our Q1 2021 survey, this increased by 7% to 44% in respect of Q2 2021 and, in Q2 2021, we see a further increase of 27% to 71% in respect of Q3 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 fell by 8% to 44% and by another 22% in this period to 22%. Together, both indicators signify an optimistic trend from business leaders.

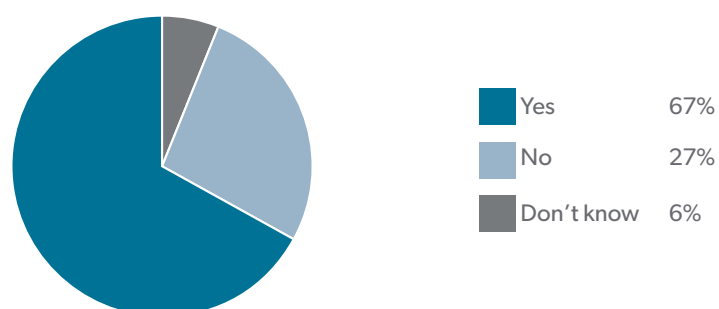
Figure 9: Do you think that the financial performance of your primary organisation will improve in Q3 2021?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

When looking beyond Q3 2021 to the whole year, a majority of our respondents are also optimistic, with 67% believing the financial performance of their primary organisation will improve for the year 2021 while 27% do not. Just 6% answered 'Don't know'.

Figure 10: Do you think that the financial performance of your primary organisation will improve for the year 2021?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

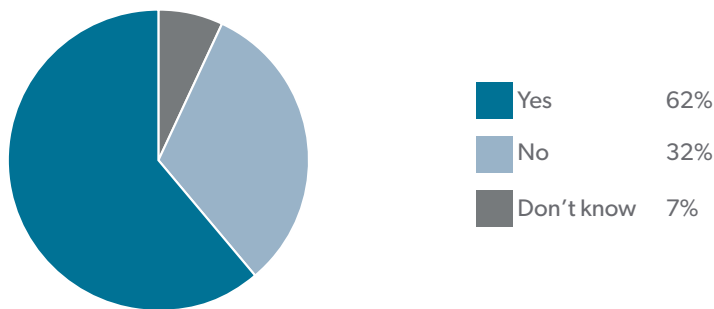
Budget 2022

A Conservative Budget

Caution coming out of the pandemic would seem to be the order of the day, according to our respondents' views on the Government's Budget 2022, to be delivered by the Minister for Finance in October 2021.

A clear majority (62%) of business leaders, who responded to our research, thinks the Government should deliver a conservative Budget to prevent the economy overheating too rapidly as public health restrictions are eased in the coming period, while 32% of respondents do not.

Figure 11: Do you think the Government should deliver a conservative Budget in October to prevent the economy overheating too rapidly as public health restrictions are eased in the coming weeks/months?



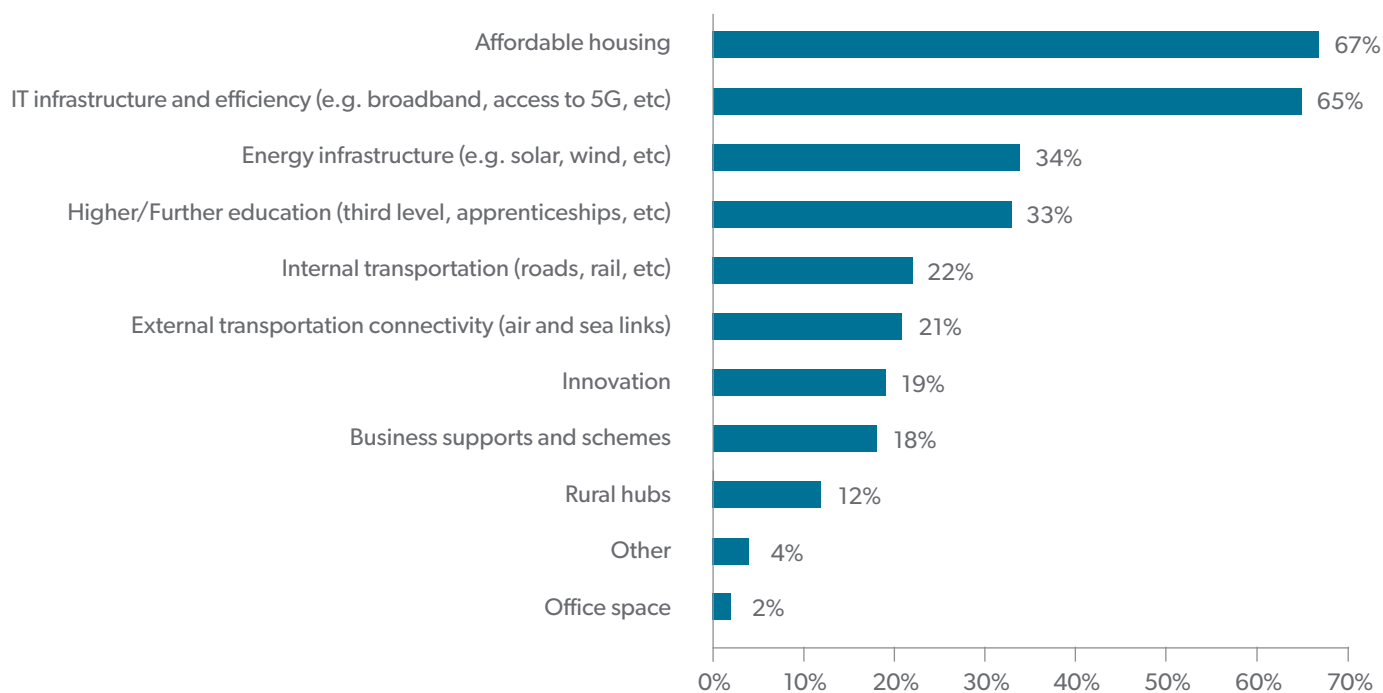
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Budget 2022

Ireland's Competitiveness

When our survey asked business leaders what they see as the top three areas that the Irish Government should prioritise and invest in to boost Ireland's future international competitiveness, they selected 'affordable housing' (67%), 'IT infrastructure and efficiency' (65%), 'energy infrastructure' (34%) and 'Higher/Further Education' (33%) as clear priorities. (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 this reason, the responses will not add up to 100%.)

Figure 12: What are the top three areas that the Irish Government should prioritise and invest in to boost Ireland's future international competitiveness? (Respondents were asked to select up to three choices.)



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

International Tax Reform

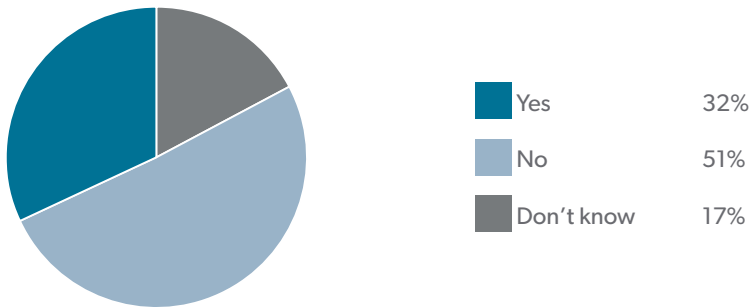
Proposed Framework for Reform

With a plan to reform international taxation rules, in particular with regard to multinational enterprises, due to be finalised in October 2021 with a view to effective implementation in 2023, the Irish Government is expected to come under significant pressure regarding its long-standing position.

Dispensation for Smaller Countries

A majority (51%) of the respondents to our survey do not believe a dispensation may be made for smaller countries, such as Ireland, to allow their corporation tax rates to remain unchanged. 32% of business leaders believe a dispensation may be made, while 17% answered 'don't know'.

Figure 13: In light of the international taxation reform accord, do you believe a dispensation may be made for smaller countries, such as Ireland, to allow their corporation tax rates to remain unchanged?

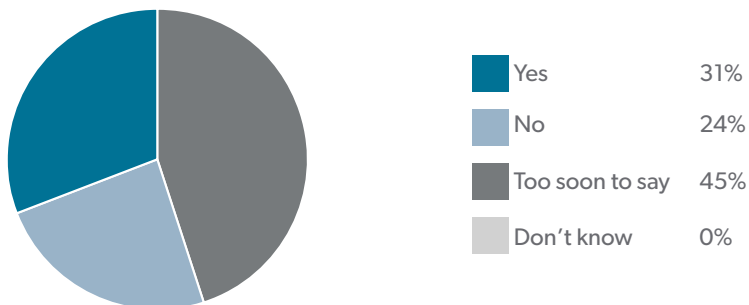


Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Threat to Ireland's Competitiveness

Furthermore, when our survey asked the question, 'Do you think the international taxation reform accord (including a corporate minimum effective tax rate of 15%) recently agreed by the G7 will present a threat to Ireland's competitiveness if agreed with by other OECD countries?' 45% of respondents judged it as 'too soon to say'. 31% signified that it would be threat to Ireland's competitiveness, while 24% said it wouldn't be a threat.

Figure 14: Do you think the international taxation reform accord (including a corporate minimum effective tax rate of 15%) recently agreed by the G7 will present a threat to Ireland's competitiveness if agreed with by other OECD countries?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

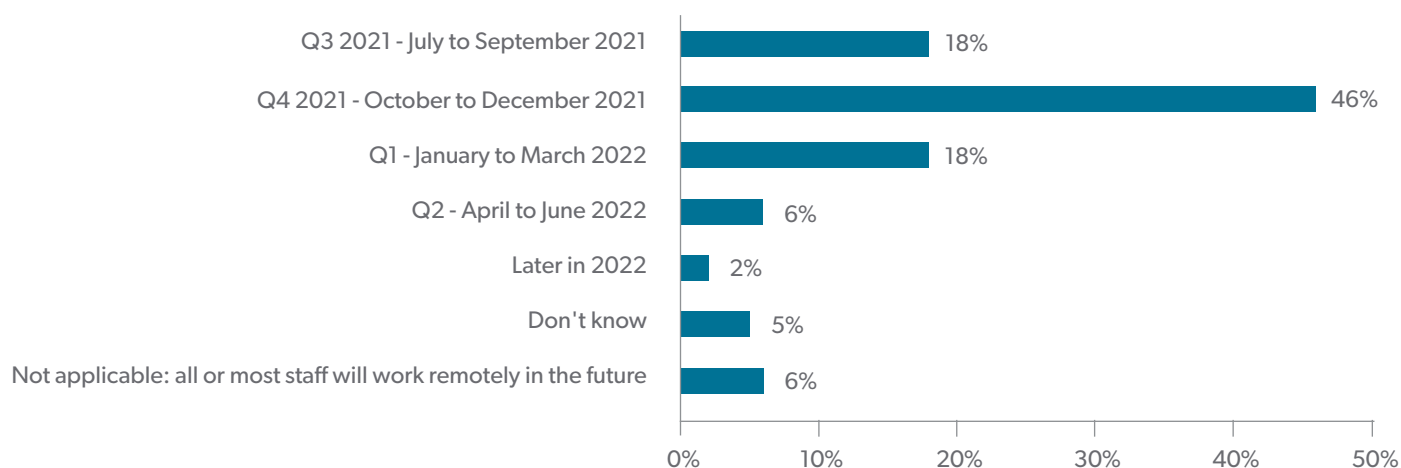
Working Life

Return to Company Workplace

In our latest research for Q2 2021, 46% of our respondents believe it will be Q4 2021 when they see the majority of staff being back in the office/workplace, which is consistent with the 48% who thought so in our Q1 2021 survey. Q3 2021 is still seen as less likely, with 18% believing that is the most likely return period for the majority of staff, the same result as in the previous quarter. Indeed, 18% also see Q1 2022 as the likely return period of return, with just 8% who think Q2 2021 or even later in 2022 as the likely return period of return.

Just 5% of respondents in Q2 2021 say they don't know the likely return date, while 6% say all or most staff will work remotely in the future.

Figure 15: In respect of your primary organisation, and in view of the phased nationwide vaccine rollout, when do you foresee the majority of staff being in the office/workplace by?

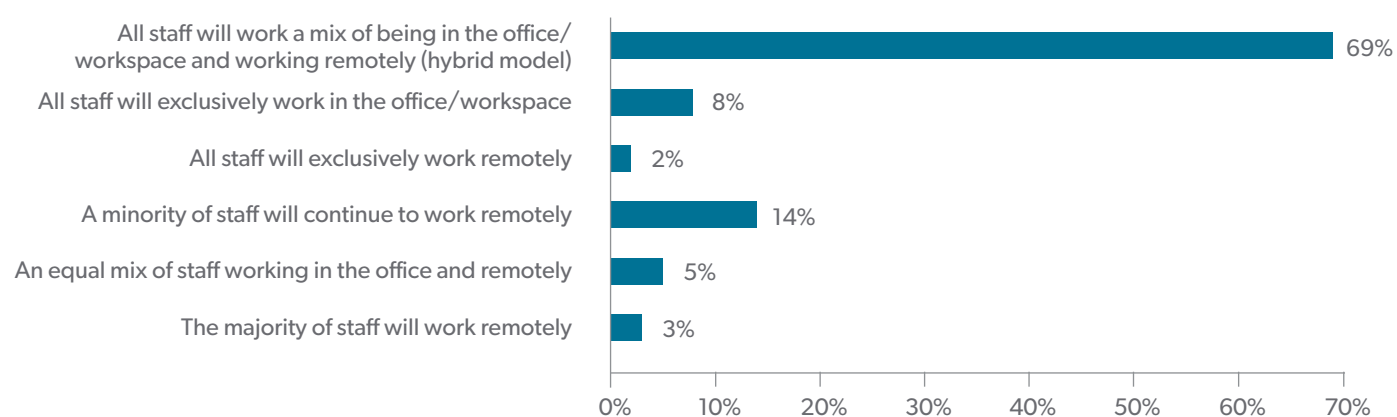


Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Working Model

Furthermore, when asked, 'In respect of your primary organisation, which statement is most relevant with regard to where your staff will be located once the restrictions are lifted under the Government's 'Resilience and Recovery: The Path Ahead' plan?' a clear majority (69%) of respondents says all staff will work a mix of being in the office/ workspace and working remotely (i.e. a hybrid model).

Figure 16: In respect of your primary organisation, which statement is most relevant with regard to where your staff will be located once the restrictions are lifted under the Government's 'Resilience and Recovery: The Path Ahead' plan?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

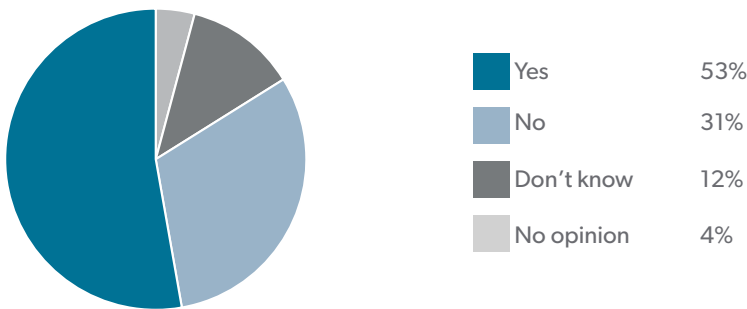
Working Life

COVID-19: The Role of the State

Since the arrival of the COVID-19 pandemic in 2020, the State has provided a sizeable number of supports for business and the workforce in tandem with public health restrictions to contain and manage as far as practicable the spread of the novel coronavirus. More recently, there has been the continuing rollout of the national vaccination programme. The Government, the National Public Health Emergency Team (NPHE) and the National Immunisation Advisory Committee (NIAC), and other authorities, have been the central State actors in such initiatives.

When our research asked business leaders, 'Do you think the role of the State during the COVID-19 pandemic has changed the perception of the role of Government (in the wider sense) for the better?' a majority of our respondents (53%) answered 'yes', while 31% answered 'no'. A further 12% chose 'don't know' and another 4% had 'no opinion'.

Figure 17: Do you think the role of the State during the COVID-19 pandemic has changed the perception of the role of Government (in the wider sense) for the better?



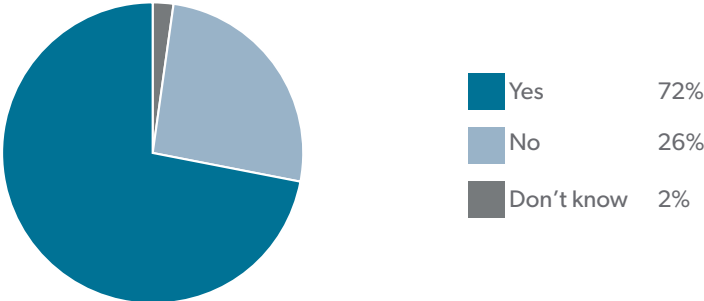
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Governance

Environmental, Social and Corporate Governance (ESG)

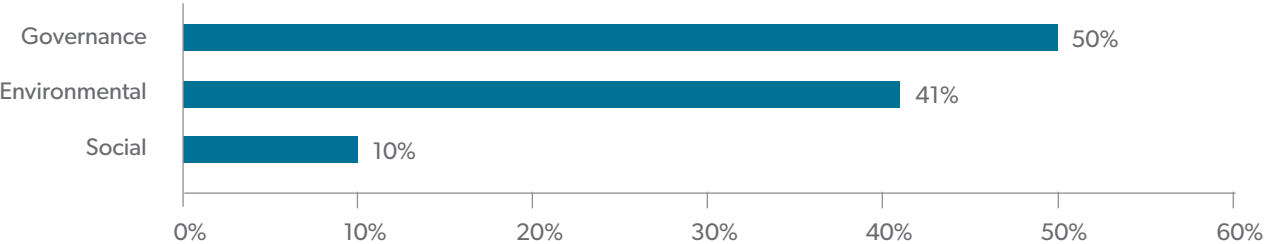
The increased awareness and inclusion of Environmental, Social and Corporate Governance (ESG) issues are reflected in our Q2 2021 research findings, with a clear majority (72%) of respondents saying ESG matters have become part of their board's agenda. Furthermore, in our second question on this issue, 'In relation to ESG, which of the following areas is your board most focused on?' 50% of respondents selected 'Governance', 41% selected 'Environmental', and just 10% chose 'Social'.

Figure 18: In respect of your primary organisation, have Environmental, Social and Corporate Governance (ESG) issues become part of your board's agenda?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Figure 19: In relation to ESG, which of the following areas is your board most focused on? (Respondents asked to select one option.)



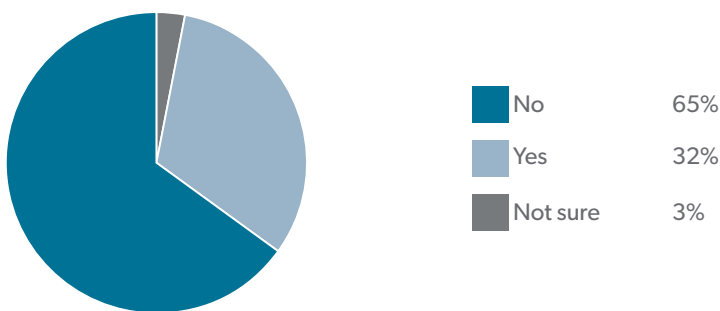
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Governance

Board Skills

A majority (65%) of our survey respondents says the requisite skills and experience on the board of their primary organisation have not changed during the COVID-19 pandemic, with a significant 32% saying they have changed.

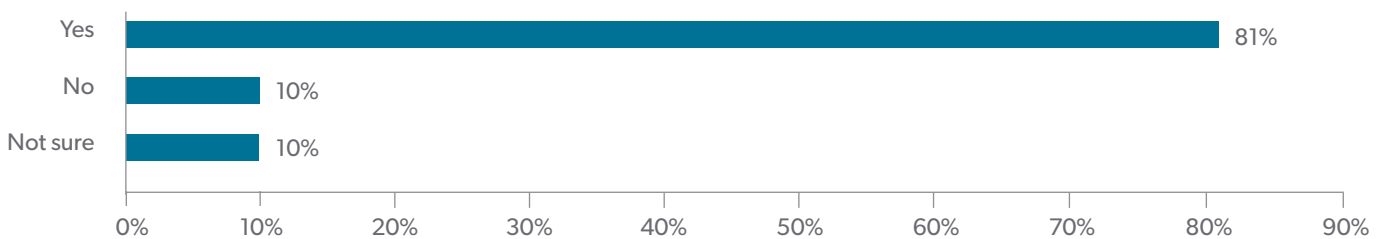
Figure 20: In respect of your primary organisation, have the requisite skills and experience on your board currently changed during the COVID-19 pandemic?



Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Furthermore, a conclusive majority (81%) of respondents believes their board has the range of skills and experience necessary to drive the business and mitigate significant risks that may directly or indirectly affect the organisation. Just 10% say it does not, while a further 10% say they are not sure if it does.

Figure 21: In your view, does your board have the range of skills and experience necessary to drive the business and mitigate significant risks that may directly or indirectly affect the organisation?



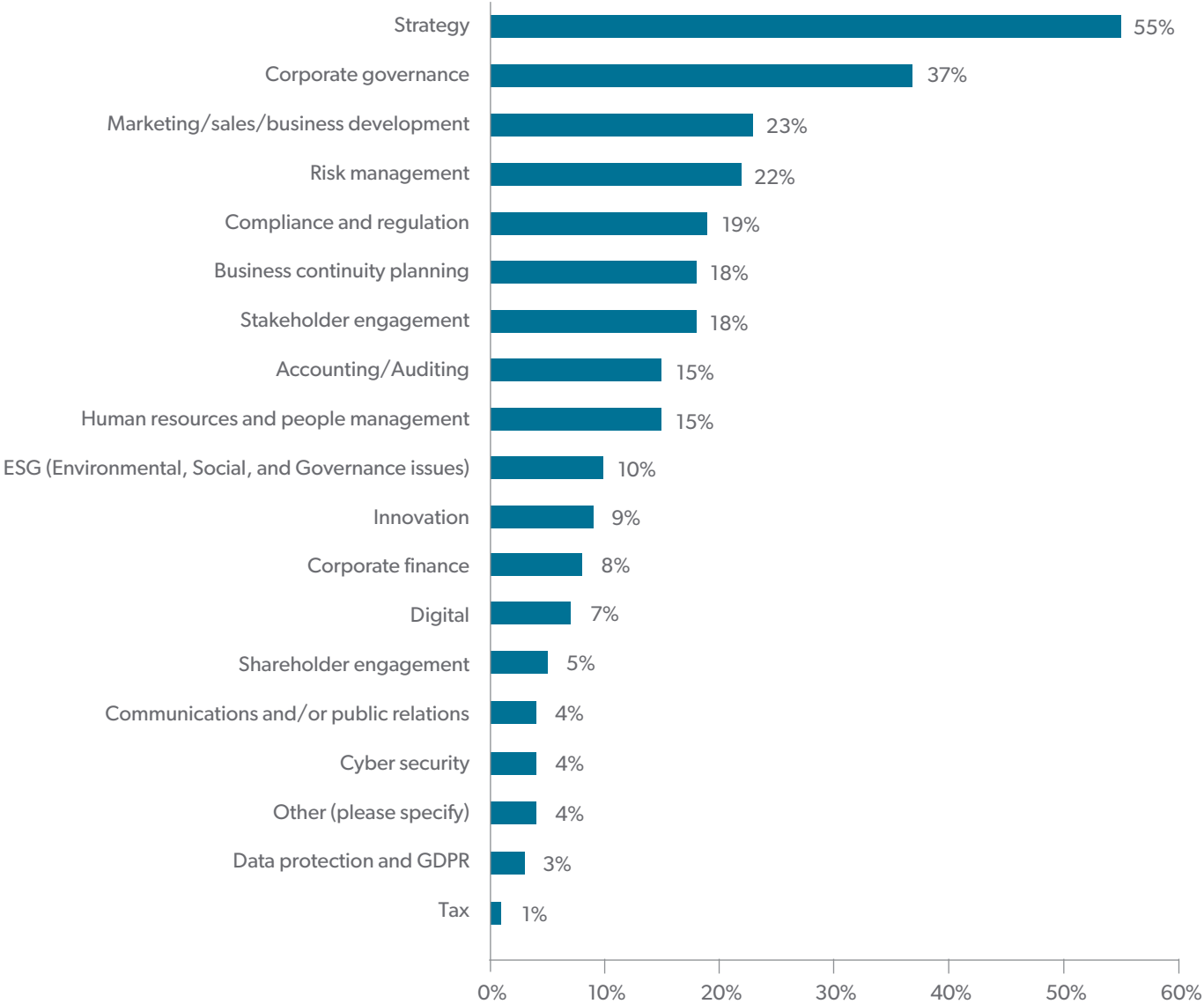
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Governance

Current Director Experience/Expertise

When asked what they believe is the main experience/expertise that they, themselves, bring to their primary board, our respondents chose the following three main attributes: strategy (55%), corporate governance (37%) and marketing/sales/business development (23%). Also figuring prominently are: risk management (22%), compliance and regulation (19%), business continuity planning (18%), and stakeholder engagement (18%), amongst others. (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, strategy is 55% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 22: What do you believe is the main experience/expertise that you bring to your primary board? (Respondents asked to select up to three choices only.)



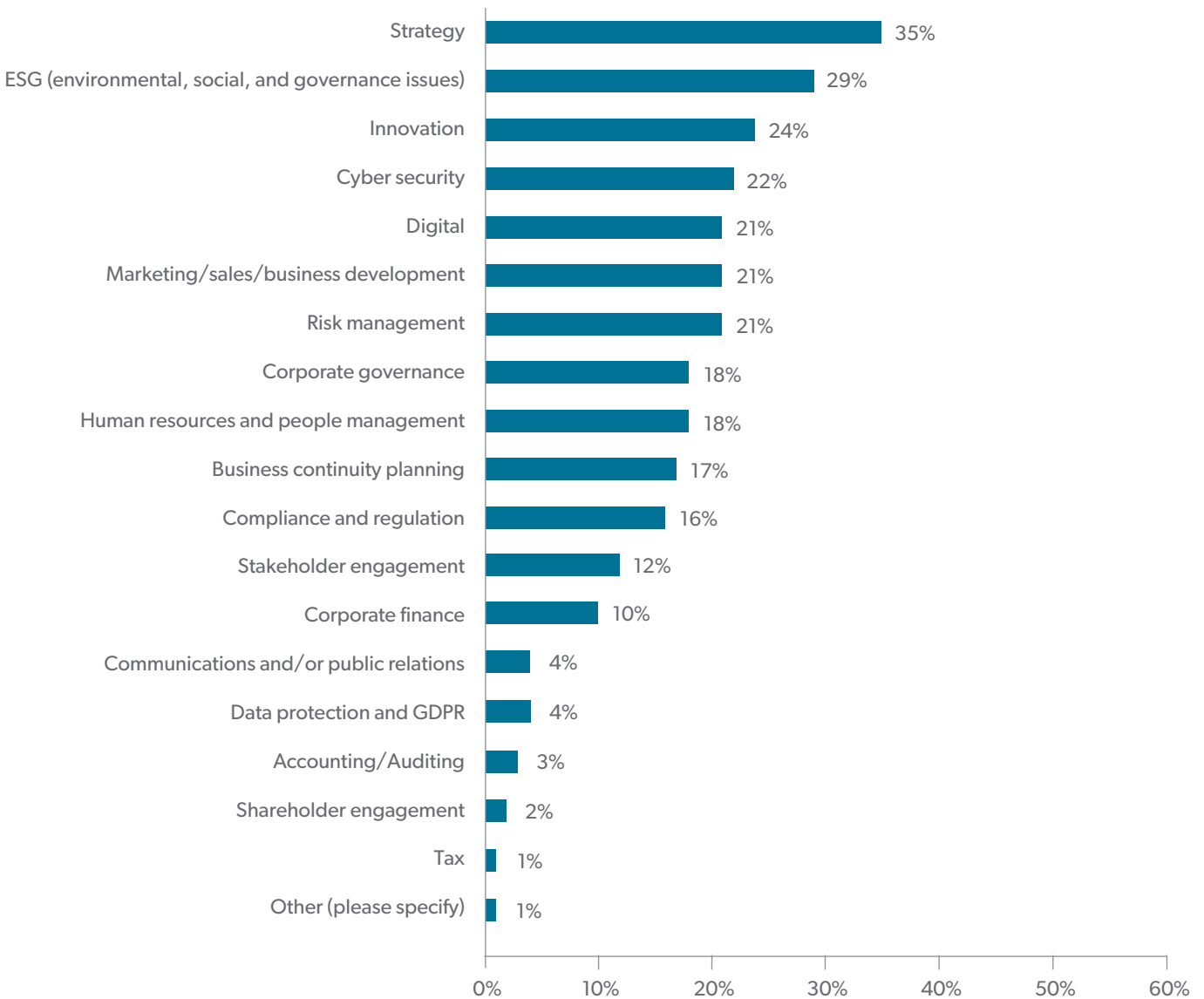
Source: IoD Ireland Director Sentiment Monitor Q2 2021.

Governance

Future Director Experience/Expertise

Interestingly, when asked the question, ‘In respect of your primary organisation’s board and its future success, what do you believe will be the most desired experience/expertise needed over the next two years?’, strategy (35%) still ranked as the main attribute. However, a noticeable shift in desired director experience/expertise is revealed, with ESG (29%), innovation (24%), cyber security (22%), and digital (21%) leading the way, along with marketing/sales/business development (21%) and risk management (21%). (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, strategy is 55% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 23: In respect of your primary organisation’s board and its future success, what do you believe will be the most desired experience/expertise needed over the next two years? (Respondents asked to select up to three choices only.)



Source: IoD Ireland Director Sentiment Monitor Q2 2021.



INSTITUTE OF DIRECTORS
IN IRELAND

Institute of Directors in Ireland

Tel: +353 1 411 0010

Email: comms@iodireland.ie

www.iodireland.ie