



INSTITUTE OF DIRECTORS
IN IRELAND

Director Sentiment Monitor

Quarterly Members' Survey

Q3 2022



The Institute of Directors in Ireland

Our vision is to be the leading authority on, and influencer of, good corporate governance standards in Ireland.

Contents

Foreword	4
Methodology	5
Demographics	5
Gender	5
Role/Position	6
Company Type	6
Industry Sector	7
Governance: Diversity and Inclusion	8
Board and Company Performance and Effectiveness	8
Diversity: Policy/Statement	9
Diversity: Board Quotas or Targets	10
Diversity and the Organisation	11
Board Recruitment: Responsibility	13
Board Recruitment: Tenure and Composition	14
Board Recruitment: Process	15
Board Recruitment: Influences and Considerations	16
Governance	18
Companies (Miscellaneous Provisions) (Covid-19) Act 2020	18
The Economy	19
Business Confidence and the Irish Economy	19
Effect of Government's Performance	20
Financial Performance and Risk	21
Risk Factors	21
Financial Performance	22

Foreword



The objective of this Director Sentiment Monitor was to explore perspectives, motivations, and challenges in relation to Diversity and Inclusion (D&I) at board level and within organisations. This research will enable the Institute of Directors (IoD) in Ireland to tailor membership supports, information, and training towards achievement of best-in-class governance in the D&I space.

This new research found that business leaders favour targets over quotas when it comes to board diversity and inclusion. This is consistent with previous IoD research on this area. The recruitment of a director is a key element for any board. While targets are acknowledged as an important factor, they are just one of a number of diverse and notable criteria to be considered when selecting board candidates in pursuit of a diverse and inclusive board.

This research indicates that “filling a skills need” is by far the leading criteria influencing how a director is recruited followed by “enhancing the level of critical discussion and diversity of perspectives in the boardroom” and “Diversity and inclusion (D&I) targets”. Nevertheless, as is evident from the recent announcement by the Council of the European Union all boards will need to be aware of the current government and EU targets and commitments with regard to gender targets.

The new Monitor also found that nearly seven in 10 (69%) business leaders believe that the hybrid working model has had a positive impact on ensuring a more diverse and inclusive work environment. It is worth noting that nearly one third (31%) are either undecided or disagree on this issue. For some groups, hybrid working has been a positive development, but it is crucial to monitor its true impact over time. We do not want a scenario whereby, on the surface, it seems to allow for more recruitment of a particular group, however, in truth it means that this group cannot progress in their career as they are not visible in the office due to remote working.

Some key enablers that allow for diversity and inclusion include the board having a board composition policy and an organisational diversity policy/statement in place. These elements will help foster a commitment from the board and organisation to ensure an inclusive organisation. I would recommend all directors and boards who do not currently have these policies in place, to review and to investigate this area. This is a key enabler for ensuring a diverse and inclusive board and organisation.

Thank you to all IoD members who were able to take the time to respond to the survey. I appreciate it.

A handwritten signature in black ink that reads "Caroline Spillane".

Caroline Spillane CDir
Chief Executive Officer
Institute of Directors (IoD) in Ireland

Methodology

The Q3 2022 Director Sentiment Monitor had 311 respondents. In addition, 76% 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 12th to 23rd September 2022.

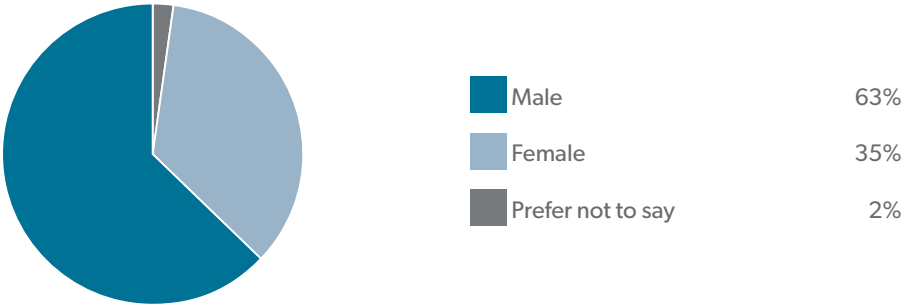
For the purposes of comparison, data from previous IoD Ireland quarterly surveys is also included in this publication in certain instances. The findings in this research have been rounded up or down to the nearest decimal point. For the majority of questions, respondents were given the option of one response. In certain cases, these figures will not add up to 100% due to rounding up or down of percentages. The exceptions are for figure 17 and 18, 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%.

Demographics

Gender

In the Q3 2022 survey 63% of respondents were male and 35% were female.

Figure 1: Gender of respondents



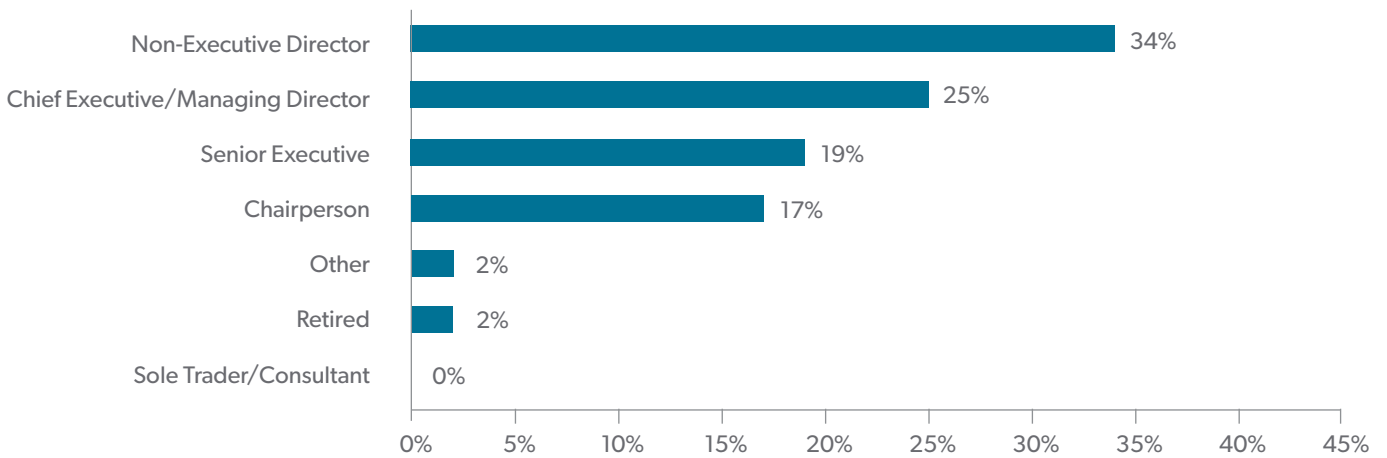
Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Demographics

Role/Position

The respondents to the Q3 2022 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position

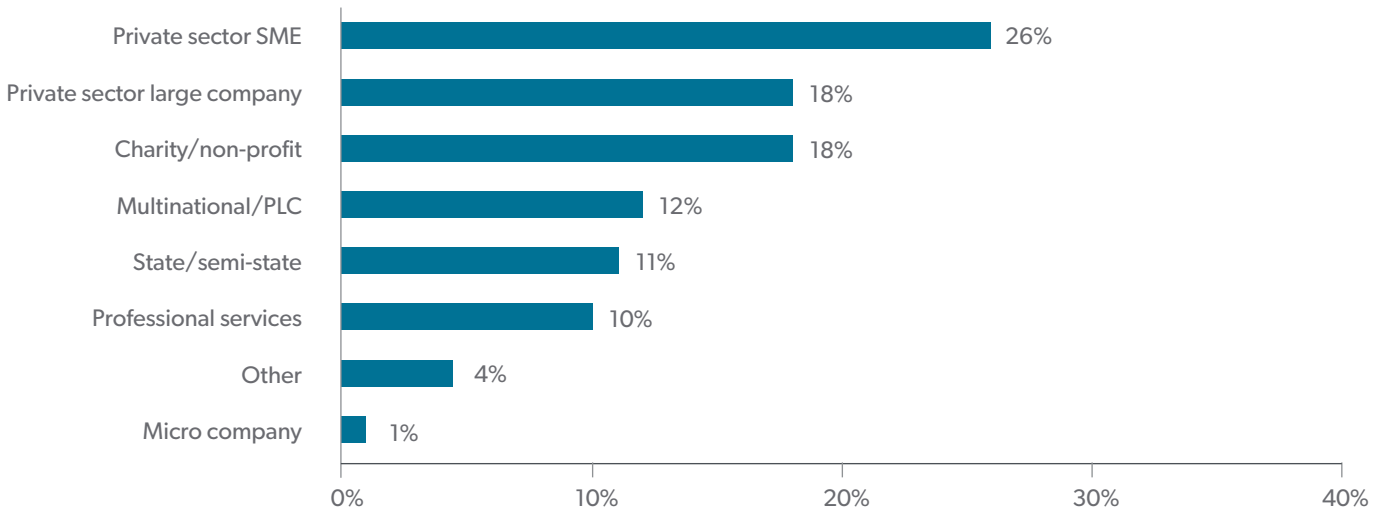


Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Company Type

The respondents to the Q3 2022 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type



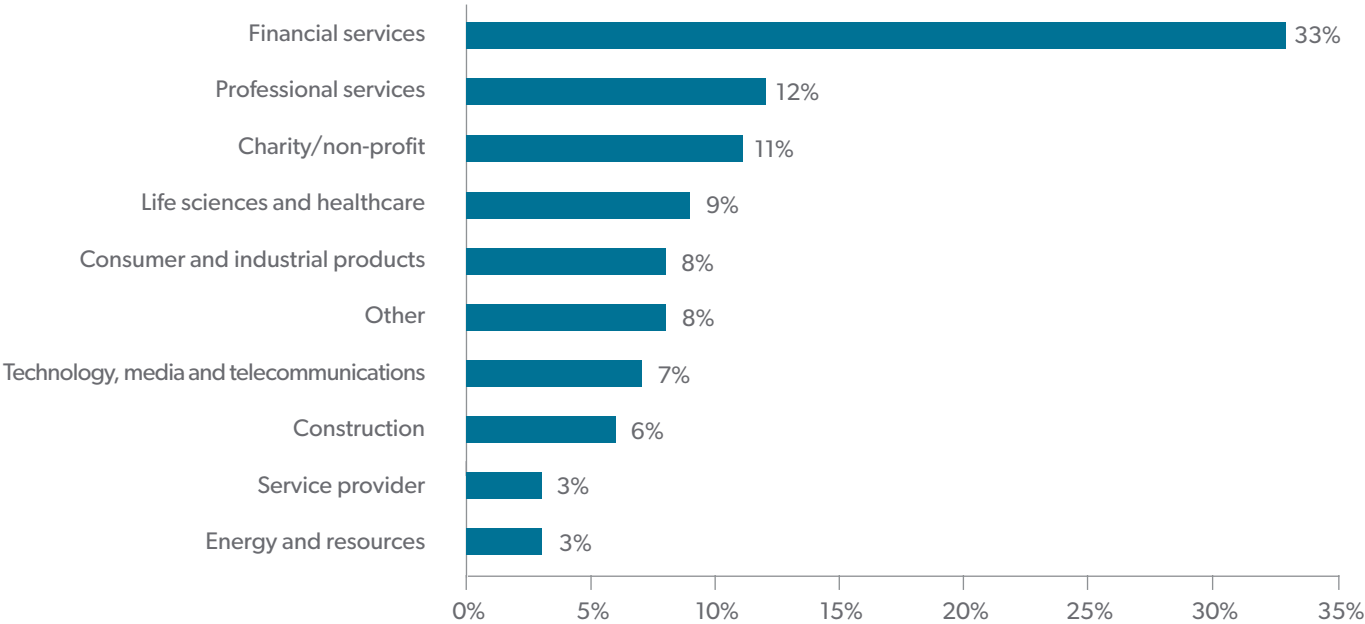
Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Demographics

Industry Sector

The respondents to the Q3 2022 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

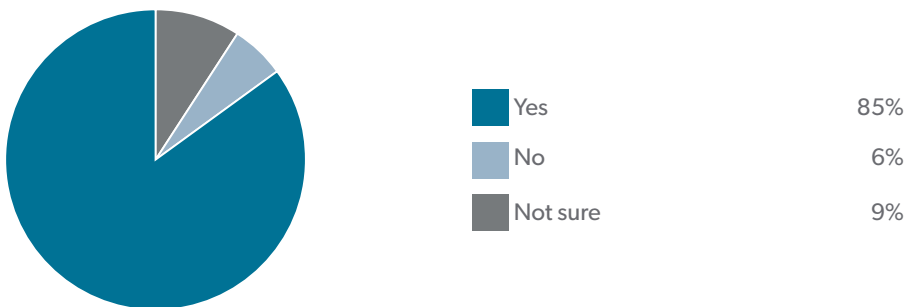
The objective of this research was to gain an insight into perspectives, motivations, and challenges of boards in relation to diversity and inclusion (D&I) at board level and within the organisation. This research will enable IoD Ireland to tailor membership supports and training towards achievement of best in class governance in the D&I space.

Board and Company Performance and Effectiveness

It is clear from this research that diversity is seen as a key component in both board and company success and performance. Our survey has found 85% of respondents noting it as essential for enhanced board performance and effectiveness. This is a very significant and welcome outcome from our research, reflecting members' perception that board diversity is highly correlated with board effectiveness and company performance.

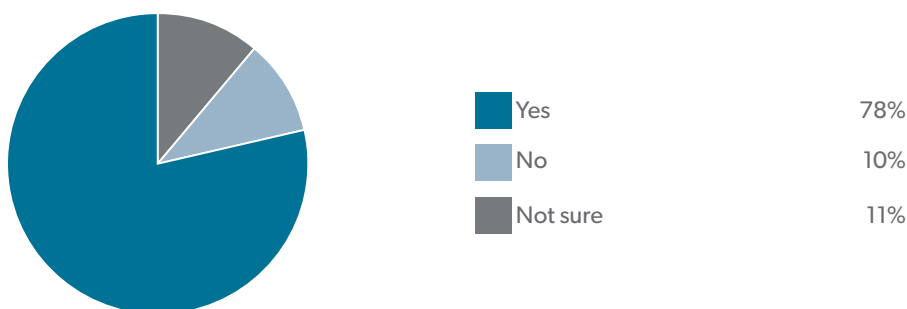
Furthermore, 78% of respondents believe diversity as essential for enhanced company performance.

Figure 5: Do you believe that a diverse board (across all criteria) is essential to enhanced board performance and effectiveness?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Figure 6: Do you believe that a diverse board (across all criteria) is essential to enhanced company performance?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

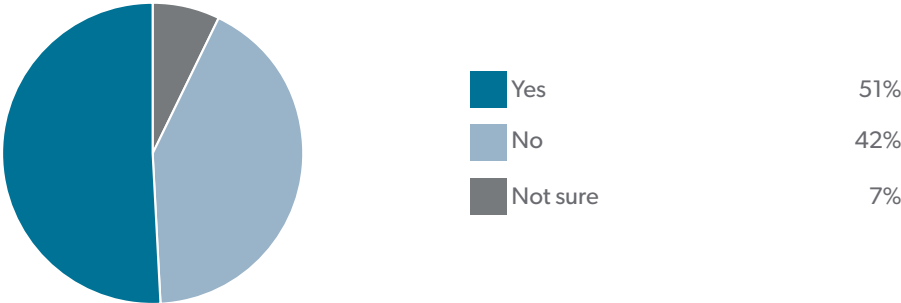
Diversity: Policy/Statement

Our Q3 2022 research has found that 51% of respondents note that their primary board has a diversity policy/statement in place. It also finds that 42% do not, while 7% are not sure.

Given the substantial majorities of business leaders who believe that a diverse board is essential to enhanced board and company performance and effectiveness (as noted in figures 5 and 6), it is interesting that only a relatively small majority (9%) of respondents say their primary board has a diversity policy or statement in place.

IoD Ireland would encourage all boards to put in place a diversity policy/statement.

Figure 7: Does the organisation of your primary board have a diversity policy/statement in place?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

Diversity: Board Quotas or Targets

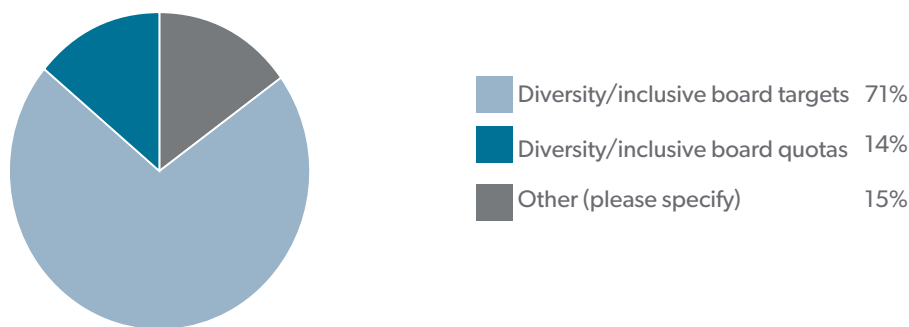
It is clear from our research that the respondents feel that targets rather than quotas are the preferred method in improving the diversity of a board.

In response to our question, 'What do you think is the best way of ensuring a more diverse and inclusive board?', a significant majority (71%) of our respondents favour 'diversity/inclusive board targets' compared to just 14% who favour 'diversity/inclusive board quotas'.

Among the 15% who answered 'other' to this question respondents commented, 'Finding the best person for the job' and 'meritocracy' was the most frequent statement followed by other avenues such as 'company values', 'external evaluation, ranking and comment', 'evolution', 'education', and 'development of culture and purpose policies'. While targets are important, we consider that the criteria cited under "other" are also important criteria in selecting board candidates in pursuit of a diverse and inclusive board. Internal targets and such criteria are not mutually exclusive.

Please note, this survey was conducted before the Council of the European Union announced the approval of their EU law to improve gender balance on boards. The directive, which will have to be transposed into national law, lays down that at least 40% of non-executive director positions in listed companies should be held by members of the under-represented sex by 2026. If member states choose to apply the new rules to both executive and non-executive directors, the target would be 33% of all director positions by 2026.

Figure 8: What do you think is the best way of ensuring a more diverse and inclusive board?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

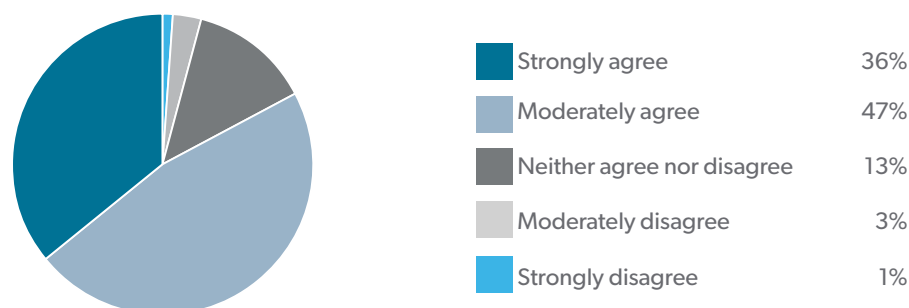
Governance: Diversity and Inclusion

Diversity and the Organisation

These findings in our Q3 2022 research reflect a positive view and outlook on the importance of diversity and inclusiveness.

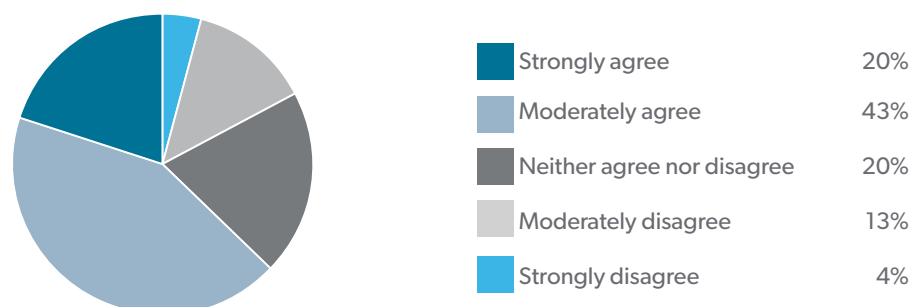
Viewing the organisation as a whole, a substantial majority (83%) of respondents, either strongly or moderately, agrees that their primary organisations 'ensure a fully inclusive and diverse workplace'. Furthermore, 63% of our business leaders, either strongly or moderately, agree with the statement that 'the composition of the board reflects the diversity of the wider organisation.'

Figure 9: In respect of your primary organisation, what do you think about the following statement, 'My organisation ensures a fully inclusive and diverse workplace'?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Figure 10: What do you think about the following statement, 'The composition of the board reflects the diversity of the wider organisation'?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

Diversity and the Organisation

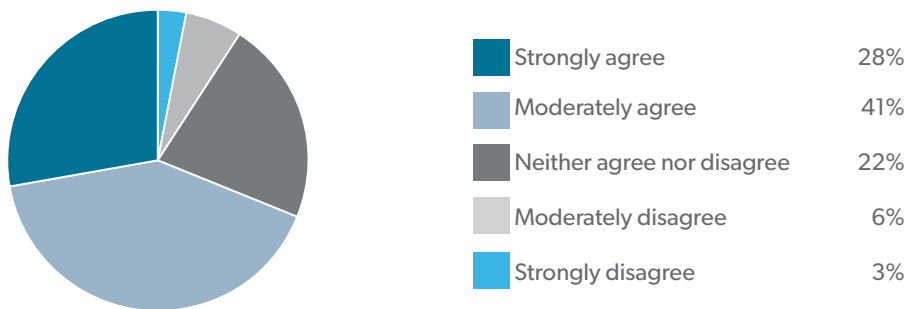
Our Q3 2022 research has found that the hybrid working model has had a positive impact on ensuring a more diverse and inclusive work environment.

In terms of the impact of flexible working arrangements in the post-pandemic era, 69% of respondents, either strongly or moderately, agree with the statement that 'a hybrid working model helps ensure a more diverse and inclusive work environment', 9% disagree, and 22% neither agree nor disagree.

However, the hybrid working model is an area that needs to be closely monitored for its true impact, in particular in the area of gender diversity and inclusivity. The finding that 31% of respondents either are neutral or disagree with the question, ('neither agree nor disagree' 22%, 'moderately disagree' 6% or 'strongly disagree' 3%), is significant and may suggest that nearly one-third of respondents are undecided about hybrid working.

For some groups, hybrid working has been a positive development, but it is crucial to monitor its true impact over time. We do not want a scenario whereby, on the surface, it seems to allow for more recruitment of a particular group, however, in truth it means that this group cannot progress in their career as they are not visible in the office due to remote working.

Figure 11: What do you think about the following statement, 'A hybrid working model helps ensure a more diverse and inclusive work environment'?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

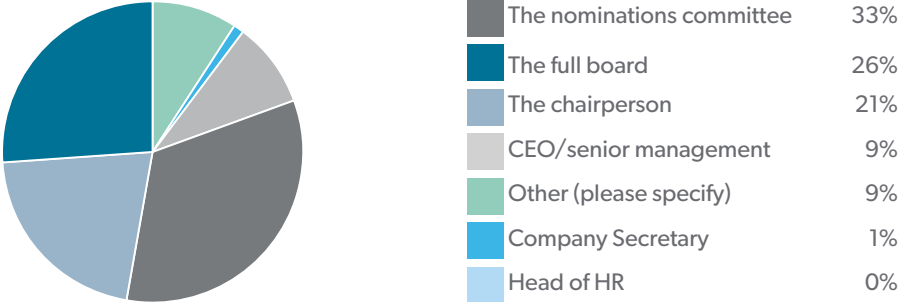
Governance: Diversity and Inclusion

Board Recruitment: Responsibility

Our latest research has found that the nominations committee (33%) is seen as the main body primarily responsible for the diversity of the board. This is followed by the full board (26%) and the chairperson (21%).

Additionally, we invited comments in this question and of the 9% who selected 'Other', these respondents noted, 'key shareholders', risk and governance committee, and ministerial appointment after Public Appointments Service competition'.

Figure 12: In respect of your primary organisation, who is primarily responsible for board recruitment, nominations and governance, to ensure there is diversity on the board?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

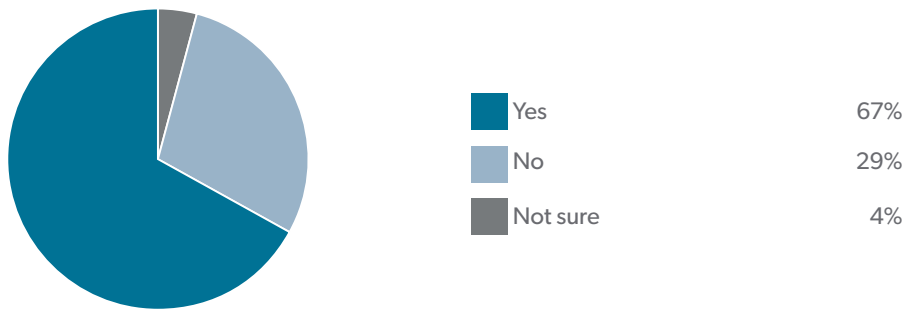
Board Recruitment: Tenure and Composition

A board tenure policy helps to plan out the life cycle of a board, while ensuring there is a good succession plan in place. The policy helps to ensure that vacant director roles are then planned for in advance to ensure no vacancies, with as little upset to the company's business as possible. A board tenure policy also has implications for the rotation of board skillsets as well as diversity and inclusion.

It is notable that 67% of our survey respondents say their primary organisation does have a policy on board tenure (within or separate from the board succession plan), while 29% say it does not. The IoD would encourage all boards to introduce a policy on board tenure suitable to their context.

It is interesting to note, that 33% of our survey respondents are noted as being in the financial services sector. This sector is regulated by the Central Bank to have a fixed tenure of three years. In addition, 11% of respondents are noted as being in the charity/non-profit sector. This sector is recommended by the Charities Regulator to have a fixed tenure of three years.

Figure 13: In respect of your primary organisation, does your board have a policy on board tenure (within or separate from the board succession plan)?

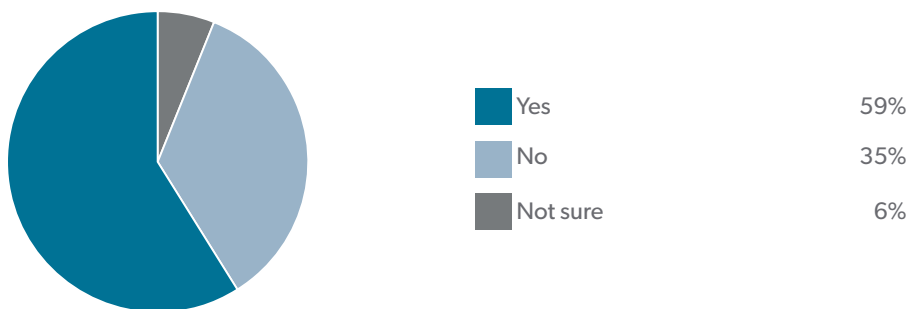


Source: IoD Ireland Director Sentiment Monitor Q3 2022.

The need for a board composition policy is essential, as the necessary director skillset/requirements of a board may need to change and adapt over time. These changes may be due to a number of factors, and not limited to issues, such as the evolution of technology, changing work practices, geo-political, climate change and ESG, and increased regulation. A board composition policy has implications for the overall balance of the board as a whole.

In this context, 59% of respondents confirm that their primary board does have a clear policy on board composition (within or separate from the board succession plan), while 35% do not. IoD Ireland would encourage all boards who do not currently have a board composition to put one in place. This is a key enabler for ensuring a diverse and inclusive board and organisation.

Figure 14: In respect of your primary organisation, does your board have a clear policy on board composition (within or separate from the board succession plan)?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

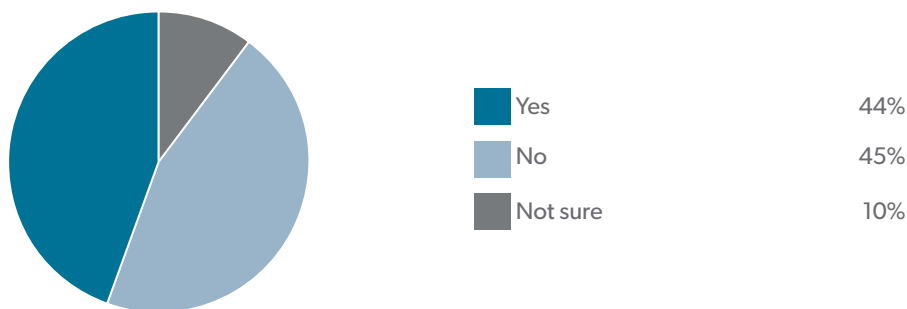
Governance: Diversity and Inclusion

Board Recruitment: Process

A fully independent board recruitment process may help to provide an independent, inclusive and diverse environment, although the need for one may depend on context.

It is notable that when asked the question, 'In respect of your primary organisation, is there a fully independent recruitment process in place for new board director positions to ensure more diversity and inclusion?' there is almost an even split between those who answered 'no' (45%) and those who replied 'yes' (44%), with 10% saying they are 'not sure'.

Figure 15: In respect of your primary organisation, is there a fully independent recruitment process in place for new board director positions to ensure more diversity and inclusion?

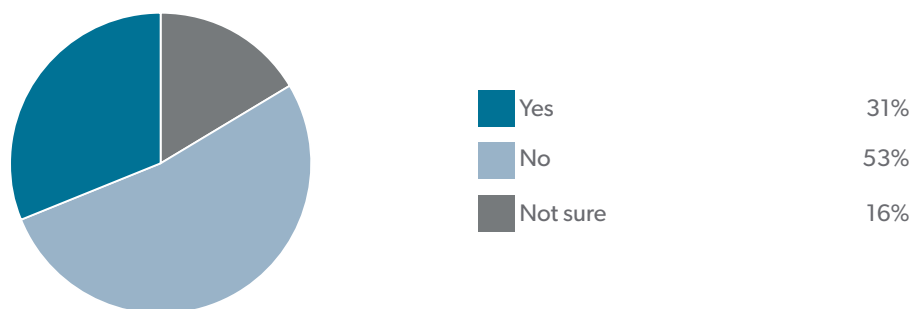


Source: IoD Ireland Director Sentiment Monitor Q3 2022.

A further question was then asked of those respondents who said 'no' to the figure 15 (above). They were asked, 'In respect of your primary organisation, do you believe a fully independent recruitment process should be put in place for non-executive board positions to ensure more diversity and inclusion?'

It is interesting to note that a majority (53%) of respondents to this question said they did not believe it was necessary, while 31% believe it should be the case, with 16% 'not sure'. As noted above, the need for an independent recruitment process may depend on the context.

Figure 16: In respect of your primary organisation, do you believe a fully independent recruitment process should be put in place for non-executive board positions to ensure more diversity and inclusion?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

Board Recruitment: Influences and Considerations

In this part of the research respondents were provided with a list of four areas that influence their approach to board diversity and inclusion. They were asked to rank in order of importance with one being the most important.

Respondents clearly rated the area of ‘group/company purpose and values’ as very important, with the majority listing it as a number one priority at 60%. We can also see that academic research on the benefits of diversity is ranked as least important, with a majority in this section listing it as a number four priority (56%). However, on the area of ‘availability of skilled employees in the sector in which they operate’, respondents are quite split, ranking it nearly equally from high to low in the level of importance. In respect of ‘stakeholder expectation’ this is seen as very middle of the road for respondents, with the ranking being highest in the number two and three priority levels.

From these findings, we can deduce that the purpose and values of a company has potentially the biggest impact on the respondents’ views on diversity. Highlighting the critical importance of a company’s value and purpose on how an organisation can operate and function.

Figure 17: What influences your approach to board diversity and inclusion (rank in order of importance with 1 being the most important and 4 being the least important)?

INFLUENCES	RANK			
	1	2	3	4
Group/company purpose and values	60%	29%	9%	2%
Stakeholder expectation	15%	36%	36%	13%
Academic research on the benefits of diversity	6%	14%	24%	56%
Availability of skilled employees in the sector in which you operate	24%	23%	29%	25%

Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Governance: Diversity and Inclusion

Board Recruitment: Influences and Considerations

In this part of the research respondents were provided with a list of seven areas and asked to rank these options in their level of importance when make new independent non-executive director appointments to their primary board. They were asked to rank in order of importance with one being the most important.

From the results, we can see that respondents clearly value the skill or experience requirement that is needed by a board, with a majority of 84% ranking this as the number one priority.

The other area results are quite divided, with respondents dividing their rating of importance from one to seven. There are a few notable exceptions to this. A majority of respondents to this research ranked the level of importance of the network of the independent non-executive director (INED) as the least important at 38%. The majority of respondents, ranked cognitive diversity of the board level of importance at number three. Respondents also ranked the area of diversity and inclusion targets set by the board/by group as number four at 21%. Finally, respondents marked the level of importance to the option 'enhancing the level of critical discussion and diversity of perspectives in the boardroom' at the second ranking.

From these findings we can see that the need for a board to fill a missing skill/experience is the primary motivating factor in non-executive director board recruitment. However, it is also interesting to note that the value of an INEDs network is not noted as very important. Equally interesting, is the finding that the respondents found that the recruitment of a non-executive director can enhance a boards ability to critically assess and discuss the area of diversity.

Figure 18: Which of the following areas are the most important when making new independent non-executive director (INED) appointments to the board of your primary organisation (rank in order of importance with 1 being the most important with 7 being the least important)?

AREAS	RANK						
	1	2	3	4	5	6	7
Skill or experience gap the board is trying to fill	84%	9%	4%	1%	2%	1%	0%
Network of the INED	1%	8%	7%	11%	12%	24%	38%
Cognitive diversity of the board	2%	18%	30%	22%	14%	11%	3%
Diversity and inclusion (D&I) targets set by the board/by group	4%	13%	17%	21%	20%	14%	10%
Stakeholder expectations in relation to D&I (e.g. investors, customers, employees, regulators)	3%	14%	14%	19%	23%	18%	9%
Maintaining board collegiality	1%	5%	12%	15%	18%	22%	27%
Enhancing the level of critical discussion and diversity of perspectives in the boardroom	7%	38%	22%	13%	10%	6%	5%

Source: IoD Ireland Director Sentiment Monitor Q3 2022.

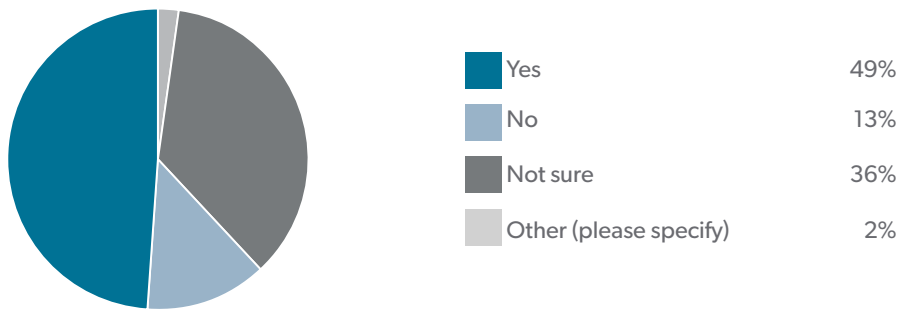
Governance

Companies (Miscellaneous Provisions) (Covid-19) Act 2020

The Companies (Miscellaneous Provisions) (Covid-19) Act 2020 was introduced by the Government in the early stages of the COVID-19 pandemic. It has been extended numerous times, it was extended last in April 2022 to 31st December 2022. Among the main features of the Act include provisions that both general and creditors’ meetings may continue to be held virtually; that the threshold at which a company is deemed unable to pay its debts remains at €50,000; and that the extension of the examinership process to a total of 150 days (subject to court approval) remains in place.

Our research has found that nearly half of business leaders believe the key provisions in the Act should be made permanent. That said, 36% are ‘not sure’ whether it should be made permanent, and just 13% believe it should not be.

Figure 19: Do you think the key provisions in the ‘interim’ Companies (Miscellaneous Provisions) (Covid-19) Act 2020, which has been extended yet again to 31st December 2022, should be made permanent?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

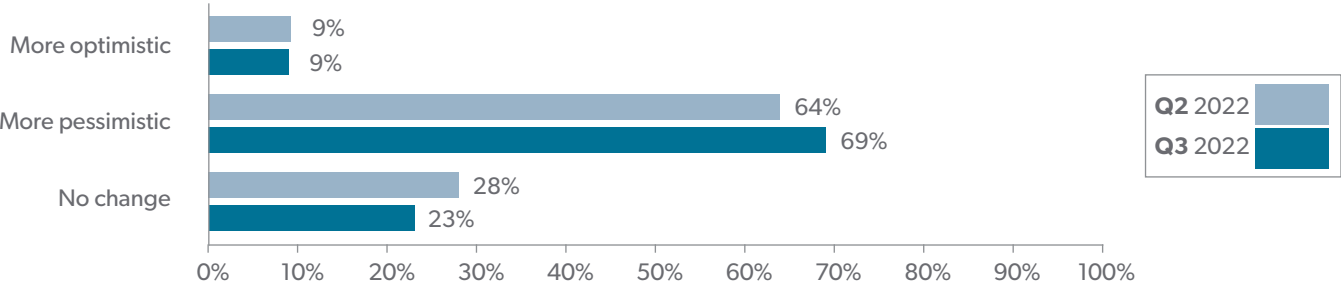
The Economy

Business Confidence and the Irish Economy

In our latest Q3 2022 research, just 9% of business leaders are more optimistic about the Irish economy when compared to the previous quarter, Q2 2022. Year-on-year, this finding has dropped drastically since Q3 2021, at that time 72% of business leaders were more optimistic in respect of Q3 2021.

It is no surprise, then, that 69% of business leaders are 'more pessimistic' about the economy in Q3 2022. Year-on-year, this finding was 7% in Q3 2021.

Figure 20: Business confidence in the Irish economy in Q3 2022 compared to Q2 2022.



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

The Economy

Effect of Government’s Performance

With regard to the effect of the Government’s performance to date on consumer confidence, on the one hand, and business decision making, on the other hand, we are seeing largely more positive numbers in Q3 2022 than in Q2 2022. It may also be worth noting that this survey was undertaken before Budget 2023 was announced.

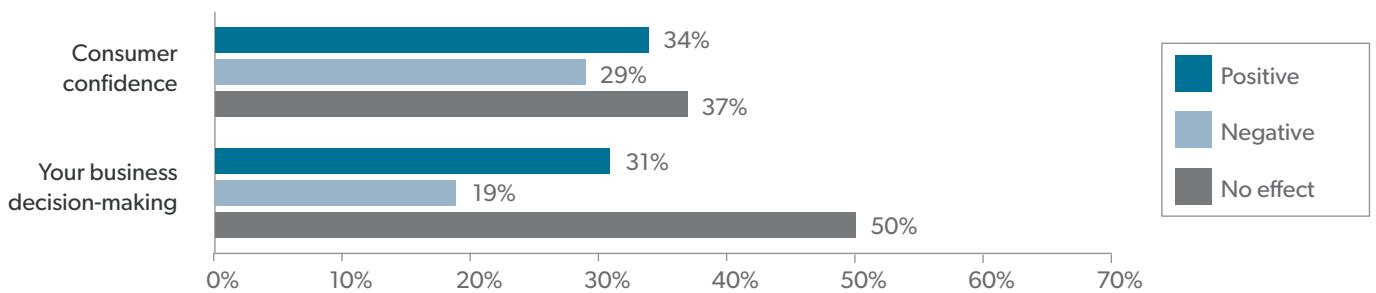
Consumer Confidence

- In Q3 2022, 34% of business leaders believed the effect of the current Government’s performance on consumer confidence to be positive. This has increased from 22% in Q2 2022. Year-on-year, this figure was 59% in Q3 2021.
- In Q3 2022, 29% of business leaders believed the effect of the current Government’s performance on consumer confidence to be negative. This has decreased from 41% in Q2 2022. Year-on-year, this figure was 19% in Q3 2021.
- In Q3 2022, 37% of respondents say the Government's performance has had no effect on consumer confidence. This was 38% in Q2 2022. Year-on-year, this figure was 22% in Q3 2021.

Business Decision-Making

- In Q3 2022, 31% of business leaders believed the effect of the current Government’s performance on their business decision making to be positive. This has increased from 26% in Q2 2022. Year-on-year, this figure was 44% in Q3 2021.
- In Q3 2022, 19% of business leaders believed the effect of the current Government’s performance on their business decision making to be negative. This has increased from 17% in Q2 2021. Year-on-year, this figure was 18% in Q3 2021.
- In Q3 2022, 50% of business leaders believed the Government's performance has had no effect on their business decision-making. This has decreased from 57% in Q2 2022. Year-on-year, this figure was 38% in Q3 2021.

Figure 21: What do you believe has been the effect of the current Government’s performance to date on the following?



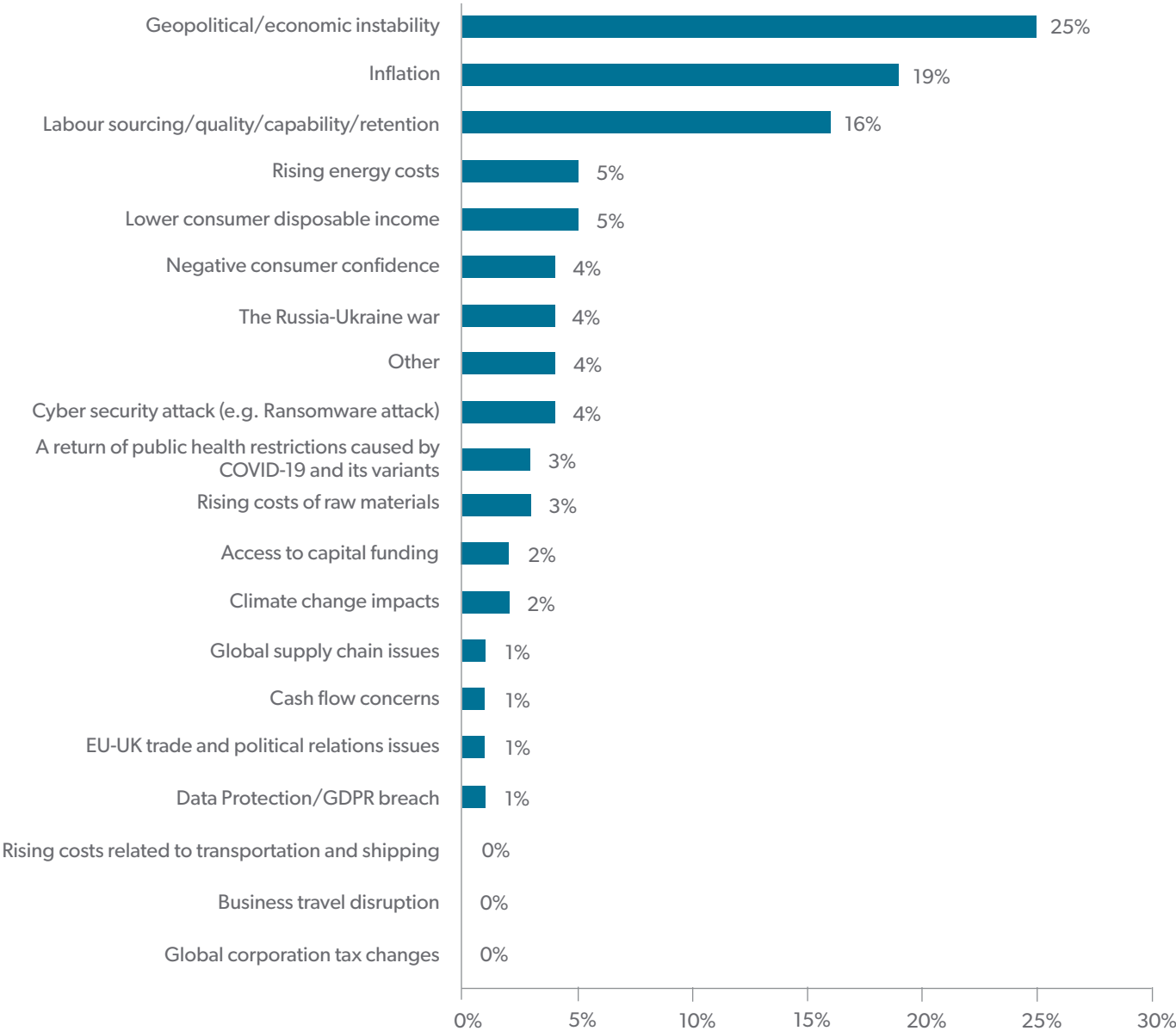
Source: IoD Ireland Director Sentiment Monitor Q3 2022.

Financial Performance and Risk

Risk Factors

In Q3 2022, business leaders continue to rank geopolitical/economic instability, inflation and labour sourcing/quality/capability/retention as leading risk factors facing their organisations. 'Rising energy costs' (5%) and 'lower consumer disposable income' (5%) are also noted as risk factors for the business leaders in our research. It is also interesting to note how 'global supply chain issues', 'EU-UK trade and political relations' and 'cash flow concerns' are all of little concern (1%). Risks such as 'data protection/GDPR breach', 'global corporate tax rate changes' and 'business travel disruption', all on 0%, are considered the least significant in risk terms.

Figure 22: The single biggest risk respondents say is facing their organisation at present



Source: IoD Ireland Director Sentiment Monitor Q3 2022.

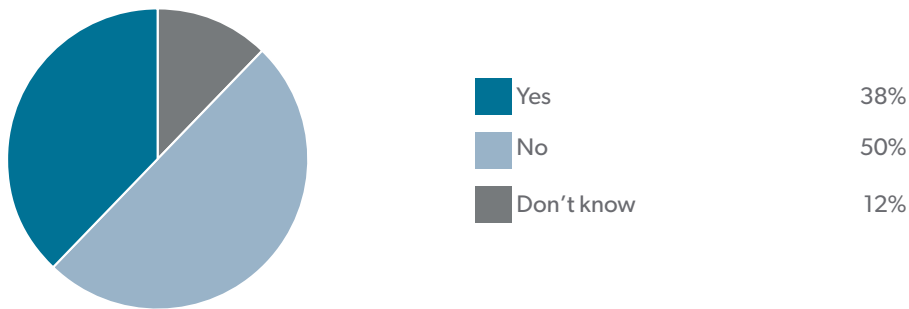
Financial Performance and Risk

Financial Performance

For the fourth successive quarterly Director Sentiment Monitor survey, there is a decrease in positive sentiment with regard to financial performance in the following quarter.

- In our latest Q3 2022 research, 38% of our respondents believe the financial performance of their primary organisation will improve in Q4 2022, while half do not believe that will be the case.
- In comparison to the previous quarter, Q2 2022, half of our respondents believed the financial performance of their primary organisation would improve in Q3 2022.
- For a year-on-year comparison, in Q3 2021, nearly three-quarters of respondents believed the financial performance of their primary organisation would improve in Q4 2021 while 23% did not.

Figure 23: Do you think that the financial performance of your primary organisation will improve in Q4 2022?



Source: IoD Ireland Director Sentiment Monitor Q3 2022.



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IN IRELAND

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