

DIVERSITY IN THE BOARDROOM 2017



CONTENTS

Foreword	03
Introduction	04
Section 1: Board Diversity and Gender	10
Section 2: Profile of Boards	17
Section 3: Board Expertise and Effectiveness	23
Section 4: Diversity and Good Governance	27
Conclusion	32

FOREWORD



Maura Quinn, Chief Executive, Institute of Directors in Ireland

Maure Quin

The Institute of Directors in Ireland (IoD) is pleased to present the *Diversity in Ireland's Boardrooms 2017* report, which aims to measure how our members – directors and senior executives – perceive and demonstrate diversity on boards in Ireland.

As the leading voice in the debate on improving corporate governance standards, the IoD is dedicated to enhancing the effectiveness and performance of directors and boards throughout Ireland. Certainly, one way to enhance a company's corporate governance framework is to diversify the board.

In the new world of disruptive change, where organisations need to continuously adapt, all aspects of diversity will be important for Ireland's future. Of course, gender is a significant aspect of diversity, but it goes further than that. Diversity in the boardroom is about ensuring a diverse range of skills, expertise and personal qualities around a board table which are relevant to the business and ensuring that all of these come together in an optimum way to develop the business. Acting as a holistic unit, a board with the appropriate balance of skill and experience for it to discharge its governance role and responsibilities effectively, is stronger.

To best achieve this diversity, an important starting point is to identify the unique skills and expertise that are required by the board and the business. Once this is done, there is a framework in place to review the board composition. It will also mean that the board can determine whether there is homogeneity in the boardroom, leading to group-think.

This report presents a picture of the current position relating to diversity on boards in Ireland, summarises the progress in respect of diversity over the past years and offers an analysis of what needs to be done in the future. Indeed there is much consensus around the importance of diversity on boards in Ireland.

- An IoD research report (April 2017) entitled *Tone from the Top Ethics in Ireland's Boardrooms*, found that 60% of director and senior executive respondents agree that board diversity has delivered a greater level of ethical behaviour at board level.
- In 2014, The Irish government approved new measures to promote gender balance on State Boards in order to promote gender equality.
- The Central Bank of Ireland has introduced a robust Corporate Governance Code for all Irish credit institutions and insurance undertakings, which recommends that the board should establish a written policy on diversity with regard to board appointments.

If the contributions of people with diverse backgrounds, experiences and perspectives, are valued and utilised on boards, we will benefit from a greater diversity of thought, thus having a better chance at thinking innovatively, fostering growth and meeting the business demands of a 21st century world.

INTRODUCTION

Companies face many challenges in today's ever-changing business environment. Continually evolving technologies, cybersecurity concerns and changing regulatory requirements mean that companies and their boards must keep pace. Diversity of perspective in the boardroom, therefore, has a more critical role than ever in ensuring effective oversight.

In general terms, diversity refers to the characteristics by which people categorise their social identity or are categorised by others. The most common of these are gender, race and age but there are many other characteristics that people bring to their professional roles, including skillset, experience, disability/ ability, ethnicity, sexuality, social background, geographic base, socioeconomic status and worldview.

WHY HAVE A DIVERSE BOARD?

Simply stated, diversity of thought leads to diversity of perspectives. One principle of good corporate governance is that independent thought is required to engender innovation, growth and, significantly, good decision-making. A board member's ability to effectively question and challenge management - and other directors - is drawn from distinct life experiences that are unique to each individual. In addition to this, a fast-changing world means a mix of perspectives and expertise is more important than ever in Ireland's boardrooms.

DIVERSITY IN IRELAND'S BOARDROOMS

Drawing on responses from over 300 company directors and senior executives who are members of the Institute of Directors in Ireland (IoD), the *Diversity in Ireland's Boardrooms* survey explores the views of directors and senior executives and how they operate in respect of board diversity. It captures the governance practices, priorities and perspectives on board effectiveness

Our sincere thanks to our members who undertook the survey on which this report is based.

RATIONALE

There is a growing view that greater board diversity reduces risk and promotes long-term business success. Thus, providing a barometer of our members' views of what is happening at board level in Ireland delivers valuable insights in respect of diversity. In addition, our research rationale is threefold.

1.

Unlike our two previous reports on diversity, which solely collected the views of a number of IoD women members (Women on Boards in *Ireland 2013 - Progress* Made and Obstacles Remaining and Women on Boards in Ireland 2015). this report presents the views of a number of respondents from our entire membership. While this research includes questions on gender, it looks beyond it to include age, geographical, ethnic and racial diversity, as well as diversity of skills and competencies; painting a broader picture of diversity in Ireland's boardrooms.

2.

Where applicable, added focus in this report has been given to the question of diversity in respect of both male and female respondents' viewpoints and experiences. These findings can be used for a comparative analysis, which could reveal signs of progress or regression with female respondents in respect of our previous diversity research. We also look at the responses of males and females separately, creating a comparative analysis of their views and experiences.

3.

There are also practical considerations. This report looks at what is happening on a day-to-day basis in boardrooms in Ireland. Do they have the right mix of directors to lead their businesses and guide them into the future? This research seeks to shed light on these issues.

AIM

In devising the survey, our primary aim was to collect and report our members' views and current practices in respect of diversity on Ireland's boards.

Surveying members on issues such as board composition and recruitment policies will highlight the level of importance that is attributed to diversity by boards in Ireland, and will show whether they have a broad mix of perspectives, skills and experience.

METHODOLOGY

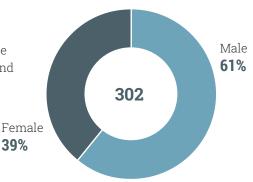
A survey questionnaire was created on the online platform, Survey Monkey, and a link was sent to all IoD members (over 2,600) by email on 10th May 2017. The questions were a mix of open-ended, closed-ended and multiple-choice. Some multiple-choice questions allowed more than one answer. The response rate to this survey was 302 members which equates to 12% of the membership.

The aspects of diversity that were included in this research were gender, age, geographical, ethnic and racial diversity, as well as diversity of skills and competencies. The IoD acknowledges that the characteristics of diversity extend beyond these characteristics to include socioeconomic background/ status, ability/disability, worldview etc., are equally relevant. However, if all diversity characteristics were surveyed, the volume of data would ultimately result in the dilution of these research findings.

^{*}Throughout the report, percentages may be rounded up/ down for illustrative purposes.

DEMOGRAPHICS

There were 302 respondents to the survey, 61% of whom were male and 39% female.



SECTORS

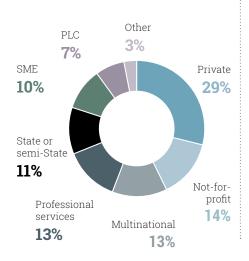
The private sector had the highest level of representation at 61%. Some 11% were from the State or semi-State sector and the remainder (28%) were from the not-for-profit sector, comprised largely of charities, healthcare providers and education institutions.

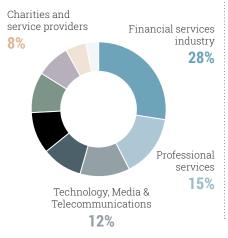
INDUSTRY SECTOR

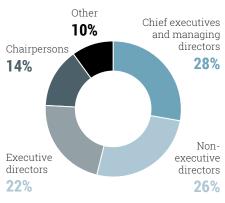
At an industry level, the highest percentage of respondents came from the financial services industry (28%). Some 15% of respondents work in professional services while 12% are in technology, media and telecommunications. Life sciences, consumer and industrial products were each represented by around 10% of respondents. Charities and service providers (8%), construction (5%) and energy and resources (3%) are next in respect of industry representation.

CEO/MANAGING DIRECTOR

Chief executives and managing directors are the highest represented cohort of respondents at 28%, with non-executive directors accounting for 26% and executive directors making up 22% of those surveyed. Chairpersons made up 14% of respondents while senior managers and company secretaries formed a small proportion.







FINDINGS SUMMARY

BOARD DIVERSITY

- 81% somewhat agree or strongly agree that board diversity leads to enhanced board effectiveness.
 The same number (81%) somewhat agree or strongly agree that board diversity leads to enhanced company performance.
- 33% somewhat agree or strongly agree that directors view board diversity as important and 34% strongly disagree or somewhat disagree. 33% are neutral.
- 78% somewhat agree or strongly agree that their board is committed to supporting a culture of inclusion.

GENDER

- The highest proportion of male respondents (44%) say that there is lower female representation on boards due to an insufficient pool of suitably qualified women.
- 60% of respondents say that gender diversity is either very, or extremely important when recruiting new board members.

50% ប៉ 76% ប៉

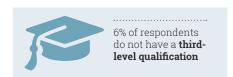
50% of male respondents and 76% of female respondents say that **gender diversity** is either very, or extremely important when recruiting new board members.

- When previous IoD research in 2013 (20%) and 2015 (16%) is taken into account, it appears that in 2017 more female respondents (22%) now believe that they are losing out on board appointments than they have in the past.
- 20% of male respondents believe that their gender has been a factor in their NOT being appointed to a board.

RACE, ETHNICITY, EDUCATION, AGE, GEOGRAPHY

- The vast majority of respondents say that Caucasian (97%), or people of Irish ethnic background (91%) are represented on the board. All other races and ethnicities have extremely low representation (7% or less).
- When recruiting new members to the board, 44% of respondents say that consideration of race and 44% say that consideration of ethnicity are just slightly or not at all important.
- 36% of respondents attended private secondary schools. (43% male; 25% female).
- More men (40%) than women (31%) have a professional qualification.

 More women (35%) than men (19%) are educated to master's degree level.



• 33% believe that age is a prohibitive factor when it comes to being appointed to a board. (27% of male respondents believe so; 44% of female respondents believe so).

FINDINGS SUMMARY

30-49 YRS OLD

73% of respondents were first **appointed to a board** between the ages of 30 and 49.

- Most board members (43%) are currently in the 45 to 54 age group.
 88% say that the youngest directors on their board are between the ages of 31 to 50 while 23% say that the oldest director on their board is over 70.
- 70% of respondents say that most members of boards sitting in Dublin are from Dublin/Leinster.

SKILLS AND EXPERIENCE

• 79% of respondents say that the skillset and experience of their board has changed over the past five years.

89%

89% of respondents say that they view **differing skillsets** and experience as either very, or extremely important.

- 43% of respondents believe that there are deficits in skills and/or experience on their board, which include communications, human resources, sales and marketing, and brand and/or public relations.
- While 26% of respondents are aware that cybersecurity expertise is necessary for the future success of the board, 60% say that they do not have cybersecurity expertise on their boards and 69% say they do not have cyber-risk expertise.

5+ YRS

51% say that they have been in their current **role on the board** for five or more years.

CORPORATE GOVERNANCE

- In terms of who on the board is responsible for ensuring that diversity remains a key focus, there appears to be disparity of views. 30% say the whole board is responsible for ensuring there is diversity on the board, 26% say the chairperson is responsible and 17% say the nominations committee is responsible.
- 45% of respondents say that they do not have a rotation system for board tenure.
- In rating corporate governance and financial expertise in terms of importance in the boardroom, 89% rate corporate governance very, or extremely important; and 92% rate financial expertise as very, or extremely important.
- 70% of respondents strongly disagree, somewhat disagree or are neutral in respect of their board having a diversity policy/statement in place.
- In terms of recruitment to the board, 42% were directly approached by a member of the board or by the whole board.

19%

Only 19% of respondents were appointed to boards through independent recruitment.

• 67% of respondents knew up to three or more people on the board before they joined it.

SECTION 1

DIVERSITY AND GENDER

In this section, the members surveyed (61% male, 39% female) are asked a series of questions about the issue of gender diversity on boards in Ireland, including their personal experience of boards on which they sit; and their views on the issue, including the barriers that women face in being appointed to boards in Ireland. Male and female respondents' views are also reported separately with a brief analysis of results.



Do you think that your gender has ever been a factor in NOT being appointed to a board?



	Ĥ	Ŷ	ΰô
Yes	20%	22%	21%
No	72%	55%	65%
Don't know	9%	23%	14%

COMMENTS



Comments from male respondents on gender being a factor in not being appointed

I believe that I have lost out to less qualified women in the interest of gender balance.

Pressure to appoint females mitigates against males

Bias towards women over and above ability.

I was told only female candidates were being sought.

ñ

Comments from female respondents on gender being a factor in not being appointed

Don't have same networking opportunities.

Typically the decision to appoint is made by men who can have certain biases and tend to appoint people in their own likeness i.e. men.

Not being on the radar as a potential board member in spite of all appropriate qualifications and experience.

Women are not empire builders who promote each other via accountancy firms or fee-paying secondary schools like Irish men do.

FINDINGS

Marginally more women think that their gender is a factor in not being appointed to boards when compared with male respondents.



Is it more difficult for women to be appointed executive and non-executive directors in Ireland than men?



	Ũ	$\mathring{\mathbb{Q}}$	Ϋ́Ϋ́
Yes	40%	72%	52%
No	38%	10%	28%
Don't know	9%	7%	8%
Other	13%	10%	12%

COMMENTS

Comments from male respondents on difficulty for women being appointed

executive.

More difficult re executive but easier re non-

Depends on the industry sector. In financial services, it is not an issue.

[I] have not come across any issues in this regard.

Currently [women] have a distinct advantage although in the past this would not have been the case.

Å,

Comments from female respondents on difficulty for women being appointed executive and non-executive directors

Challenging as a woman who is an executive leader and has been on a number of boards, to get noticed.

[I] don't know as up to now have had no visibility at that level as most appointments are made by men who still claim that they don't know any women at the required level.

[The situation] has been improving, but networks, particularly male-dominated ones, influence selection.

I suspect it depends on the industry.

FINDINGS

Findings show that women are much more likely than men to believe that it is more difficult for women to be appointed executive and non-executive directors in Ireland than men.

What do you think are the main barriers, if any, that face women being appointed to boards as directors in Ireland?

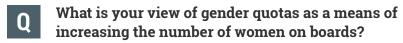
Respondents are asked to choose statements from a list of twelve.

Α	

	Ů	Ŷ	ÛŶ
1	44% The pool of suitably qualified women is not large enough	63% Unconscious bias	32% Unconscious bias
2	32% Boards in Ireland are too male dominated	52% Interlocking directorships mean that a small group of people populate boards in Ireland	36% Boards in Ireland are too male dominated
3	27% Unconscious bias	44% Women don't have access to the same networks/ information of contacts as men	33% Interlocking directorships mean that a small group of people populate boards in Ireland
4	25% Family commitments	40% Boards in Ireland are too male dominated	32% The pool of suitably qualified women is not large enough
5	20% There are no barriers	3% There are no barriers	13% There are no barriers

FINDINGS

Male and female respondents hold decidedly different beliefs when it comes to the perceived barriers that are faced by women in being appointed to boards. Male respondents say that a lack of suitably qualified women is the principal barrier, while female respondents believe that unconscious bias – a bias that we are unaware of, and which happens outside of our control – is the key barrier. One fifth of male respondents believe that women do not face any barriers.



Respondents are asked to choose statements from a list of twelve.

Λ	
Δ	

STATEMENTS	Ĥ	Ŷ	η̈́β
Gender quotas are the wrong approach, women should be appointed to boards based on merit, not gender	55%	23%	43%
Gender targets rather than mandatory quotas should be introduced to increase the number of women on boards	26%	40%	32%
Gender quotas are the most effective way to increase the number of women on boards	12%	27%	18%

COMMENTS



○ Comments from male respondents on | | gender quotas

Gender quotas are not the right way (should be on merit) - but the only way to make quick progress.

Gender quotas are needed for the moment to force boards to seek out women. In time there should be skill set targets irrespective of gender.

I believe the root cause of the problem is insufficient suitably qualified women available. It would be best to increase the pool of suitable qualified women available rather than put less qualified women on boards.

Gender quotas are inherently wrong but a necessary evil to move from where we are to where we need to be.



Comments from female respondents on gender

Gender quotas for a period of time (sunset clause) are the only way to address the absence of women from boards in Ireland.

Quotas in the short term 3-5 years then dissolve quota requirement and replace with a suggested target.

Quotas should be put in place. If merit were sufficient we would have better representation currently.

I don't believe that it is solely one thing or another I believe merit should win through but targets may be required to start momentum.

FINDINGS

In terms of gender quotas and targets, male and female respondents' views largely differ. While most male respondents (55%) say that gender quotas are the wrong approach, just 23% of female respondents share this view. Instead, the highest percentage of female respondents (40%) say that gender targets, rather than mandatory quotas should be introduced. Just 26% of male respondents believe the same.



In your view, to what extent is gender diversity important when recruiting new board members?



	ĥ	Ŷ	η̈́γ̈́
Very, or extremely important	50%	76%	60%
Moderately important	35%	18%	29%
Not at all important or slightly important	15%	6%	12%

COMMENTS

Male respondents' comments on the | importance of gender diversity

I believe diversity in its widest sense is very important. Gender diversity is only one element of that wider diversity.

Our board is too male-dominated for legacy reasons - this has to change.

Gender should not be an issue, people should be appointed on merit whether male or female.

Brings different perspective/alternative views.

Female respondents' comments on the importance of gender diversity

Women bring different skills to men to the boardroom table and it's important to have a mix of both.

The benefits to the company on a number of fronts comes through time and time again in research.

50% of the population is female – boards should reflect this. Also if boards are maledominated this will be reflected throughout the organisation and make it difficult for women to develop their careers.

Women bring greater balance - and for a lot of companies, most of the customers are women hence it is bizarre to not have at least a 50/50 gender mix at the top table.

FINDINGS

When compared with male respondents' views, a significantly higher percentage of female respondents attribute greater importance to gender diversity when recruiting new board members.

DIVERSITY AND GENDER CONCLUSION

The findings show that over onein-five (22%) female respondents believe that their gender has negatively impacted their chances of being appointed to a board. Also of concern is that 20% of male respondents believe the same about their own gender. It is discouraging to find that when IoD research in 2013 and 2015 is taken into account, it appears that more female respondents (22%) now believe that they are losing out on board appointments than they have in the past. In our 2013 survey, which was undertaken by only female members, 20% said that gender had been a factor in their NOT being appointed, and in our 2015 survey on diversity 16% of females said that gender had been a factor in their NOT being appointed to a board. The findings also show that a notable percentage (23%) of female respondents are unsure of whether their gender has negatively impacted on being appointed to a board, while just 9% of male respondents feel the same way.

Furthermore, 72% of female respondents say that it is more difficult for women to be appointed executive and non-executive directors in Ireland than men. When this question was put to female members in our previous surveys, 70% said that it was more difficult for women in 2013 and 76% said that it was more difficult for women in 2015. In other words, it appears that women's sense of how they are perceived in respect of board appointments, has not greatly changed over the past four years.

Regarding the barriers faced by women being appointed to boards, there is a clear disparity between the views of male and female respondents. Most males (44%) say that the pool of suitably qualified women is not large enough. However, females are more likely to believe that there is a sufficient number of qualified candidates, with just 13% of female respondents saying that the pool of suitably qualified women is not large enough.

Also noteworthy is that, while 20% of men believe there are no barriers facing women being appointed directors, just 3% of women feel the same way.

According to most female respondents (63%), 'unconscious bias' is the principal barrier to board appointments. In our 2015 and 2013 surveys (the 'unconscious bias' statement was not offered), the main barrier identified by female respondents, was that 'interlocking directorships mean that a small group of people populate boards in Ireland'. In this survey, women rate this as the second-most common barrier (52%).

Men are more likely to disagree with gender quotas than women. While most male respondents (55%) say that they are the wrong approach, just 23% of female respondents agree. However, most female respondents (40%) say that gender targets rather than quotas are the best option. This finding that female respondents favour targets over quotas, draws a parallel with our 2015 (40%) and 2013 (43%) surveys.

There is a clear gap in the importance that male and female respondents attribute to gender diversity on boards. Half (50%) the male respondents say that it is very or extremely important, while a much higher percentage of female respondents (76%) believe so. This is an especially concerning finding because the largest cohort of respondents (28%) say that their boards have 'less than 10%' of female members' (see pg 28 for finding).

72%

72% of female respondents say that it is more difficult for women to be appointed executive and non-executive directors in Ireland than men.

44%

44% of male respondents say that the pool of suitably qualified women is not large enough.

76% vs 50%

76% of female respondents say that gender diversity on boards is very or extremely important compared with 50% of male respondents.

SECTION 2

PROFILE OF BOARDS

EDUCATION

In this section, aspects of diversity, excluding gender, are considered. Research has shown that boards populated by people of diverse backgrounds bring a greater variety of different views to the decision-making process, which leads to better governance. Hence, this section offers a snapshot of whether people of diverse education, age, ethnicity, race or geographic location are currently serving on boards in Ireland. Also measured is the extent to which these aspects are valued by boards.

EDUCATION PROFILE

• The **highest level of education** for the majority of respondents is a master's degree (**25%**) or professional qualification (**18%**).

35% of women have a master's degree and 31% hold a professional qualification.

19% 40%

19% of men have a master's degree and 40% hold a professional qualification.

- 18% have undertaken the IoD Chartered Director Programme.
- 6% do not hold a third-level qualification.
- While 62% say that they attended state/voluntary secondary school, 36% of respondents attended private secondary school.
- 43% of male respondents attended private secondary school. 25% of female respondents attended private secondary school.

EDUCATION CONCLUSION

In terms of education, it appears that most respondents are educated to a high standard; just 6% of respondents do not hold a third-level qualification.

36% of respondents attended a private secondary school; more men (43%) than women (25%) attended a private secondary school.

In respect of qualifications gained by male and female respondents, a noteworthy finding is that a larger percentage of male respondents have a professional qualification, while a larger percentage of female respondents have a master's degree.

AGE

AGE PROFILE

- 73% first joined a board between the ages of 30 and 49.
- **52%** of respondents were first appointed directors to a board when they were below the age of 40.
- The highest numbers of respondents (43%) are currently in the 45 to 54 age group and the 55 to 64 age group (33%).
- 9% are in the 65 to 74 age category.
- 1% are 75 or older.
- The **age of the youngest director** currently serving on their board is:
 - » 1% are 25 or younger
 - » 3% 26 to 30
 - » 36% 31 to 40
 - » 8% 51 to 60
 - » 52% 41 to 50
- The **age of the oldest director currently serving** on their board is:
 - » 23% are 70 or older
 - » 47% 61 to 70
 - » 25% 51 to 60
 - » 4% 41 to 50
 - » 1% 31 to 40

When recruiting new members to the board, respondents rate the importance of age diversity:

47%

very or extremely important

37%

moderately important

16%

slightly or not

• 33% say age is a prohibitive factor when it comes to being appointed to a board and 60% say it is not. 7% do not know. A noticeably higher number of women feel that age is a prohibitive factor (44%) compared to men (27%).

AGE CONCLUSION

The findings show that 52% of respondents were first appointed directors when they were below the age of 40, while a further 32% were appointed by the time they were 49 years of age. 23% of respondents say that the oldest director on their board is 70 or older.

Indeed, in respect of youth, 39% of non-executive directors were first appointed below the age of 40, 66% of executive directors were first appointed under the age of 40 and 62% of chief executive/managing directors say they were first appointed under the age of 40.

These results suggest that the appointment of younger directors is commonplace in Ireland and when compared with executive and chief/managing directors, non-executive directors are more likely to be appointed to boards further on in their careers.

The respondents' commentary is also reflective of a sense that older board members believe their age is prohibitive as a result of both ageism and a perception that once a certain age is reached, the expectation is that a board member will step down. Younger board members generally believe their age is prohibitive as a result of perceived lack of experience.

44% of female respondents believe that age is a prohibitive factor when it comes to being appointed to a board, significantly higher than male respondents (27%).

Overall, while the comments tend to address the importance or otherwise of youth, age diversity is viewed with a moderate to high level of importance by all respondents.

COMMENTS

Representative comments on the importance of age diversity

Important that the board understands customers, changing market place, impact of digital etc.

Younger directors bring direct experience and insights of younger customer to boardroom.

The world is changing a lot and particularly ethical approaches are now evolving. Also different perspectives challenge the status quo.

Age tends to correlate with experience so it is good that there is age diversity.

Age is less of a factor. More important is breadth of knowledge and experience (of which age plays a role).

RACE

RACE PROFILE

- 98% say that the Caucasian race is represented in their boardroom.
- 2% say that the Black race is represented.
- 5% say that the Asian race is represented.
- 7% say that there is mixed-race representation on their board.
- 2% 'Other' (see comments below).

When recruiting new members to the board, respondents rate the importance of race diversity:

18%

very or extremely important

38%

moderately important

slightly or not at all important

RACE CONCLUSION

The vast majority (98%) of respondents say that the Caucasian race is represented in their boardroom. Other races are largely under-represented.

There appears to be little motivation for change in this respect as just 18% of respondents say that racial diversity in the boardroom is either very or extremely important.

COMMENTS

Representative comments on the importance of race diversity

Experience and value-add of primary importance. Race diversity should be of importance if company hopes to operate globally.

Race and culture differences enrich the strategic journey.

Growing in importance to reflect changes in Irish society.

We operate in multiple jurisdictions – so diversity is not an issue.

ETHNICITY

ETHNICITY PROFILE

- 91% say that people of Irish ethnic background are represented on their board.
- Only one board member (0.35%) is from the Irish Traveller community.
- One other board member is Black Irish.
- 2% say board representation includes African ethnicity.
- 7% say board representation includes Asian or Asian Irish ethnicity.
- 2% say board representation includes Chinese ethnicity.
- 7% say that people of mixed race backgrounds are represented on the board.

When recruiting new members to the board, respondents rate the importance of ethnic diversity:

19%

very or extremely important

38%

moderately important

slightly or not

ETHNICITY CONCLUSION

In line with the findings on racial diversity, a large majority indicate that Irish ethnicity is represented in the boardroom, while all other ethnicities are much lower in terms of representation (7% or less).

However, when this circumstance is compared with boards which are headquartered or mainly operational in the UK, western Europe, the US, or Australia, about 5% of directors on FTSE 150 boards are from black and minority ethnic backgrounds (2016 UK Board Index).

Thus, while it appears that there is much to do in terms of enhancing boards with diverse ethnicities in Ireland, findings suggest that boards in this country are facing a similar situation as internationally-based boards.

In terms of respondents' commentary on ethnicity and race, many reflect the view that while ethnic diversity in the boardroom may be desirable, suitability for the role should be the determining factor in recruitment. There are also multiple comments expressing the view that there is a lack of qualified candidates who are ethnically and racially diverse.

Similar to race, there is low consideration of ethnicity as very or extremely important in respect of board recruitment.

COMMENTS

Representative comments on the importance of ethnic diversity

Competency and skill diversity should be the driver. This will naturally lead to race and ethnic diversity. International diversity is important.

I think it depends on where the business operates and where it is selling into.

As Ireland's population becomes more ethnically diverse, the boardroom needs to reflect this.

I am not sure that the pool of ethnic candidates is sufficiently large. This is a feeling and not based on evidence.

GEOGRAPHY

GEOGRAPHY PROFILE

If your board is Dublin-based, please indicate if most of the board's members are from:

- 70% Dublin/Leinster
- 20% international
- 14% board is regionally balanced
- 8% Munster
- 8% UK-based

If your board is based outside of Dublin, please indicate if most of the board's members are from:

- 27% Munster
- 24% international
- 24% Dublin/Leinster
- 13% board is regionally balanced
- 6% UK-based

GEOGRAPHY CONCLUSION

Diversity of nationality and regionality is important due to expansive viewpoints, experience and knowledge gained from working across cultures and geographies. These research findings show that Dublin-based boards display a lack of geographical diversity with respondents saying that the majority of their members (70%) are from Dublin/Leinster.

The remainder of the Irish provinces are largely underrepresented on Dublin-based boards. Indeed, almost a quarter (24%) of boards that are based outside of Dublin, mostly have members who are from Dublin.

However, after Leinster, the second-highest percentage is international (20%) representation on Dublin-based boards, and this is a more positive finding.

Additionally, for boards based outside of Dublin, 24% say that most of the board members are international.

SECTION 3

BOARD EXPERTISE AND EFFECTIVENESS

This section presents respondents' skills and experience within the context of diversity. It also showcases the level of importance that is currently ascribed to variance in skills and experience in the boardroom. All survey questions relating to board members' skillsets are presented below, along with responses, commentary and conclusions.

Do you believe that there are deficits in skills and/or experience on your board?'

A	Yes	43%
	No	51%
	Don't know	6%

- Do you believe that there are deficits in your own skills and/or experience that you bring to the board?
- A Yes 35%

 No 55%

 Don't know 10%
- Have the skillset and experience of your board's members changed over the past five years?
- A Yes 79%

 No 18%

 Other 2%
- Apart from your own area of expertise, do you feel comfortable/ competent in dealing with other topics of board discussion?

_		
	Yes	97%
	No	.36%
	Don't know	1%
	Other	1%

What are the primary skill(s)/experience that you bring to your board?

Respondents are asked to select their top three most relevant answers from a list of 21 skill(s)/experience.

TOP TEN PRIMARY SKILL(S)/EXPERIENCE SELECTED

1	Corporate governance	72%
2	Industry knowledge (relevant to the business)	54%
3	Financial	49%
4	Risk management	33%
5	International business exposure	32%
6	Operations	31%
7	Ethics and compliance	30%
8	Sales and marketing	20%
9	Human resources	15%
10	Brand and/or public relations	13%

SECTION 3 BOARD EXPERTISE AND EFFECTIVENESS

Please rate the importance of having the following attributes on your board.



TOP TEN ATTRIBUTES SELECTED AS BEING VERY OR EXTREMELY IMPORTANT

1	Financial expertise	92%
2	Corporate governance	89%
3	Industry expertise	89%
4	Risk management expertise	84%
5	Regulatory knowledge	77%
6	Marketing expertise	56%
7	Cyber-risk expertise	50%
8	Human resources expertise	49%
9	Public affairs	47%
10	IT strategy expertise	46%

What are the most desired skills, expertise and experience needed to contribute to your board's success over the next two years?



TOP TEN DESIRED SKILLS, EXPERTISE AND EXPERIENCE SELECTED

1	Corporate governance	41%
2	Risk management	31%
3	Regulatory changes (eg data protection)	28%
4	Cybersecurity	26%
5	Technology	24%
6	Industry (similar to company)	24%
7	International business exposure	24%
8	Marketing and/or public relations	24%
9	Ethics and compliance	21%
	Mergers and acquisitions	20%
10	Financial services	20%

SECTION 3 BOARD EXPERTISE AND EFFECTIVENESS

Please indicate if your board currently has the following attributes?

Respondents are offered ten options and are asked to answer "yes", "no" or "not applicable" to all or any of the statements.

TOP FIVE YES ANSWERS

1	Financial expertise	97%
2	Industry expertise	97%
3	Operational expertise	93%
4	Risk management expertise	85%
	International expertise	69%

TOP FIVE NO ANSWERS

1	Cyber-risk expertise	69%
2	IT strategy expertise	51%
3	Legal expertise	40%
4	Human resources expertise	39%
5	Marketing expertise	37%

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?

Respondents are offered eleven options and are asked to answer "yes", "no" or "don't know" to all or any of the statements. A

TOP FIVE YES ANSWERS

1	Management capabilities	92%
2	Financing and liquidity needs	91%
3	Financial exposure	91%
4	Organisation reputation	91%
5	Regulatory and legal requirements	91%

TOP FIVE NO ANSWERS

1	Cybersecurity	60%
2	National politics	20%
3	Market and competitive trends	19%
4	Business continuity	17%
5	Fraud control	17%

When recruiting new members to the board, respondents rate the importance of differing skillsets and experience:

89%

very or extremely important

9%

moderately important

2%

slightly or not at all important

BOARD EXPERTISE AND EFFECTIVENESS CONCLUSION

It is a positive finding that 89% of respondents say that they view differing skillsets and experience as either very or extremely important when recruiting new members. Considering this, however, it should be questioned why people with skills and experience which is intrinsic to addressing business challenges and opportunities for progression (human resources (15%) and brand and/or public relations (13%)) have quite low representation in the boardroom. In fact, when respondents are asked to indicate whether or not their board has certain attributes, 37% say they do not have marketing expertise and 39% say they do not have human resources expertise.

It is a concern that 43% of respondents believe that there are deficits in skills and/or experience on their boards. For those respondents who believe that there are deficits, marketing emerges as the most common perceived shortfall

43%

43% of respondents believe that there are deficits in skills and/or experience on their boards.

SECTION 3 BOARD EXPERTISE AND EFFECTIVENESS

BOARD EXPERTISE AND EFFECTIVENESS CONCLUSION

26%

26% of respondents say that cybersecurity expertise is the most desired skill needed to contribute to their boards' success over the next two years.

60%

60% of all respondents say that they do not have cybersecurity expertise on their boards.

79%

79% of respondents say that board members' skills and experience have changed over the past five years.

97%

97% of respondents say that they feel comfortable/competent in dealing with other areas of discussion that are outside their own field of expertise.

in the comments section, with communications, sales and human resources also featuring prominently.

Over a quarter (26%) of respondents say that cybersecurity expertise is the most desired skill needed to contribute to their boards' success over the next two years. Indeed, 39% of respondents working in the financial services, private sector say that cybersecurity expertise is the most desired skill, including corporate governance (44%); risk management (33%) and technology (IT) (29%).

However, 60% of all respondents say that they do not have cybersecurity expertise on their boards (68% of respondents in the financial services (private sector) say so) and 69% say they do not have cyber-risk expertise (78% of respondents in the financial services (private sector) say so). When all respondents' top ten skill(s)/experience are considered, representation from experts in technology/IT (11%) and cybersecurity (4%) is comparatively low.

There is general recognition among respondents that particular skills and experience are necessary for the board's future success but the findings show that boards have a deficit of members with these skillsets and experience.

Furthermore, the underlying principles of all good governance are accountability, transparency, probity and focus on the sustainable success of the company. However, a moderate number of respondents (21%) note 'ethics and compliance' as necessary skills to contribute to the future success of the board. Focus on sustainable success of the company is high, with respondents selecting financial expertise – 92%; corporate governance – 89%; industry expertise – 89%; risk management expertise – 84% as very or extremely important.

Many respondents' remarks suggest that directors are conscious of the need for continuous professional development, and that many boards keep themselves up-to-date through training or through new board appointments. It is encouraging that 79% of respondents say that board members' skills and experience have changed over the past five years.

Also encouraging is that 97% of respondents say that they feel comfortable/competent in dealing with other areas of discussion that are outside their own field of expertise.

SECTION 4

DIVERSITY AND GOOD GOVERNANCE

In this section, the relationship between diversity and good governance is examined. The current level of diversity on Ireland's boards and perceptions of it are explored in terms of board processes, composition, the appointment process for directors and the opportunities and challenges associated with board diversity.

BOARD PROCESS

OVERSIGHT		DIVERSITY POLICY/STATEMENT	ROTATION PERIOD	
Who is primarily responsible for ensuring there is diversity on the board?		700/	49%	of respondents have a rotation system in place for board tenure
The full board	30%	70%	45 %	do not
The chairperson	26%	of respondents strongly disagree, somewhat disagree or are neutral in respect of their board having a		of respondents have been in the role they
		diversity policy/statement in place	51%	currently hold on the board for five or more years
CEO/senior management	8%		23%	have been in their role for ten years or more

DIRECTOR APPOINTMENT PROCESS

How were you recruited to join the board on which you currently sit?

Ů	Ŷ	η̈́η̈́
		42 % of respondents were directly approached by a member of the board or the whole board.
50%	19%	19% were appointed through independent recruitment.
of male respondents were directly approached by a member of	of women respondents were directly approached by a member of	67% of respondents knew up to three or more people on the board before they joined.
the board or the board itself.	the board or the board itself.	61% say that they somewhat agree or strongly agree that their board considers diversity when recruiting new members.

BOARD COMPOSITION

Q

Board size?

A

NO. OF MEMBERS	%
Five	18%
Six	12%
Seven	10%
Eight	7%
Nine	9%
Ten	11%
Eleven to Twelve	14%
Thirteen to Fifteen	5%
More than Fifteen	6%

Number of female members sitting on the board?

A

FEMALE MEMBERS	%
Less than 10%	28%
11 to 20%	17%
21 to 30%	20%
31 to 40%	11%
41 to 50%	16%
51 to 70%	5%

What are the reasons for recent, or pending, changes to your board composition?

Respondents are offered eleven statements and asked to select any that apply.

A

THE TOP FIVE REASONS

1	Retirement of existing director(s)	46%
2	Planned succession to keep the board fresh	30%
3	Resignation of existing director(s)	29%
4	Need for specialised knowledge	23%
5	Decision to have a more diverse board	16%

BOARD DIVERSITY: OPPORTUNITIES AND CHALLENGES



What, if any, diversity-related obstacles have you encountered as a board member?

Recurring themes emerge from the comments, including the view that there is an indifferent approach to implementing diversity and inclusion in board processes; and that there is a shortage of suitably qualified candidates available.

COMMENTS

Representative comments on diversity-related obstacles

Default to the status quo & passive attitude towards change.

Gaining consensus for change or diversity only seen as a gender issue.

Difficulty of finding suitably qualified candidates from diverse backgrounds.

Lack of commitment to the principles of diversity.

An increase in the number of boards only wishing to interview female candidates – almost a negative diversity when seeking new roles.

OPPORTUNITIES

- 78% somewhat agree or strongly agree that 'my board is committed to supporting a culture of inclusion'.
- 61% somewhat agree or strongly agree that there are no significant impediments to increasing board diversity.
- 81% somewhat agree or strongly agree that board diversity leads to enhanced board effectiveness and 81% believe that board diversity leads to enhanced company performance.

CHALLENGES

- 33% somewhat agree or strongly agree that directors view board diversity as important and 34% strongly disagree or somewhat disagree. 33% are neutral.
- 35% of respondents strongly disagree or somewhat disagree that there are sufficient numbers of qualified, under-represented candidates available for the board.
- 15% of respondents say that 'diversity considerations are not my responsibility'.

DIVERSITY AND GOOD GOVERNANCE CONCLUSION

61%

61% of respondents say that their board takes diversity into consideration when recruiting new members.

42%

42% of respondents were directly approached by the board or a member of the board.

50% vs 19%

More males (50%) than females (19%) were recruited following a direct approach.

28%

28% of respondents say that fewer than 10% of females are sitting on their boards.

In terms of oversight and overall responsibility in respect of bringing a focus on diversity to the board, there appears to be some conflicting viewpoints. 26% of respondents say that the board's chairperson is responsible, 30% say that the full board is responsible and 17% say that the nominations committee is responsible. When only the chairpersons' feedback is examined, 28% of chairpersons say that they are responsible, and 33% of chairpersons say that the whole board is responsible for ensuring there is diversity on the board.

A positive finding is that 61% of respondents say that their board takes diversity into consideration when recruiting new members.

However, 57% of all respondents were recruited pursuant to some form of non-formal recommendation. Some 42% of respondents were directly approached by the board or a member of the board (63% of respondents working in the financial services (multinational sector) were directly approached by the board or a member of the board).

Furthermore, 67% knew up to three or more people on the board before they joined (71% of respondents from the financial services, (private sector) knew up three or more people). The data also suggests that many more males (50%) than females (19%) were recruited following a direct approach from a board or a member of it.

The view that diversity makes a positive contribution to the board and the company is predominant among respondents. 81% of them somewhat agree or strongly agree that board diversity leads to enhanced board effectiveness; and 81% believe that board diversity leads to enhanced company performance. 78% somewhat agree or strongly agree that 'my board is committed to supporting a culture of inclusion'.

Nevertheless, when the data on boards' processes are analysed, it appears that governance practices and strategic priorities do not reflect the support for diversity that respondents have indicated in this survey. Respondents' views are mixed in terms of whether they believe that diversity is important to directors. Moreover, 15% of respondents indicate that 'diversity considerations are not [their] responsibility' and 70% of respondents disagree or are neutral in respect of their board having a diversity policy/statement in place.

With regard to board composition, 28% of respondents say that fewer than 10% of females are sitting on their boards. Results from our 2013 (22%) and 2015 (18%) research, show that the numbers of board positions occupied by women is not improving.

Additionally, findings suggest that boards lack a comprehensive process for changes to board composition and tenure. It appears that the principal reasons for recent or pending changes to the board's composition, is due to the retirement (46%) or resignation (29%) of existing directors.

DIVERSITY AND GOOD GOVERNANCE CONCLUSION

45%

45% say that they do not have a rotation system in place for board tenure.

Indeed, according to respondents working in the financial services (private sector) changes occurred, or will occur, due to the retirement (44%) or resignation (41%) of existing directors. 45% say that they do not have a rotation system in place for board tenure.

According to the UK Corporate Governance Code, (April 2016), best practice dictates that non-executive directors should be appointed for specified terms subject to re-election and to statutory provisions relating to the removal of a director. Any term beyond six years for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the board. Conversely, when non-executive directors' responses are analysed alone, 25% say that they have been in their roles for more than six years. 37% of all respondents have been in the role they currently hold for more than six years.

CONCLUSION

POSITIVE RESULTS

There are many positive results emerging from this research. The vast majority of respondents say that their board is committed to supporting a culture of inclusion, which is a key aspect of diversity. A large majority also says that board diversity leads to enhanced board effectiveness and enhanced company performance and most say that there are no significant impediments to increasing board diversity. It is encouraging that the majority of respondents confirm that board members' skills and experience have changed over the past five years and that just 3% do not feel comfortable/competent in dealing with other areas of discussion apart from their own area of expertise.

DIVERSITY OF AGE

Age diversity is an important element in the boardroom and these findings suggest that there is a good mix of age in Ireland's boardrooms. While a significant number of respondents were first appointed to the board before the age of 40, a large majority (76%) are currently between the ages of 45 and 64. Older directors provide a wealth of knowledge that comes with experience and younger directors contribute a fresh perspective and a new set of skills for a 21st century world.

HOMOGENEOUS BOARDS

However, the findings also suggest that boards in Ireland are currently composed of members with similar educational background, age, race, ethnicity and geographical location. The results clearly show that boards in Ireland are generally not moving away from who or what they know, in respect of diversity. Such uniform board composition means there is likely to be a lack of the optimal mix of skills, expertise and experience, which is paramount to ensuring that the board can appropriately guide the business and strategy of the company. With boards that are made up of members with similar backgrounds, there is a strong risk of group-think, where boards' decision-making process incorporates similar perspectives and generates outcomes, which may lack the dynamism that a diverse set of board members could bring to the table.

BOARDS ARE NOT REFLECTIVE OF A CHANGED IRISH SOCIETY

It is clear that female representation on boards in Ireland is still not reflective of the fact that women make up half of the Irish population, and according to Quarter 1, 2017 figures from the Central Statistics Office, the percentage of women between the ages of 15 and 65, in employment in Ireland is 60%, compared with 71% of men.

45-64

76% of respondents are currently between the ages of 45 and 64.



60% of women in employment in Ireland are between the ages of 15 and 65 compared with 71% of men.

CONCLUSION

There is an absence of racial and ethnic diversity in boardrooms in Ireland; in the vast majority of cases board members have an Irish ethnic background and are Caucasian, while other races and ethnicities are minimally represented. Generally, respondents believe that this is due to a lack of suitably qualified candidates, or an inability to attract suitable candidates. However, when compared with the 2011 Irish Census, there is an increased diversity of the Irish population as evidenced by the 2016 Irish Census, which shows a wide-spread percentage increase in the population, who identified themselves as the following ethnicities; Irish traveller, other black, Chinese, other Asian. There was only a decreased percentage of people who identified as black Irish, or black African. Thus, in consideration of a changed (and continually changing) Ireland, how can corporate boards be adequately effective now and into the future, if their composition does not reflect the workers, shareholders, communities and consumers, who have become more diverse?

APPOINTMENT PROCEDURES LIMIT POTENTIAL FOR DIVERSITY

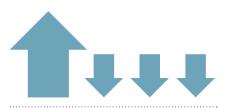
The data suggests that board appointments are mostly made as a result of who you know, with many board members recruited through direct approach by the board or a member of the board. This suggests that the network of individuals in the boardroom may be fairly limited and homogeneous, thereby intensifying the lack of diversity on boards. However, there is little reason to suggest that appointment procedures cannot be improved especially considering that most of the respondents agree that there are no significant impediments to increasing board diversity.

RELUCTANCE TO MOVE ON FROM THE STATUS QUO

The findings suggest that boards are practicing as they have always done in terms of their composition, their approach to diversity and their processes. This tendency to continue with existing practices is evident in the skills and experience that are currently found on boards in Ireland. Regarding how respondents rate the importance of having certain attributes on their board, the vast majority rates corporate governance and financial expertise as very or extremely important. Most other skills are rated much lower. This is of concern as diversity of skills and experience are both necessary to meet the demands of a changing world, with an increasing online economy, a more transparent and future-facing business approach and the challenges associated with standing out from the crowd (skills related to technology, communications, human resources, sales and marketing). In fact, cybersecurity and cyber-risk expertise appear to be specifically lacking at a time when cyber-attacks are becoming increasingly prevalent. The impact of cyber threats on businesses is set to increase even further as a result of the implementation the EU General Data Protection Regulation (GDPR) in May 2018. Under the GDPR, organisations whose data has been compromised will be exposed to substantial fines.



The data suggests that board appointments are mostly made as a result of who you know, with many board members recruited through direct approach by the board or a member of the board.



The vast majority of respondents rate corporate governance and financial expertise as very or extremely important. Most other skills are rated much lower.

CONCLUSION



Male and female respondents' views are rarely found to correlate in the 'Board Diversity and Gender' section.



Mostly male respondents noted that a key barrier to board appointments for women is lack of suitably qualified candidates. There is a clear awareness of the relevance of these skills. Indeed, there is an overall understanding that boards in Ireland more or less handle diversity matters satisfactorily. However, there is little action, as evidenced in the Diversity and Good Governance section of this report, where boards' practices, strategic priorities and viewpoints in respect of board diversity, are stated and deficiencies are affirmed.

BOARD DIVERSITY AND GENDER

In the 'Board Diversity and Gender' section of this report, male and female respondents' views are compared and the results are rarely found to correlate. Both have quite different outlooks on the role of gender diversity in the boardroom. This divergence of perspectives indicates that there is a lack of balanced and cohesive understanding around the matter of gender and board diversity.

SOURCING DIVERSE CANDIDATES

The main reason cited by respondents for the absence of racial and ethnic diversity in boardrooms in Ireland is due to a lack of suitably qualified candidates. Similarly, mostly male respondents noted that a key barrier to board appointments for women is lack of suitably qualified candidates. In order to increase diversity, boards will have to widen their pool of candidates, and look in different places.

The belief in diversity is clear but the practices show otherwise. While those who aspire to become directors must play their parts, the drive to make diversity a priority must come from the board's leadership.





Institute of Directors in Ireland Europa House, Harcourt Street, Dublin 2. D02 WR20

> Tel: +353 1 411 0010 Email: info@iodireland.ie www.iodireland.ie