

2021 Ireland Spencer Stuart Board Index Highlights

In this second edition of the annual *Ireland Spencer Stuart Board Index* we again analyse board governance practices of the companies in the ISEQ 20 index, which comprises the 20 largest companies trading on the Euronext Dublin exchange by trading volume and market capitalisation.

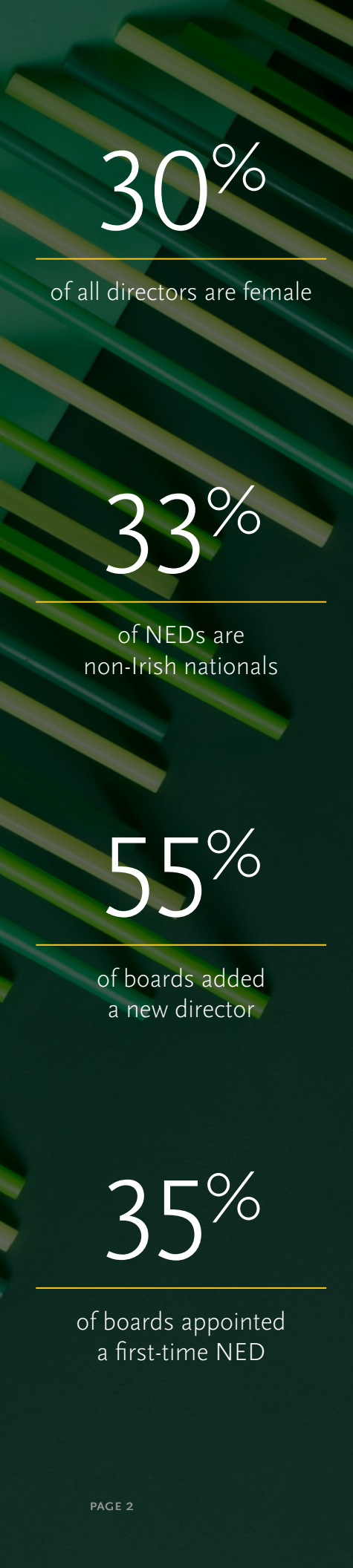
The composition of the ISEQ 20 has changed from last year following the delisting of Applegreen and Arysza AG from the index, making way for Uniphar and FBD Holdings. This means 10% of the sample has changed, accounting for some of the differences recorded since last year's edition.

For this 2021 survey, we spoke to a number of chairs and senior independent directors (SIDs) of ISEQ 20 companies to gather their perspectives on what makes an effective board member, as well as to identify some of the challenges companies and board now face. Throughout this survey, you will find their perspectives, along with some advice for first-time non-executive directors (NEDs) or those who may want to take on board roles in the future.

The role of the company secretary

A point discussed with chairs and SIDs was the critical part played by the company secretary. All those we spoke to believe that company secretaries are a key contributor to company performance and the day-to-day running of the board. They are at the centre of the most important and sensitive issues, often acting as the trusted conduit between executive and board to ensure that the company's governance agenda is maintained. The strongest company secretaries are those who are apolitical, mature, technical, precise, and resilient, with good judgement, who speak the truth even when it might be uncomfortable.





30%

of all directors are female

33%

of NEDs are
non-Irish nationals

55%

of boards added
a new director

35%

of boards appointed
a first-time NED

Gender representation

Progress continues to be made in terms of gender representation. 30% of all board directors are women, representing a 4% increase on the 26% reported in the 2020 Index. The proportion of boards with at least 30% female representation increased by 80%, from 25% to 45%. Despite this, there was no improvement in female representation among chairs (5%) or CEOs (15%), and no women were among the new executives appointed during the year under review.

Internationalisation

This year's ISEQ 20 is slightly less international than last year's; 28% of all board directors are non-Irish nationals compared to 30% last year and 33% of NEDs are non-Irish nationals compared to 38% last year. However, the number of boards with foreign directors increased by one to 18, meaning 90% of the ISEQ 20 has at least one board member from outside Ireland.

Unsurprisingly, UK nationality is the most commonly seen foreign nationality among Irish board members by a significant margin, followed by the US. Fourteen nationalities are represented on ISEQ 20 boards.

Board refresh

New directors joined the boards in our sample at a similar rate as last year; 14% of all directors (executive and non-executive) were appointed between 1 May 2020 and 30 April 2021, a slight increase from 13% last year. The proportion of companies adding a new member to their board increased from 45% to 55%.

The proportion of women joining the ISEQ 20 boards decreased in 2020, from 48% of the new intake to 39%. This may seem somewhat at odds with the overall increase in the number of women on boards. However, this is due to the change in ISEQ 20 constituents and the fact that more than twice as many male NEDs as female NEDs stepped down from their board during the year under review — 13 compared to six.

35% of boards appointed a new NED with no prior experience sitting as a non-executive on an external board. Of this cohort, 38% were women, suggesting that more needs to be done to bring new female talent into the boardroom.

Remuneration

The challenges caused by the global pandemic in 2020 resulted in a number of companies in the ISEQ 20 seeking to reduce costs. 25% of the boards in our sample waived some of their fees, taking either a 25% reduction in fees for three months, 20% reduction in fees for four months or 50% reduction in fees for two months. By the end of 2020, all boards had restored fees to the same level as January 2020.

The average retainer fee for NEDs increased slightly, up to €66,600 from €66,461 last year. The average fee for chairs, excluding executive chairs, also increased slightly, from €232,088 to €234,306.

Tenure

For the 2021 Ireland Spencer Stuart Board Index, we examined the NEDs, including chairs and SIDs, who stepped down from boards during our survey period (1 May 2020 to 30 April 2021). All tenure periods given relate only to when the company was public. In total, 19 board members stepped down from their respective boards during this period after an average tenure of 7.7 years.

Among those still serving on a board, average tenure is 4.4 years. The average tenure of non-executive chairs is 6.8 years on the board and 4.2 as chair.

Executive committees

The current ISEQ 20 demonstrates greater gender diversity among its executive committees, the proportion of women having increased from 19% to 25%. This is still short of some best practice targets, such as the 33% recommended by the Hampton-Alexander Review in the UK. As already noted, ISEQ 20 boards overall have boosted the gender balance to 30% female membership.

Executive committees (ExCos) varied in size from four to 16; four-strong memberships are seen at 20% of ExCos. 11% of the ISEQ 20 companies still have no female ExCo members; the largest proportion of women on the ExCo in the ISEQ 20 is seen at Irish Residential Properties, with 75% female membership. On average, executive committees were 28% female.

25%

of boards reduced their
NED fees due to Covid

4.4

years is the average tenure

25%

of executive committee
members are women

45%

of boards undertook
an external evaluation



35%

of chairs sit on
other quoted boards

70%

of boards had a
designated workforce
engagement director

External evaluations and commitments

External evaluations were substantially more common this year, with 45% of the ISEQ 20 choosing to use an external evaluator, compared with 25% reported in the 2020 Index.

21% of CEOs sat on outside quoted boards; only one among this group sat on a board outside the ISEQ 20. The number of chairs sitting on outside quoted boards has decreased significantly, from 55% last year to 35% this year. 20% of all chairs in the ISEQ 20 are on the board of a public company outside Ireland.

Workforce engagement

70% of ISEQ 20 boards had a designated workforce engagement director, a significant increase on the 45% from last year, as the recommendations of the 2018 UK Governance Code are replicated in Ireland. Two boards delegated responsibility for workforce engagement to a committee or multiple NEDs, rather than to a single designated NED.

The main priority for workforce engagement over the past year was of course the Covid-19 pandemic. Many of the companies in our sample highlighted that their workforce engagement director prioritised employee health and wellbeing in their activities over the past year. A number of boards also highlighted that their workforce engagement plans were disrupted due to the pandemic and the shift to virtual meetings presented a challenge. Since many companies predict that remote working will become more common, it will be interesting to see how the workforce engagement director role evolves and what other strategies companies will use in tandem to measure and improve engagement.

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