Diligent Institute | IoD Institute of Directors in Ireland

The State of ESG Strategy in Irish Boardrooms

Diligent Institute and IoD Ireland report reveals gaps in ESG expertise and strategy implementation.

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Diligent Institute informs, educates and connects leaders to champion modern governance.

We provide:

- Original, cutting-edge research on the most-pressing issues in corporate governance;
- Certifications and educational programs that equip leaders with the knowledge and credentials needed to guide their organizations through existential challenges;
- Networks that convene directors and corporate executives to share best practices and insights; and
- Awards and recognition programs that celebrate the accomplishments of those who champion modern governance.

Connection to Diligent Corporation

Founded in 2018, Diligent Institute acts independently as the global corporate governance research arm and think tank of Diligent Corporation, the global leader in modern governance.

Diligent provides software-as-a-service (SaaS) solutions across governance, risk, compliance, audit and ESG. The company partially funds Diligent Institute as a part of its broad mission to improve corporate governance. Serving more than 1 million users from over 25,000 customers around the world, Diligent empowers transformational leaders with software, insights, and confidence to drive greater impact and lead with purpose.

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Diligent Institute

About the Institute of Directors (IoD) in Ireland

The Institute of Directors (IoD) in Ireland is the leading membership body for directors and business leaders. Our purpose is to instil stakeholder trust and confidence in organisations by educating, informing, and supporting directors and business leaders to lead successfully. Our vision is for Ireland to be an exemplar of corporate governance.

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INSTITUTE OF DIRECTORS IN IRELAND

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Foreword

The Institute of Directors (IoD) in Ireland and the Diligent Institute were delighted to partner once again on this key piece of research. In recent years, the world has witnessed a momentum shift towards interest in environmental, social and governance (ESG) issues. Stakeholders such as investors, employees, customers and regulators have heightened the pressure on corporations to embrace ESG. For most of these stakeholders, ESG presents a business environment that has the benefit of establishing long-term value creation.

A year ago, Diligent institute and IoD Ireland conducted research to understand how boards are addressing ESG stakeholder needs by integrating ESG-related risks and opportunities into their overall strategies. The research revealed that directors lacked a degree of confidence in their ESG strategy and how it aligned with their overall long-term strategy. The report also highlighted the role the pandemic played in escalating ESG to boardroom discussions. Yet, despite the rising rate of ESG appearing on boardroom agendas, the survey also disclosed that directors lacked the relevant expertise and skill set to effectively oversee ESG.

To understand what has happened around ESG a year later, especially regarding passed and upcoming legislation and what companies are doing to address it, we embarked on this second research initiative. The new report covers research that looks at the importance of ESG, including board oversight and structure; strategy, risk, and boardroom practices; skills; EU legislation; as well as analysing the differences between private and public companies and sectoral differences.

The results of this new survey will support the development of resources and initiatives to assist companies and directors in addressing this increasingly important component of business strategy. We would like to thank all IoD Ireland members who participated in the research.

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

Dottie Schindlinger
Executive Director
Diligent Institute

Key Findings

Who oversees ESG-related matters at your primary organisation?	2022 **58%** Full Board	**78%** of financial services sector respondents said full board	2021 **46%** Full Board
Is your board incorporating ESG related metrics in compensation plans for executive directors?	**17%** of respondents said "yes"	**52%** indicated that they believe ESG-related metrics should be linked to executive compensation	
Does your primary organisation have ESG KPIs/metrics in place?	**47%** of respondents said "yes"	**6 out of 10** Confidence Rating in their ability to implement ESG-KPIs	
Does your board factor ESG in the skills matrix to identify new board directors?	**29%** of respondents say "yes"	**28%** of respondents say its under consideration	**38%** of public sector respondents say yes
Have you undertaken ESG director training in the last 12 months?	**34%** of respondents indicated "yes"		
Do you believe your primary organisation's board should have one dedicated director that has an ESG skill set or should this be a shared skill amongst all directors on the board?	**75%** of respondents say this skill set should be shared by all board members		

ESG Oversight and Responsibility

Companies Are Shifting Oversight to the Full Board

As ESG risk and strategy becomes increasingly important to today's business climate, companies are formalising its oversight. Findings from the survey suggest that most respondents (58%) indicated that ESG oversight is at the board level. This has increased slightly from our previous research. In the 2021 ESG Strategy, Leadership, and Integration in Irish Companies research, 46% of respondents indicated that ESG is overseen by the entire board.[1]

Another 32% indicated that their CEO oversees ESG. Only 15% indicated that ESG oversight is with a dedicated ESG/sustainability committee. Surprisingly, 9% of respondents also indicated that ESG is overseen below the board level.

Who oversees ESG-related matters at your primary organisation?

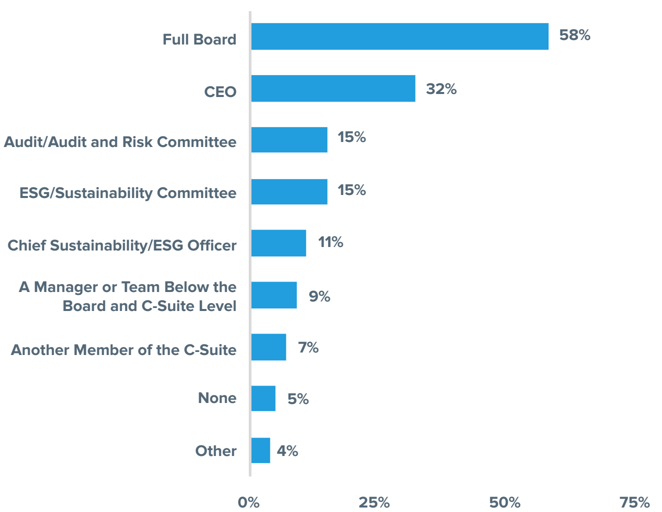

Chart 1

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply.

The survey's respondents also noted that their boards are discussing ESG frequently: 31% indicated that their board discuss ESG quarterly, compared to 23% who responded that ESG is discussed at every board meeting. Another 14% indicated that ESG is discussed annually at their board meetings.

23%

of respondents said that ESG is discussed at every meeting.

How frequently are ESG-related issues included on your primary organisation's board meeting agendas?

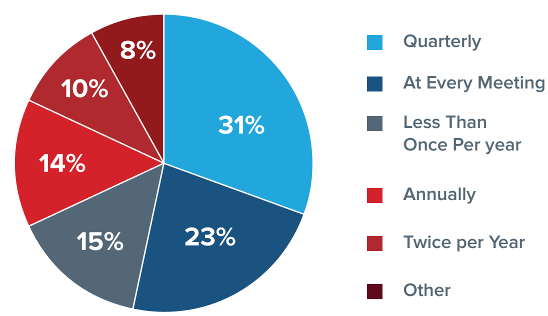

Chart 2

[1] Sections of this appears in our 2021 report, 'ESG Strategy, Leadership, and Integration in Irish Companies'.

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ESG Board Recruitment and Training

ESG Recruitment

To successfully oversee ESG, there is a need for the oversight body to have the necessary skills and expertise. With this in mind, respondents were asked if their organisation includes ESG expertise to identify new board members. Surprisingly, only 29% indicated that they do, with 33% noting they currently do not consider ESG expertise into their board search matrix. Another 28% indicated that it is under consideration. These findings are very similar to our 2021 research.

In our 2021 research, 28% of respondents noted that that they are currently including ESG experience into their board matrix to identify new board members, with 32% noting they are not.[2]

Does the board of your primary organisation include ESG expertise/experience into your organisation's skills matrix to identify new board candidates?

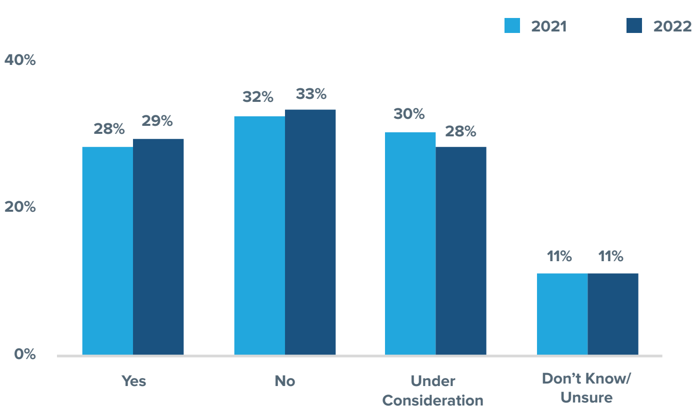

Chart 3

In a related question, 41% of respondents indicated that in recent director recruitment, they didn't recruit specifically with ESG in mind. However, 25% indicated that it was one of the many skills that was looked at. Only 5% indicated that ESG expertise was the specific skill that they recruited for.

Over the last year, have you appointed a new director to your primary organisation's board due to their ESG skill set specifically?

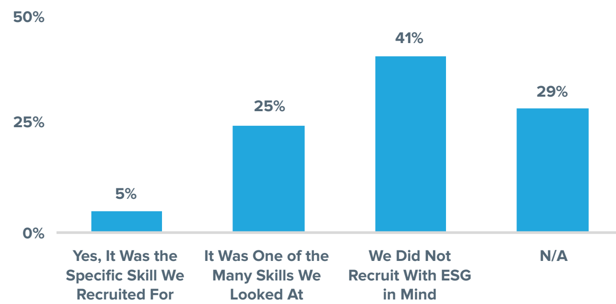

Chart 4

ESG Board Expertise

Regardless, a majority of respondents indicated that ESG expertise should be a shared skill among all board members. 75% of respondents indicated that ESG expertise should be shared by all members of the board instead of having one dedicated board member with an ESG skill set.

Do you believe your primary organisation's board should have one dedicated director who has an ESG skill set or do you believe this should be a shared skill amongst all directors on the board?

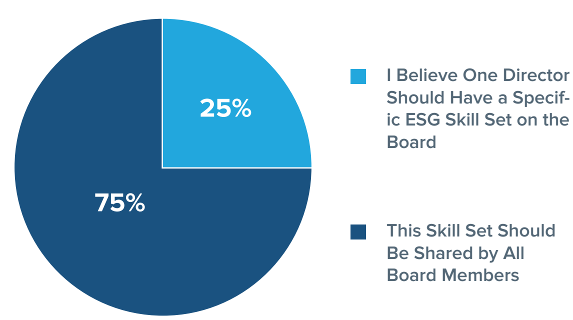

Chart 5

[2] Sections of this appears in our 2021 report, 'ESG Strategy, Leadership, and Integration in Irish Companies'.

ESG Director Training

Respondents were also asked if they have undertaken ESG director training within the last 12 months. The findings found that 63% of respondents had not, with only 34% noting they had.

However, 50% indicated that they would be doing so in the next 12 months, with 19% of respondents noting that they would not be doing so.

Have you undertaken ESG director training in the last 12 months?

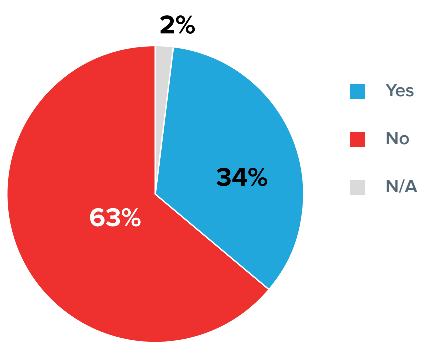

Chart 6

Do you plan on undertaking ESG director training in the next 12 months?

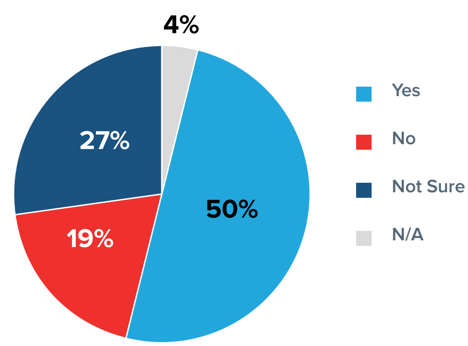

Chart 7

ESG Strategy and Integration

ESG Key Performance Indicators (KPIs)

As regulators and investors push companies to integrate ESG into more aspects of overall business strategy, it is important to understand if companies have ESG goals and KPIs in place to measure progress. The research found an equal split (47%) between respondents who indicated that they have ESG KPIs in place and those who do not, with 7% not sure.

Does your primary organisation have ESG KPIs/ metrics in place?

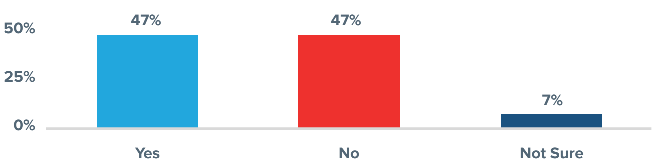

Chart 8

We then asked the 47% who said yes to having KPIs/ metrics in place how difficult these were to put in place. Interestingly, respondents gave an average score of 6 out of 10, highlighting that business leaders find it quite challenging to implement these measures. One could argue that the current legislation landscape and how it's evolving is one of the reasons why business leaders are finding it quite challenging to implement these measures.

Please indicate on a scale of 1 to 10 the degree to which you feel your primary organisation found it easy or difficult to apply ESG-related KPIs/metrics.

Where 1 = 'very easy' and 10 = 'very difficult'

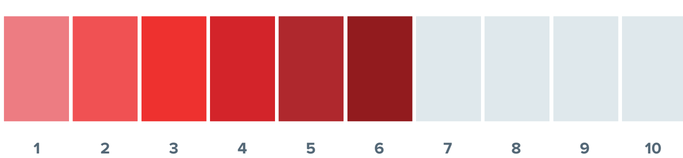

Chart 9

Of the respondents who indicated that they do not currently have ESG KPIs/metrics in place, a significant percentage of them (55%) said they have not started the process of putting ESG KPIs in place.

Has your primary organisation started the process of putting ESG KPIs in place?

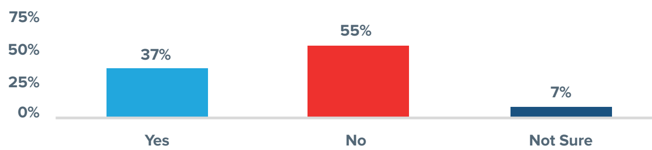

Chart 10

When asked how often their primary organisation report publicly on ESG goals and progress, 37% indicated that they do this on an annual basis. Another 30% indicated that their organisation does not publicly report on ESG goals and progress. Furthermore, 12% of respondents noted that their organisation does not do this, but is planning to report on ESG goals in the future.

How frequently does your primary organisation report publicly on ESG goals and progress?

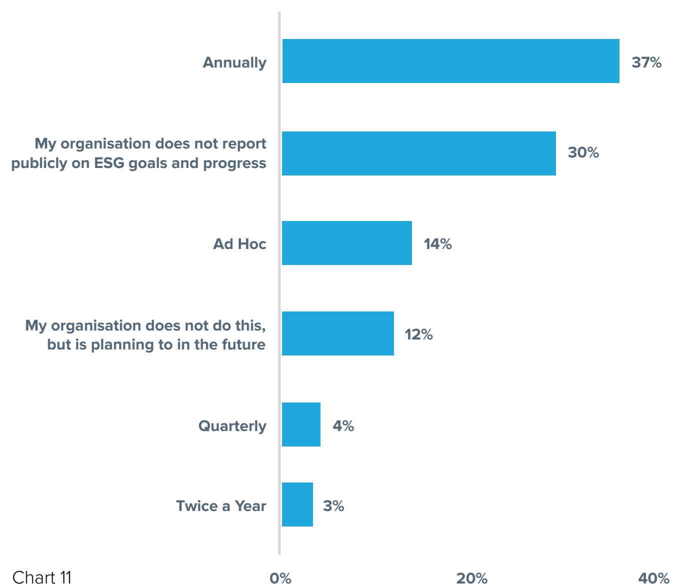

Chart 11

ESG Strategy Maturity

On a scale from 1 to 10, respondents rated their governance responsibility and risk score an average of 7.4, as mature, compared to their peers. For social responsibility and risk, respondents rated an average score of 6.5 out of 10, indicating that their strategy is mature compared to that of their peers. For environmental responsibility and risk, the average score was less than 6.

Relative to your peers, how mature is your company's strategy in the following areas?

Where 1 = 'far less mature' and 10 = 'very mature'

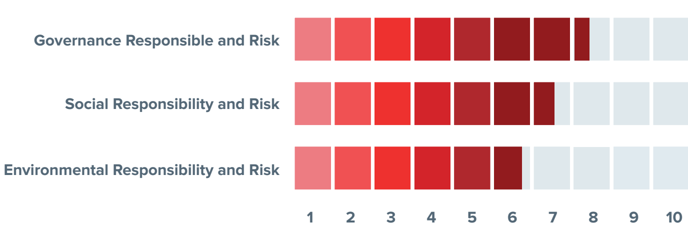

Chart 12

ESG KPIs and Compensation Plans

The research finds that 79% indicated they have not currently integrated ESG metrics into the compensation of their executive directors. This figure is slightly higher for senior management, at 81%.

When asked whether ESG metrics should be linked to compensation, the figures were positive, with 52% agreeing it should be for executive directors, and 56% for senior management.

Respondents expressed optimism that linking ESG KPIs to compensation would lead to change.

> "The focus on ESG would be really magnified if linked to remuneration."
>
> **IoD Member and Respondent**

Overall, we find that respondents believe that ESG measures should be embedded in compensation plans.

> "ESG should be linked to compensation but only as part of overall performance."
>
> **IoD Member and Respondent**

In respect of your primary organisation, are ESG metrics/KPIs currently linked to remuneration for the executive directors and other senior management?

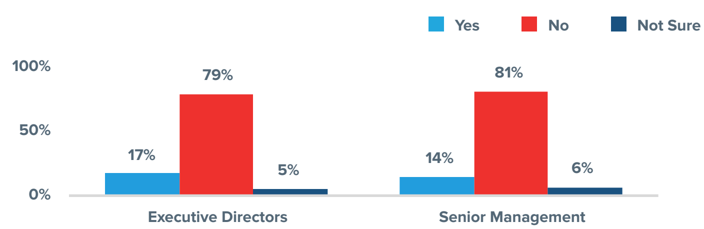

Chart 13

Do you believe ESG metrics/KPIs should be linked to remuneration for executive directors and other senior management?

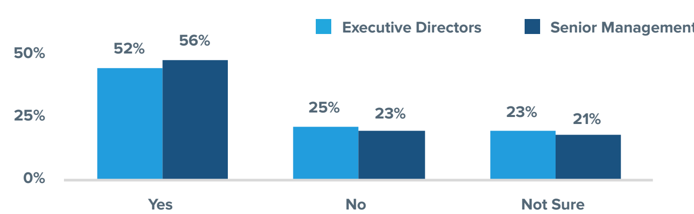

Chart 14

ESG Activities Alignment With Long Term Strategic Goals

For many, ESG goals and long-term strategy are heading toward greater alignment, but more time, resources, and guidance are needed.

When asked to rate the degree to which their present organisation's current ESG activities align with longterm strategic goals, respondents rated an average of 6.12 out of 10 which indicates a lack of strong confidence in ESG activities and its overall alignment with long-term strategic goals for companies.

Please indicate on a scale of 1-10 the degree to which you feel your organisation's current ESG activities align with its long-term strategic goals.

Where 1 = 'less aligned' and 10 = 'perfectly aligned'

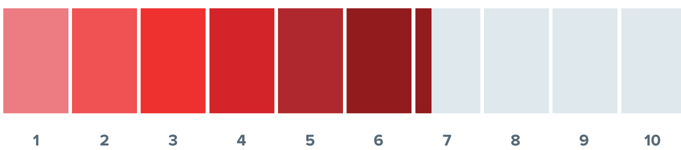

Chart 15

ESG Risk and Compliance Landscape

In the current business climate, it is important to understand which of the following areas are of the most concern for modern leaders. 22% of respondents indicated reputation to be the area that they are mostly highly concerned about. Another 20% indicated that geopolitical issues, such as the Russian war in the Ukraine, is the most concerning issue for them. Surprisingly, shareholder activism came in last, at 1%.

In the event of a crisis, which of the following ESG-related risk and compliance areas would you be most concerned about in respect of your primary organisation? (Respondents only had one option)

Chart 16

Asking respondents the degree to which the ESG risk landscape for their organisation has changed in the last 12 months, there was an average score of 5.5 out of 10. This could largely be interpreted as corporations feeling indifferent to the evolving ESG landscape, as their ESG exposures and materiality have experienced relatively little change.

Please rate the degree to which you believe your primary organisation's ESG risk landscape has changed in the last 12 months.

Where 1 = 'little change', 10 = 'lots of change'

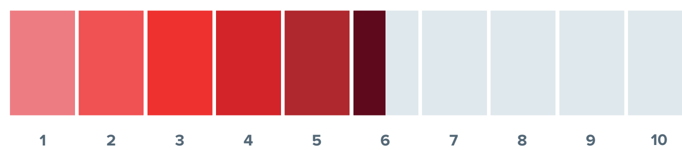

Chart 17

Legislations: Respondents Display Lack of Understanding of ESG Regulations

Ireland's Circular Economy Act

Ireland passed a national Circular Economy Act in August 2022 to minimise its waste and emissions. Under the initiative, single-use packaging levies, incentives for sustainable alternatives, waste management enforcements and fossil fuel reduction have been introduced to drive the country towards a circular future.[3]

From our research, we found that 51% of survey respondents said that they are not familiar with this Act.

Are you aware of Ireland's Circular Economy Act?

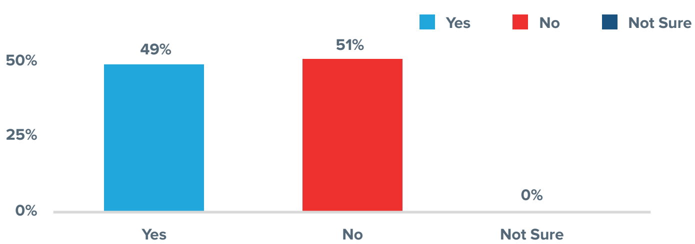

Chart 18

Of the 49% of respondents who were aware, interestingly, 75% indicated that the Irish government/state should provide more support to businesses to encourage the adoption of Ireland's Circular Economy Act.

Do you feel Ireland's government/state should provide more support to your business to encourage the adoption of Ireland's Circular Economy Act?

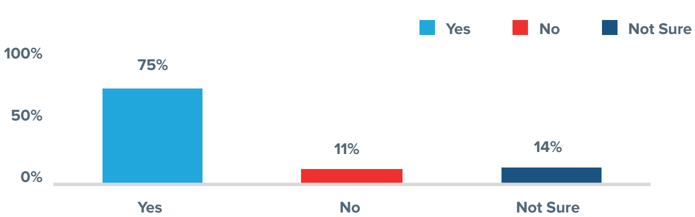

Chart 19

Awareness of EU ESG Legislation

Over the last few years, we have seen new directives and initiatives from the EU aimed at providing a harmonised framework for ESG and to protect the environment and human and labour rights, within the EU. These include the Corporate Sustainability Due Diligence Directive (CSDDD), EU Corporate Sustainability Reporting Directive (CSRD) and EU Taxonomy.

The Corporate Sustainability Due Diligence Directive (CSDDD) was adopted by the European Commission on 23rd February 2022. According to the European Commission, the aim of this directive is to foster sustainable and responsible corporate behavior and to anchor human rights and environmental considerations in companies' operations and corporate governance.[4]

The EU Corporate Sustainability Reporting Directive (CSRD), which is expected to amend the Non-Financial Reporting Directive (NFRD), was formally adopted in November 2022 in the European Parliament. The scope of the directive is considerably extended to apply to more European and non-European companies listed and operating in the EU regulated markets.[5]

The EU Taxonomy is for sustainable activities, which is a classification system established to clarify what investments are environmentally sustainable in the context of the European Green Deal.[6] The aim of the Taxonomy is to prevent greenwashing and to help investors make greener choices.[7]

With these legislations largely adopted in the EU, the research sought to find out how modern leaders see these legislations and their overall understanding of them. Asking respondents how they rate their understanding on these directives, only 1% rated their

[3] Tamanna Wadhwani, 'Ireland Passes Nationwide Circular Economy Act to Minimise Its Waste and Emissions', Planet Ark, August 2022.
[4] European Commission, 'Corporate sustainability due diligence'.
[5] EY, 'Sustainability reporting: what to know about the new EU rules'?
[6] European Green Deal.
[7] Morningstar, 'EU Sustainable Finance Action Plan Resources'.

understanding of CSDDD as excellent and 20% rated it as good, compared to 40% and 39% who rated their understanding as average and weak, respectively.

On CSRD, only 2% rated their understanding of the legislation as excellent and 22% rated it as good, compared to 43% and 33% who rated their understanding as average and weak, respectively. On EU Taxonomy for sustainable activities, approximately 3% rated their understanding as excellent and 17% rated it as good, whilst 36% and 44% rated their understanding as average and weak, respectively.

Please rate your level of understanding of the following pieces of EU legislation.

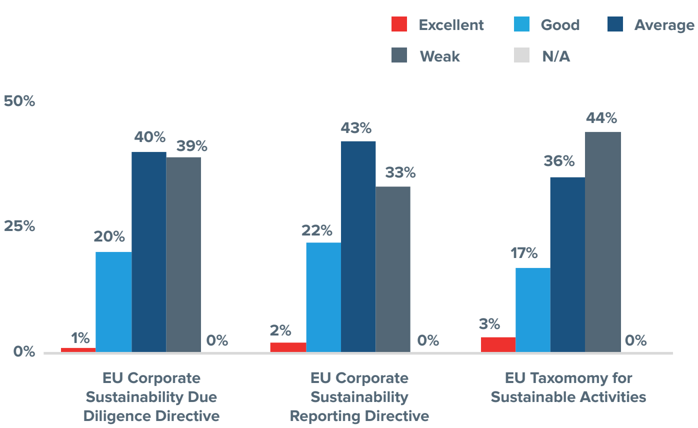

Chart 20

When considering what companies are doing to prepare for the referenced legislation, the research found that directors are undertaking several activities. A significant percentage, 42%, indicated that they would be performing a gap analysis to identify where they fall short. Another 36% said that they would be undertaking a risk management exercise to identify material topics. Perhaps what could be driving this trend is that we had a significant percentage of respondents coming from private companies (41%), and another significant percentage (62%) with less than 250 employees. These companies are largely not subjected to these regulations, but could be, due to supply chain and key elements under scope.

What actions are you planning to take to prepare for the previously referenced pieces of EU legislation?

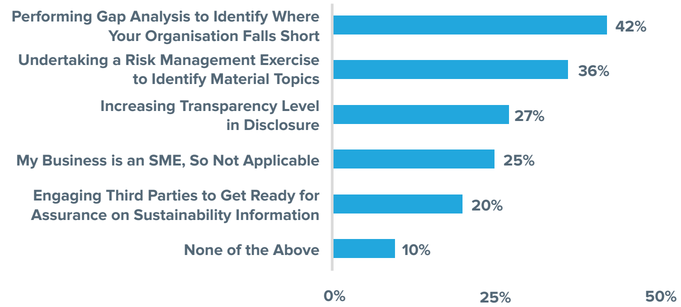

Chart 21

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

What Are Business Leaders Doing to Increase Director ESG Fluency?

Organisations are employing a wide variety of methods to increase their board members' skills in ESG. According to 50% of respondents, the most common tactic is to include ESG training in overall director training. Another 40% indicated they are bringing in third-party experts. 16% and 10% of respondents indicated they would be conducting an ESG board evaluation and would be hiring directors with ESG skills, respectively.

What is your primary organisation doing to increase the board's fluency and competence in ESG issues?

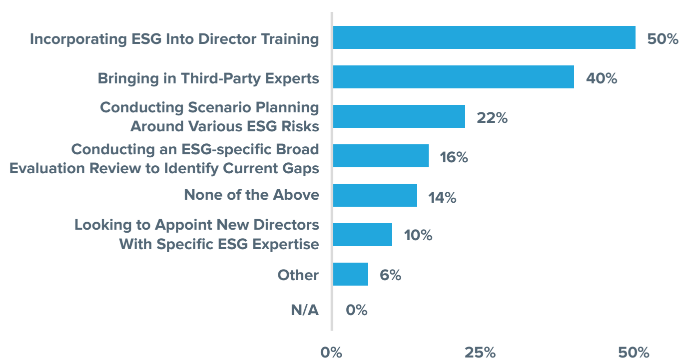

Chart 22

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Public Versus Private Companies

16%

of our respondents indicated that they are from publicly traded companies while

41%

indicated that they are from private companies.

Public and private organisations face different levels of scrutiny from investor groups, regulators, and the general public around ESG. As a result, the research conducted highlighted differences in how public and private companies oversee ESG. In both public and private companies, ESG oversight largely rests with the full board, whilst some private companies are more likely to leave the oversight of ESG to the CEO. In fact, 38% of private company respondents said they assign the oversight of ESG to their CEO, compared to 29% of public company respondents. Interestingly, 47% of public company respondents indicated they allocate oversight of ESG to a dedicated sustainability and/or ESG committee, compared to only 8% of private companies.

Who oversees ESG-related matters at your primary organisation?

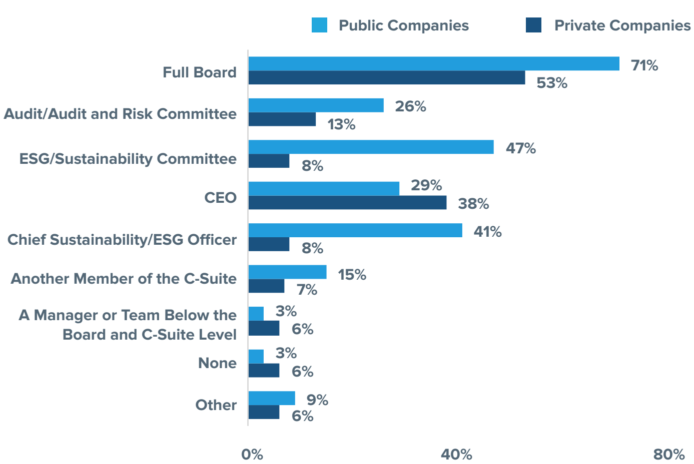

Chart 23

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Almost 40% of respondents from public companies noted they factor ESG skill set into their expertise matrix to identify new board members, compared to only 27% of respondents from private companies. 56% of respondents from public companies indicated they have undertaken ESG director training in the last 12 months, compared to 26% of respondents from private companies. It is, however, worth noting that most of the private companies are small- and medium-scale enterprises (SMEs). As a result, they may not have the same resources for ESG oversight. One other factor that could be driving this could be that these SMEs' obligations on ESG are not as high as they are for the large public companies.

Does the board of your primary organisation include ESG expertise/experience into your organisation's skills matrix to identify new board candidates?

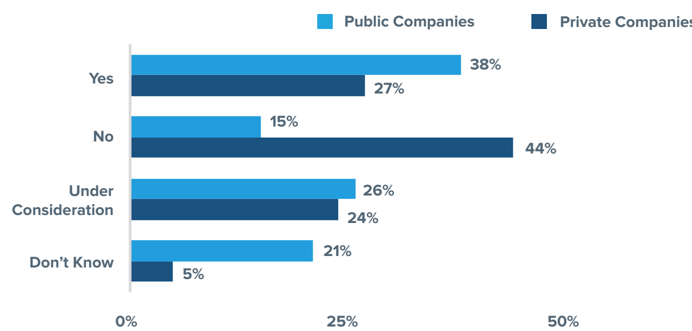

Chart 24

Have you undertaken ESG director training in the last 12 months?

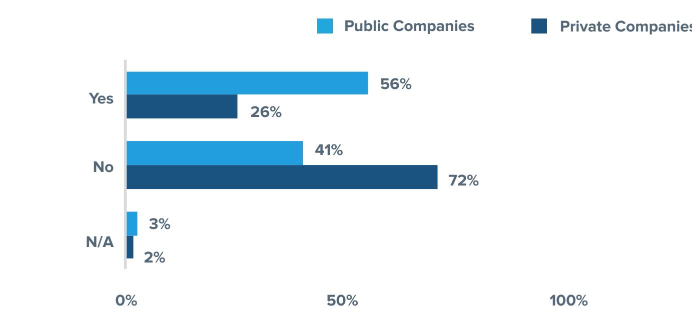

Chart 25

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ESG Reporting and Metrics

These findings reveal that private companies lag their public peers on ESG reporting and metrics. Though private companies are usually not subject to the same ESG regulations and disclosure requirements facing public companies, the trickle-down effect on the subject may affect them.

This is because even if private companies aren't directly subject to a disclosure regulation, their public company customers might be. They also may be part of a wider supply chain that is looking for its supply chain to meet these standards. That means private companies need to report on certain ESG data so their customers can comply with requirements — especially under scope three[8] emissions.[9]

In-line with this, the survey findings suggest that private companies are less likely to report on their ESG progress and goals. One out of two respondents from private organisations indicated their company does not report on ESG goals, compared to three out of 100 respondents from public companies.

9 out of 10

respondents from public companies indicated they have ESG metrics in place, versus **3 out of 10 respondents** from private companies.

Does your primary organisation have ESG KPIs/ metrics in place?

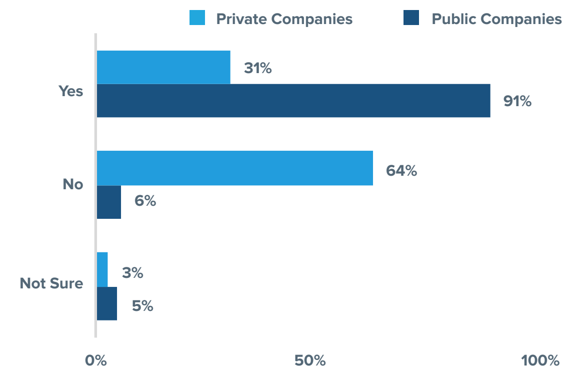

Chart 26

How frequently does your primary organisation report publicly on ESG goals and progress?

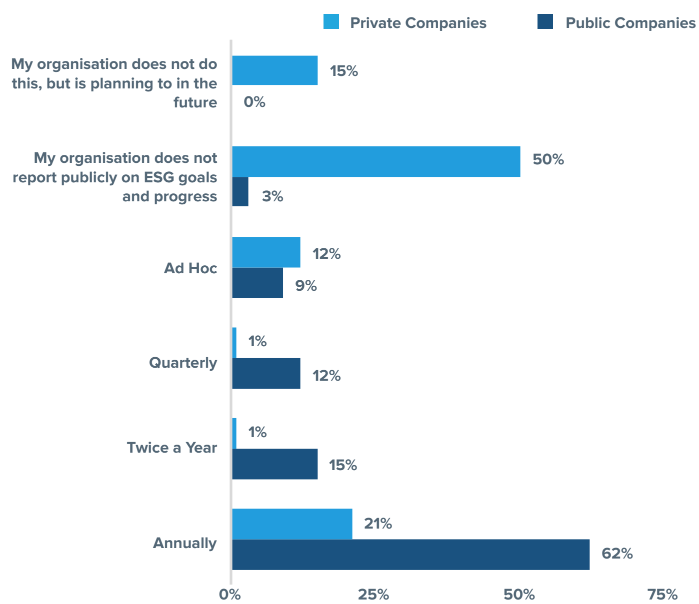

Chart 27

[8] Scope 3 Inventory Guidance.
[9] Christopher McClure, Rebecca Miller, '4 reasons why private companies need an ESG strategy', Crowe, May 2022.

Geopolitical Issues

These findings suggest that public companies are more concerned about geopolitical issues than private companies. The conflict between Russia and Ukraine may contribute to increased short-term market volatility. Compared to the US, Europe's stronger trade links to Russia, and heavier reliance on Russian energy imports makes it more vulnerable to a growth slowdown.[10] However, only public companies seem to lean towards this assertion, as it ranked high on the list of concerns for respondents. In fact, 38% ranked geopolitical issues as the highest concern for them, whilst 19% of respondents from private companies shared similar sentiments.

In the event of a crisis, which of the following ESG-related risk and compliance areas would you be most concerned about in respect of your primary organisation?

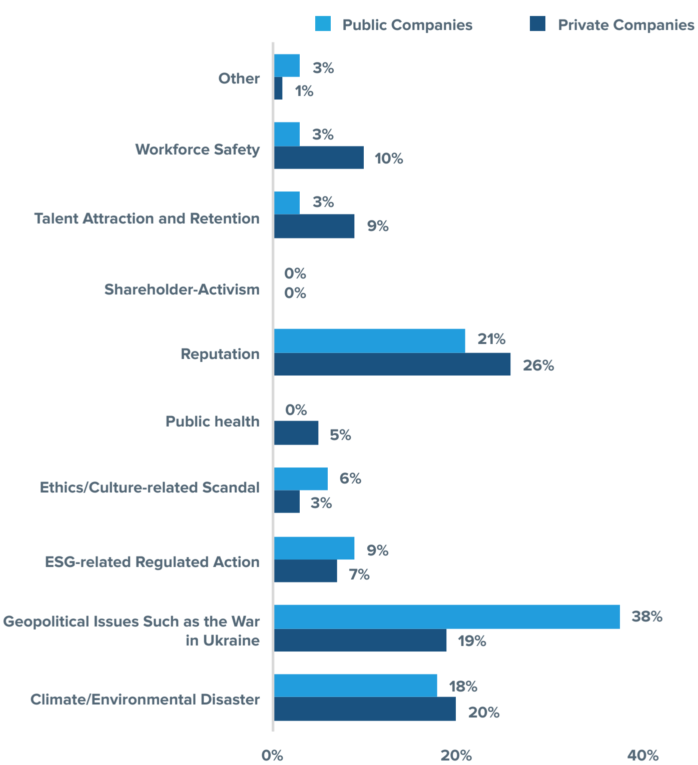

Chart 28

Understanding of Regulation

Directors from public companies display a greater understanding of regulation than peers from private companies. On average, only 1% of respondents from private companies rated their understanding on the three regulations surveyed as excellent. On average, 7% of respondents in the public sector rated their understanding as excellent on the three regulations.

Please rate your level of understanding of the following pieces of EU legislation

Private Companies

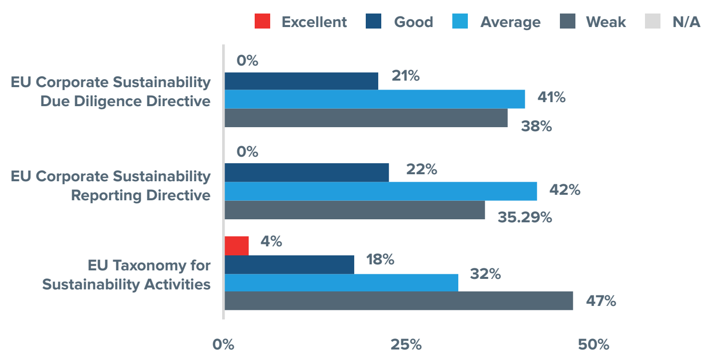

Chart 29

Please rate your level of understanding of the following pieces of EU legislation

Public Companies

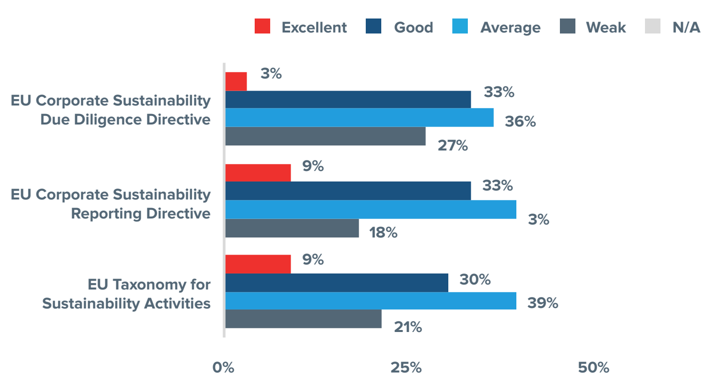

Chart 30

[10] Mark Flanagan, Alfred Kammer, Andrea Pescatori , Martin Stuermer, 'How a Russian Natural Gas Cutoff Could Weigh on Europe's Economies', IMF, July 2022

Sector Breakdowns: Financial Services, Energy and Resources, Information Technology, and Healthcare and Life Sciences

Financial Services

Financial services companies are more likely to entrust primary ESG oversight to the full board, at 78% of industry respondents compared to 58% overall. A dedicated ESG committee came in second, at 28%. 43% of respondents in the sector also indicated that their organisation report publicly on ESG once a year, (this is higher than the overall figure at 37%), with another 2% indicating that they report on ESG publicly every quarter.

Who oversees ESG-related matters at your primary organisation?

Chart 31

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

How frequently does your primary organisation report publicly on ESG goals and progress?

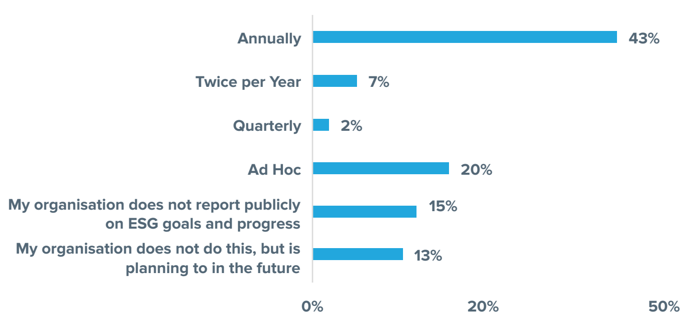

Chart 32

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Energy and Resources

Companies in the energy sector are likely to leave ESG oversight to their full boards, with 71% of industry respondents saying their full board has oversight of ESG. This is higher than the overall average of 58%. 57% of respondents in the sector also indicated that their organisation report publicly on ESG once a year, (this is higher than the overall figure at 37%), with another 14% indicating that they report on ESG publicly every quarter.

Who oversees ESG-related matters at your primary organisation?

Chart 33

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

How frequently does your primary organisation report publicly on ESG goals and progress?

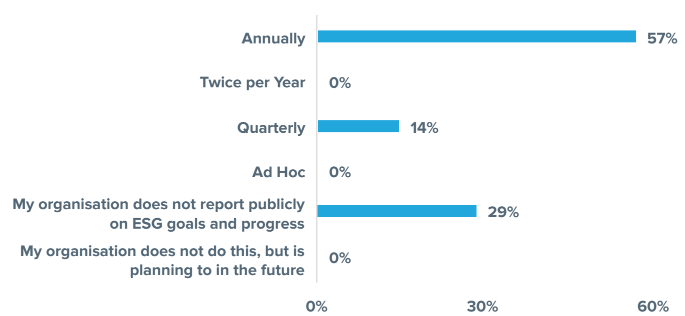

Chart 34

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Information Technology

For respondents in the information technology sector, around 50% of respondents indicated that their full board has primary oversight of ESG. This is well below the overall average of 58%.

25% of respondents in the sector also indicated that their organisation report publicly on ESG once a year, (this is lower than the overall figure at 37%), with another 17% indicating that they report on ESG publicly every quarter.

Who oversees ESG-related matters at your primary organisation?

Chart 35

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

How frequently does your primary organisation report publicly on ESG goals and progress?

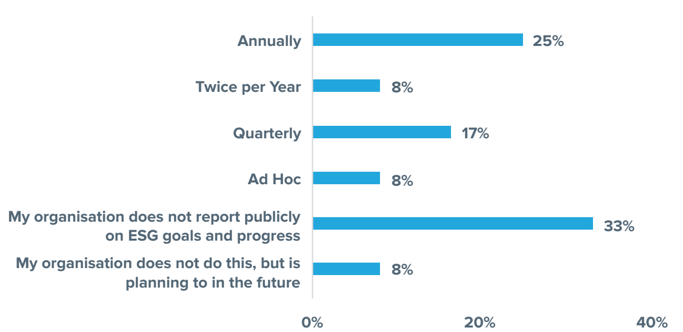

Chart 36

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Healthcare and Life Sciences

Companies in the health care and life sciences sector are also likely to vest ESG oversight to the full board. 50% of respondents indicated that their full board has oversight of ESG, which trails the overall rate of 58%.

33% of respondents in the sector indicated that their board reports on ESG goals annually, (this is lower than the overall figure at 37%), with another 17% indicating that their board reports on ESG goals quarterly.

Who oversees ESG-related matters at your primary organisation?

Chart 37

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

How frequently does your primary organisation report publicly on ESG goals and progress?

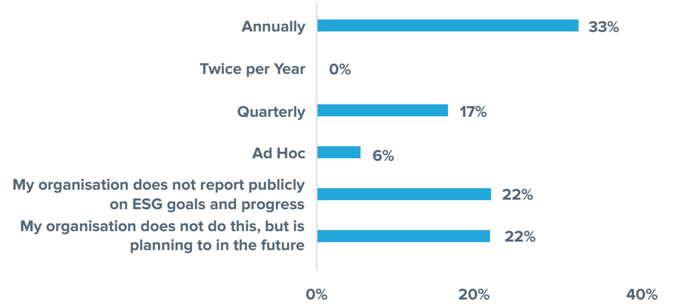

Chart 38

Note: Important to note here that this finding will not equal 100%, as respondents can select all that apply

Corporate Social Responsibility (CSR) Versus ESG: Do Respondents See Any Key Differences?

With the increased focus on ESG legislation and reporting, many are asking what the key differences are between ESG and corporate social responsibility (CSR).

For most stakeholders, CSR seems to be more aligned with an internal framework on sustainability, while ESG provides the key measures of assessment for external stakeholders such as investors, regulators, and other bodies.[11] Most respondents indicated they understand the key differences between these two key terms.

As one respondent notes:

"CSR is a company's framework of sustainability plans and responsible cultural influence, whereas ESG is the assessable outcome concerning a company's overall sustainability performance."

IoD Member and Respondent

"ESG is more about corporate safeguarding environment (incl climate change), social (incl internal and external relationships, incl employees, clients/customers, suppliers & the wider community), and governance (compliance, incl board roles and responsibilities, leadership, internal and external audit, risk management, executive pay, and shareholder rights). Whereas CSR is being a self-regulating model of social accountability regarding the company, its stakeholders, and the public."

IoD Member and Respondent

CSR refers to companies who take responsibility for their impact on society. It is a concept whereby enterprises integrate social and environmental concerns into their mainstream business operations on a voluntary basis.[12]

ESG stands for Environmental, Social and Governance issues. It is a set of standards measuring a business's impact on society, the environment, and how transparent and accountable it is.

One respondent commented on the time horizon of both terms:

"ESG is more long-term focused while CSR is more short-term focused."

IoD Member and Respondent

Overall, the findings suggest that approximately **8 out of 10** respondents indicated they understand the key differences between ESG and CSR.

Are you personally aware of the difference between ESG and CSR?

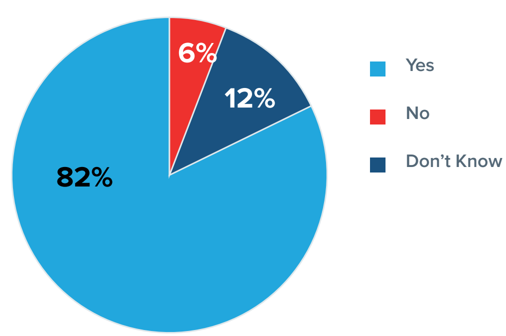

Chart 39

[11] Sean O'Neill, 'What is the difference between CSR and ESG?' Corporate Governance Institute, July 2022.
[12] Business in the Community Ireland (BITCI).

Conclusion

As ESG continues to have increased prominence on board agendas and grown as a conventional topic in today's business climate, it has become necessary that boards develop a deeper understanding and incorporate it into the business's overall strategy. As one respondent and IoD member noted:

> "ESG would require a substantial change in boards' mindset to embrace full triple bottom line in strategy development and organisational capability development."
>
> **IoD Member and Respondent**

One issue often raised with ESG is that it is considered vast, and directors are still trying to grasp a thorough understanding of all the facets. One respondent had an interesting take:

> "ESG is certainly creating a lot of discussion, and also push back on the "real" importance of the initiatives. The concern is that it is still too vague yet it is taking over the agenda versus other key stakeholder issues."
>
> **IoD Member and Respondent**

Another respondent added:

> "Notwithstanding the comprehensive regulatory landscape affecting the fund management industry, the possibility to apply the regulatory requirements of ESG is a constantly evolving journey due to lack of data and/or the need to have an alignment between different actors involved (i.e. investee companies and asset managers)."
>
> **IoD Member and Respondent**

There is still room for improvement in ensuring directors are well equipped to effectively oversee the function of ESG. As this research has shown, there are gaps of ESG knowledge for directors, which was echoed by one of the respondents:

> "There is significant knowledge gap at board level. It is important for us as directors not to get lost in all the information. Access to information is key together with the ability to distill and focus on incorporating what is relevant into corporate strategy in a meaningful way."
>
> **IoD Member and Respondent**

Methodology

The survey for this research was issued to Institute of Directors (IoD) in Ireland members between the 27th September and 24th October 2022. There were 270 respondents. 75% represented corporations based in Ireland, with another 6% representing corporations coming from the United Kingdom (UK). 12% and 7% indicated their corporations are based elsewhere in the European Union (EU) and outside UK/EU, respectively. A significant percentage of respondents were from the financial sector, at 22%. Another significant representation of 11% each came from the charity/nonprofit and 12% from the professional services sector. Examining the demographics of respondents, we also recorded approximately 15% indicating they hold chair or president positions, with another 24% indicating that they serve non-executive director positions. Overall, 67% of our respondents indicated that they hold board-level positions, with another 29% coming from senior management. Company secretaries and sole traders each accounted for 2% of our respondents.

For the purposes of comparison, data from the previous research report is also addressed in this report, titled **'ESG Strategy, Leadership, and Integration in Irish Companies',** published November 2021. 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 charts **1, 21, 22, 23, 31, 33, 35 and 37,** 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%.

Appendix

Respondents' Demographics

Which of the following job titles best describes your role in your organisation?

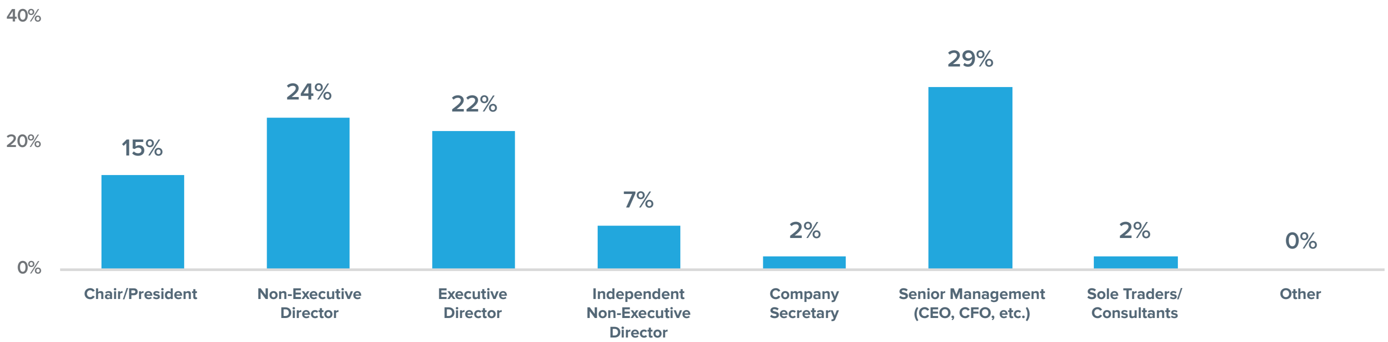

Chart 40

How many employees does your company have?

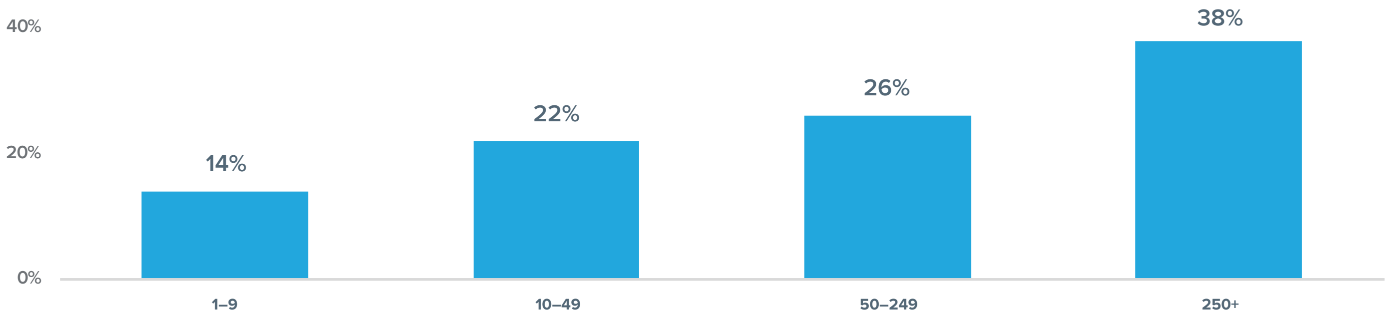

Chart 41

What is your organisation's sector of operation?

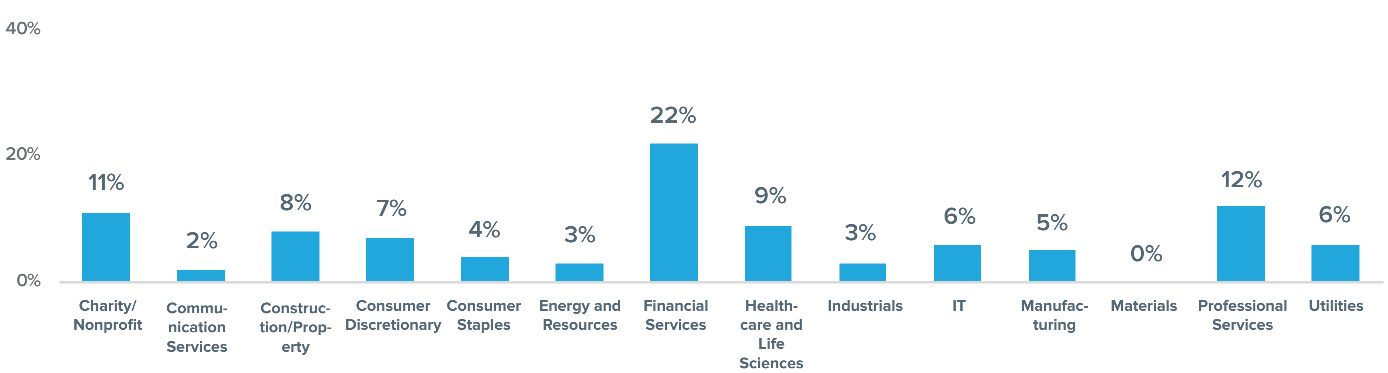

Chart 42

Appendix

Please specify your organisation's type.

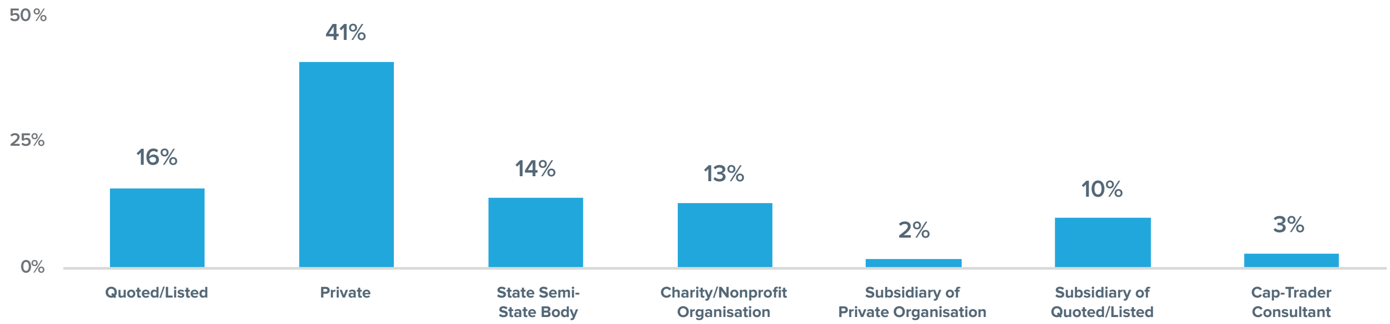

Chart 43

Where of the following is your organisation's headquarters based?

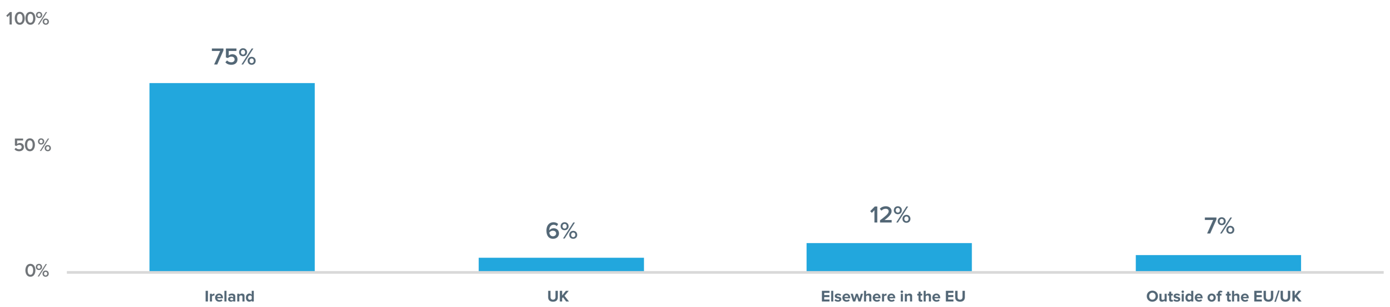

Chart 44

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