



An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

Code of Practice for the Governance of State Bodies: Annex on Gender Balance, Diversity and Inclusion

September 2020

Section 1. Introduction

1.1 Background

In 2011 the Government introduced new arrangements to increase openness and transparency in the selection of appointees to State Boards. Under these arrangements expressions of interest are to be sought where a vacancy arises on the Board of a State body, with vacancies advertised on the relevant Department's website or by the Public Appointments Service (PAS).

Building on this initiative, the Government in 2014 decided that the Minister for Public Expenditure and Reform should prepare guidelines setting out requirements which would apply to all State Board appointments. These guidelines incorporate the long-standing target to achieve 40% representation of women and of men on State Boards. This target is also reflected in the National Strategy for Women and Girls 2017-2020 (actions 4.7 and 4.8 refer).

With a view to accelerating progress in achieving this target in respect of all State Boards, the Government agreed at its meeting of 11th December 2018 to the convening of an Inter-Departmental Group on Gender Balance in State Boards to identify and report by the end of March 2019 on best practices in relation to Gender Balance, Diversity and Inclusion on State Boards which could be adopted across Government. The recommendations of the Inter-Departmental Group were subsequently approved by the Government, as detailed below; and this Annex to the 2016 Code of Practice for the Governance of State Bodies implements the relevant recommendations.

1.2 Recommendations of the Inter-Departmental Group

The Inter-Departmental Group (IDG) on Gender Balance on State Boards chaired by the Department of Justice and Equality, and including representatives from a range of Government Departments and agencies, was convened in February 2019 and reported in March 2019. The IDG's report took stock of the progress made to date towards achieving gender balance in State Boards and made a series of recommendations in this regard. The IDG's recommendations were approved by Government on 8th March 2019.

Section 2 of this Annex sets out the role of diversity and inclusion in corporate governance.

Section 3 of this Annex sets out the updated provisions to the Code of Practice for the Governance of State Bodies, 2016 to take account of the recommendations of the Inter-Departmental Group on Gender Balance on State Boards.

Section 2. Role of Diversity and Inclusion in Corporate Governance

Good corporate governance ensures the long term sustainable success of a State Body. It is essential that executive and non-executive Board members work to ensure that they deliver for all stakeholders including Government as shareholder and funder, citizens and employees.

Good corporate governance entails recognising the value of difference and being aware of the reputational, economic and societal benefits that arise from having effective and diverse Boards.

A key requirement of the Code of Practice for the Governance of State Bodies, 2016 is that:

Appointments to State Boards should be made against objective criteria with due regard for the benefits of diversity on the Board. The Chairperson of the Board, in assisting the Department in drawing up the specification for the Board appointment should have due regard for the benefits of a gender balanced and diverse Board.

Chairpersons should maintain a focus on those Boards on which either women or men are significantly under-represented and should actively seek to appoint candidates of the under-represented gender from the Public Appointments Service short list where possible.

In practice, despite the recognised governance benefits of diversity and inclusion, achieving such diversity at Board level remains an ongoing challenge for many organisations including State bodies.

Similar to private sector organisations State bodies need to address deficits in culture, people development, selection and promotion processes to create an enabling environment for female participation at the highest levels, on State Boards and in executive leadership positions in State bodies. State bodies need to recognise the significant pool of qualified and experienced female talent that already exists but too often is overlooked in making key appointments.

With this in mind the Report of the Inter-Departmental Group on Gender Balance on State Boards makes a number of recommendations which are now being implemented in the Code of Practice for the Governance of State Bodies via this Annex on Gender Balance, Diversity and Inclusion.

State bodies are requested to underpin the progress made to date in relation to gender balanced leadership and to acknowledge their responsibility to accelerate progress against the targets set by Government in relation to diversity including gender balance on State Boards. Furthermore, Section 42 of the Irish Human Rights and Equality Act 2014 establishes a positive duty on public sector bodies to eliminate discrimination, protect human rights and promote equality of opportunity of their employees, customers, service users and everyone affected by their policies and plans.

It is timely for State bodies to take ownership of this issue and to lead the way in making progress at Board and senior executive levels to implement measures aimed at accelerating progress towards the 40% representation of women and of men on all State Boards. Such measures may include engagement with external nominating bodies and awareness raising among eligible groups of women and men.

The key metrics of performance for State bodies are not only economic, but also include culture, diversity and inclusiveness together with the well-being of those employed, fostering greater engagement among staff and stakeholders and leading in turn to better outcomes for citizens and communities. Women and men working and governing as equals leads to outcomes that deliver positive benefits for Government and society.

Culture

Culture can be defined as a combination of the values, attitudes and behaviours manifested by a company in its operations and relations with its stakeholders.¹

Effective culture builds on shared purpose and standards such as professionalism, honesty, integrity and accountability to deliver balanced outcomes that place citizens at the heart of decision making. Organisations that have an effective and inclusive culture demonstrate a commitment to high performance and public service values.

Reputational risk can arise from inappropriate, unethical or unlawful behaviour on the part of a State body or its employees. Culture should be driven by instructional standards and norms such as fairness,

¹ Financial Reporting Council “Corporate Culture and the Role of Boards”, July 2016

respect, integrity and honesty, which are promoted from the top down and visible throughout the organisation.

In all aspects of culture, compliance with rules is not enough. For culture to be effective, it must adhere to the spirit of good corporate governance as set out in the Code of Practice for the Governance of State Bodies, 2016 and the various codes of behaviour with which the various State bodies must comply.

Gender balance on State Boards widens the State body's access to a broader range of experiences, perspectives and skillsets. This strengthens Board independence and challenge and reduces the likelihood of 'groupthink'.

Other benefits from diverse Boards are more effective corporate governance behaviours. Balanced and diverse Boards are in a stronger position to give appropriate attention to areas such as risk management and internal controls, human resource management and staff wellbeing. By bringing greater diversification to board expertise, this can also lead to positive changes in the behaviour of all Board members.²

² Kim, D., & Starks, L. T. (2016). Gender diversity on corporate boards: Do women contribute unique skills? *American Economic Review*, 106(5), 267-71.

Section 3. Updated Requirements for State Bodies

In implementing the recommendations of the IDG Report, certain provisions in the Code of Practice for the Governance of State Bodies, 2016, are now amended as set out below. In overview, Code provision 4.5 dealing with Terms of Appointment has been amended in substance; Code provisions 2.6, 4.4 and 4.6 dealing with various reporting requirements have been amended to include additional reporting requirements; and a new Code provision (4.10) is introduced that each State Board reports annually on its progress in promoting equality, diversity and inclusion.

3.1 Updated Code Provision

Code of Practice for the Governance of State Bodies, 2016	Code Provision, Annex 2020
Appointments to State Boards - Terms and Conditions	
<p>Code Provision 4.5: Terms of Appointment</p> <p>Consistent with best corporate governance practice it is recommended that no member of a State Board should serve more than two full terms of appointment on that Board, or should hold appointments to more than two State Boards, at the same time, unless the specific statutory provisions relating to the particular State body enable such service.</p> <p>In this context, a full term is regarded as five years. It is recommended that the first appointment be for a period of five years, which can be renewed for up to five years, to a maximum of ten years in total.</p> <p>If exceptionally it is decided that a Board member should serve a further additional Board term, this requires Ministerial approval.</p>	<p>Amended Code Provision 4.5: Terms of Appointment</p> <p>Consistent with best corporate governance practice it is recommended that no member of a State Board should serve more than two full terms of appointment on that Board, or should hold appointments to more than two State Boards, at the same time, unless the specific statutory provisions relating to the particular State body enable such service.</p> <p>The State Board or, where necessary, the relevant Government Department should vary the terms of Board appointments to between three and five years. A period of appointment may be renewed for a further period, to a maximum of eight years in total.</p> <p>If exceptionally it is decided that a Board member should serve a further additional Board term, or that a renewal of appointment would bring to total period of service to above eight years, this requires Ministerial approval.</p> <p>All of the above provisions are however subject to compliance with the Body’s establishing legislation, where relevant.</p>

3.2 Additional Code Provisions

Code of Practice for the Governance of State Bodies, 2016	Additional Code Provision, 2020
Reporting Requirements	
<p>Code Provision 2.6: Comprehensive Report to the Minister</p> <p>The Chairperson of each State body should furnish to the relevant Minister and, where appropriate, NewERA20 in conjunction with the annual report and financial statements of the State body, a comprehensive report to the relevant Minister covering the State body. (See paragraph 1.9 – Business and Financial Reporting Requirements).</p>	<p>Additions to Code Provision 2.6: Comprehensive Report to the Minister</p> <p><i>[Existing text of Code Provision 2.6 remains intact, and the following text is added.]</i></p> <p>The comprehensive report issued to the relevant Minister covering the State body should also include the following details:</p> <ul style="list-style-type: none"> a) The gender balance of appointments made to the State Board in question in the previous year b) Where the Board stands <i>vis-à-vis</i> the 40% gender balance requirement c) The key elements of the Board’s approach to the promotion of diversity and inclusion and the progress being made in this area (see section 4.10), including the approach being pursued to promote gender balance and diversity in Board membership; d) In the case of a State Board which continues to have either an all-male or all-female membership, the measures being taken to address urgently this situation and to promote better gender balance. <p>(See Illustrative Example Appendix 1)</p>
Appointments to State Boards - Diversity and Inclusion	
<p>Code Provision 4.4: Diversity</p> <p>Appointments to State Boards should be made against objective criteria with due regard for the benefits of diversity on the Board. The Chairperson of the Board, in assisting the</p>	<p>Additions to Code Provision 4.4: Diversity</p> <p><i>[Existing text of Code Provision 4.4 remains intact, and the following text is added.]</i></p>

<p>Department in drawing up the specification for the Board appointment should have due regard for the benefits of diversity on the Board including gender.</p> <p>Chairpersons should maintain a focus on those Boards on which either women or men are significantly under-represented and should actively seek to appoint candidates of the under-represented gender from the Public Appointments Service short list where possible.</p>	<p>The current gender composition of a Board should be highlighted when making submissions to the Minister on Board appointments and re-appointments.</p> <p>When the Chair is writing to the Minister in connection with Board appointments and reappointments, the Chair should draw attention to the current gender balance on the Board.</p> <p>(See Illustrative Example Appendix 2)</p>
<p>Governance and Culture</p>	
<p>Code Provision 4.6: Performance Review</p> <p>Monitoring of effective corporate governance by the Board includes continuous review of the internal structure of the State body to ensure that there are clear lines of accountability for management throughout the organisation. In addition to requiring the monitoring and disclosure of corporate governance practices on a regular basis, the Board should undertake an annual self-assessment evaluation of its own performance and that of its committees. An external evaluation proportionate to the size and requirements of the State body should be carried out at least every 3 years.</p>	<p>Additions to Code Provision 4.6: Performance Review</p> <p><i>[Existing text of Code Provision 4.6 remains intact, and the following text is added.]</i></p> <p>The Board evaluation process should incorporate a detailed analysis of the gender, diversity and skills mix within the Board, including where relevant a critical assessment of the reasons why gender balance in Board membership has not yet been achieved.</p> <p>The model Board Self-assessment Evaluation Questionnaire can be found on https://govacc.per.gov.ie/wp-content/uploads/Board-Self-assessment-Evaluation-Questionnaire.pdf</p> <p>(See Illustrative Example Appendix 3)</p>
	<p>New Code Provision 4.10: Promoting Diversity and Inclusion</p> <p>The annual report should give an account of the approach being adopted in regard to the promotion of diversity and inclusion, including with regard to gender, in the specific context of the organisation; and on the progress and achievements in this regard.</p>

Appendix 1: Model statement for State Boards' Annual Reports

Code Provision 2.6 refers.

Gender Balance in the Board membership

As at 31 December, the Board had [number] (...) % female and [number] (...) % male members, with [number] positions vacant.

The Board therefore [meets] [does not meet] the Government target of a minimum of 40% representation of each gender in the membership of State Boards.

The following measures are planned to [maintain and support] [address and improve] gender balance on this Board:

- Details of measures planned, e.g. plan to vary the duration of Board terms to 3 years

Appendix 2: Model Advisory Statement

Code Provision 4.4 refers.

Model advisory statement for submissions to Ministers on appointments/re-appointments to Boards

The Minister's attention is drawn to the Government target to achieve 40% representation of each gender in the membership of all State Boards.

[Board name] currently has [number] female Board members and [number] male Board members, and [number] vacancies.

To meet the gender balance target, the [name] Board with [x] Board members would have to have a minimum of [x] males and [x] females.

Appendix 3: The Board Self-Assessment Evaluation Questionnaire

Code Provision 4.6 refers.

The Board Self-Assessment Evaluation Questionnaire must include the following questions under Performance Evaluation:

1. Are you satisfied, given the current gender balance on the Board, that the Board is giving appropriate attention to the requirement to provide for gender balance in Board membership?
2. Are you satisfied that the Board is adequately recognising the value of differences in its members (e.g., personality, learning styles, and life experiences) and group/social differences (e.g., ethnicity, social class, gender, sexual orientation, disability, membership of the Traveller community, family status, cultural, political, religious, or other affiliations) to improve the quality of work and decision making on the Board?
3. Are there specific strategic, policy and operational changes that should be considered in order to address any inadequacies in the provision for gender balance and recognition of the value of difference and diversity in Board membership?