



2022

# PROXY SEASON REVIEW IRELAND

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2022

# IRELAND

## HIGHLIGHTS



AVERAGE  
QUORUM: 68%



NUMBER OF  
CONTESTED  
RESOLUTIONS WITH  
20%+ DISSENT\*



NUMBER OF  
CONTESTED  
RESOLUTIONS WITH  
10%-20% DISSENT\*



NUMBER OF  
REJECTED  
RESOLUTIONS

### REMUNERATION

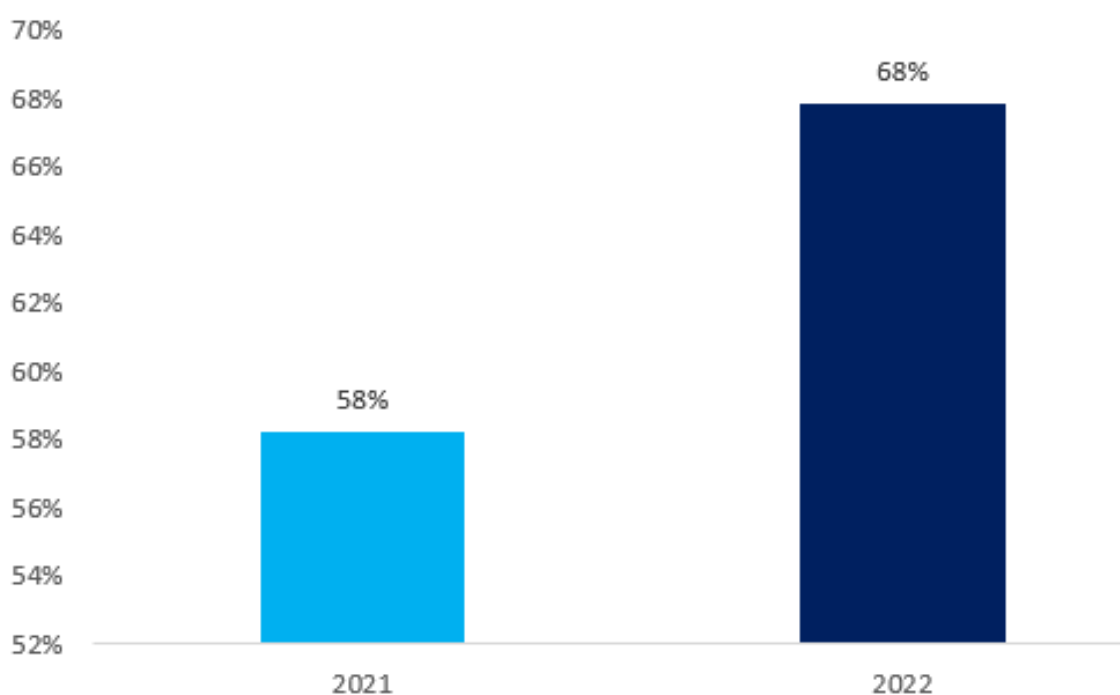
MOST CONTESTED PROPOSALS

\*Percentage based off of total number of votes

# GENERAL OVERVIEW & QUORUM

Upon the finalisation of Brexit in 2021, a move was made in Ireland from CREST towards the Euroclear Bank system. Under the CREST system, shareholders were able to participate and vote at a general meeting in person or appoint a proxy to do so in their place, however under the Euroclear system, CREST holders are now unable to be automatically transitioned. Currently two additional nominee layers have been added to the voting chain between the issuer and underlying investors in Ireland, which resulted in confusion and a lack of clarity with regards to how investors and issuers navigate the vote chain. Despite this challenge, AGM participation across the ISEQ 20 has increased, which may be attributed to steps the intermediaries (such as Proximity) took in 2022 to increase retail shareholder access and participation in the proxy process globally. Indeed, we note an almost 10% increase in shareholder participation this AGM season, from 58.20% in 2021 to 67.84% in 2022. Another factor to consider was the easing of COVID-19 related emergency legislation issued by the ICSA and FRC on meeting formats. The Irish legislation present during the 2020 – 2021 proxy season encouraged shareholders to submit votes well in advance of the meeting and actively discouraged physical attendance. Irish law does not specifically allow for the facilitation of virtual only meetings, only hybrid.

## TWO-YEAR QUORUM COMPARISON



# REGULATORY UPDATE

In early October 2021, Dáil Éireann<sup>[1]</sup> published its Irish Corporate Governance (Gender Balance) Bill 2021 and included a mandatory requirement of a minimum of 33% female representation on the Boards of listed companies. After a 3-year period, it is proposed that this mandatory threshold would rise to 40%. The legislative target was set by Balance for Better Business, an independent, government-commissioned Review Group, and aims to improve gender balance in senior leadership in Ireland, and of similar groups.

Balance for Better Business set targets of 33% gender diversity for boards of listed companies and 30% for boards of large private companies by the end of 2023. ISS updated its guidelines in 2022, stipulating that it will generally recommend against the Chair of the Nomination Committee and potentially other senior board members if there is not at least one woman appointed to the board of an ISEQ 20 constituent company. ISS also expects that constituents (excluding investment companies) appoint at least one director from an ethnic minority background to their Supervisory Board by 2024 and publicly discloses their roadmap towards achieving this ethnic diversity target. This will allow investors for the first time to have a tangible view on how diversity is progressing on supervisory boards of companies.

As of 2022, Glass Lewis will consider recommending that shareholders vote against the re-election of the Chair of the Nominating Committee or equivalent on the boards of ISEQ 20 companies where the proposed composition of an ISEQ 20 company board would fall substantially short of the 2023 target and the company has not disclosed a credible explanation or plan to address this issue. Glass Lewis will also expand its director election analysis for ISEQ 20 companies to include an overview of a company's disclosure of board-level diversity of ethnicity. In severe cases where a publicly listed company has also failed to address legitimate shareholder concerns regarding the diversity of ethnicity at board level, they may consider recommending that shareholders vote against the re-election of the Chair of the Nominating Committee or equivalent.

In 2022, ISS updated their UK and Ireland guidelines to include additional ESG performance conditions within remuneration in line with the IA's Principles of Remuneration, stipulating that ESG performance conditions may be used provided that they are measurable and material to the company. Glass Lewis also addressed ESG in its 2022 guideline updates, declaring they will be recommending against the re-election of governance Chairs or equivalent board positions of companies that fail to provide clear disclosure on the board's role in directly overseeing ESG issues.

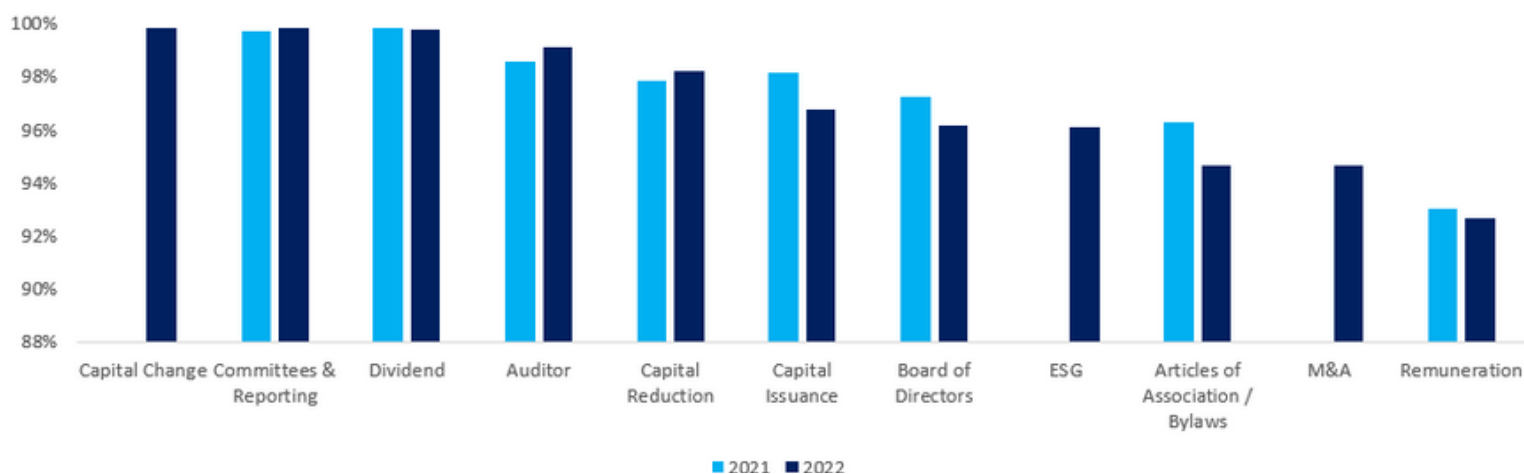
[1] Irish parliament

# Summary of the SEASON



In 2022, the two key resolution categories that saw notable reductions in average shareholder approval included Board of Directors (-1.12% decrease) and Articles of Association / Bylaws (-1.62% reduction). The significant reduction Board of Directors support was mainly driven by diversity issues, and that for Articles of Association / Bylaws was mainly the result of proposals by 13 issuers to amend the meeting notice period to 14 days.

## AVERAGE SUPPORT BY CATEGORY



Irish Continental Group Plc, Irish Residential Properties REIT Plc and Smurfit Kappa Group Plc received the lowest approval levels for their proposed notice period amendments. The general consensus among dissenting investors, including Wellington and Candriam, was that it is not in shareholders' best interests to reduce the notice to convene, notably for international investors who often require more time to exercise their voting rights. This year, the most contested category in the Irish Proxy Season was focussed on Remuneration proposals. On average investor support decreased in this category from 2021 by -0.37%. ESG and M&A were other resolutions in the lower quadrant of average shareholder approval in 2022. It is worth noting that, in 2021 no ESG nor M&A proposals were presented on the agendas. ISEQ 20's only M&A proposal this year was Glanbia's takeover requirement waiver (94.64% approval). Kingspan Group Plc was the only issuer to propose a Sustainability Report, and its combined ESG resolution achieved 96.10% approval.

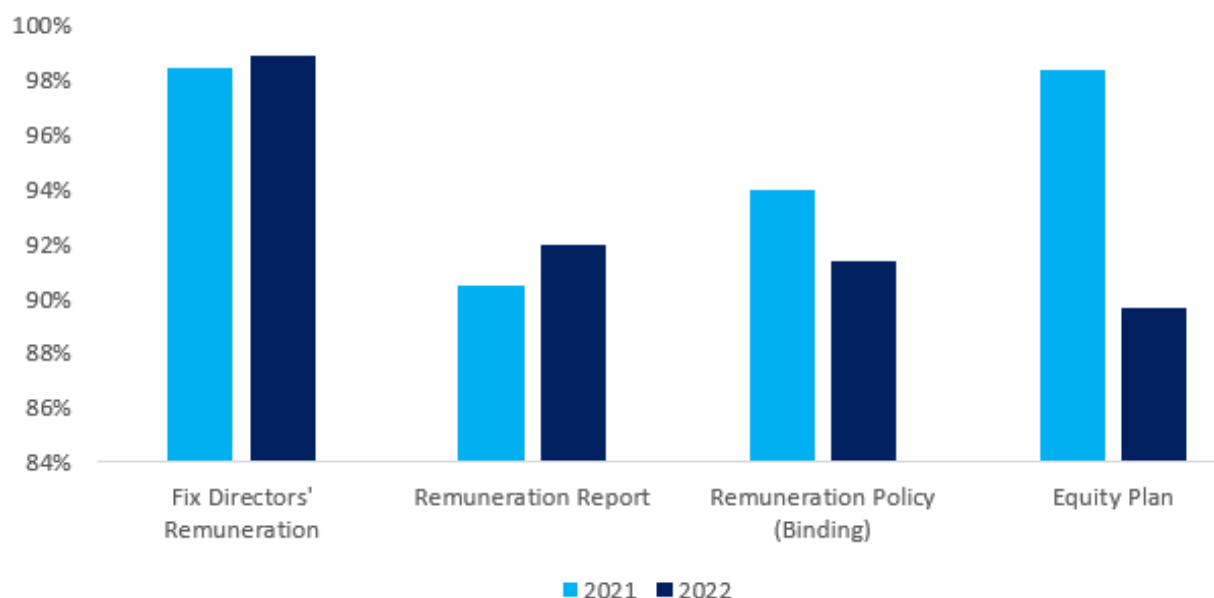
While ESG, including Say-on-Climax, is not yet a widely proposed category in its own right at Irish AGMs, issues such as diversity and usage of ESG metrics, investors' analysis within Remuneration and Board of Director resolutions are a much more prominent feature, and the weighting of these proposals on voting outcomes is growing due to increased investors scrutiny this year.

Focus on...

# REMUNERATION

ISEQ 20 constituents' equity plans were the most contested category within Remuneration proposals. On average, we saw a drastic reduction in support level for these plans in 2022, with approx. a 10% drop. The low approval rate achieved by Kingspan Group Plc's equity plan is certainly a contributor to this year's average (80.12%). LGIM voted against the equity plan due to concerns that the proposed plan would significantly increase total pay, and AXA rationalised its own dissenting vote as they believed it was not aligned with long-term shareholder interests.

## AVERAGE REMUNERATION SUPPORT



Glanbia Plc's 2022 remuneration policy was passed with 87.91% shareholder approval. Although RLAM raised concerns over the introduction of the significant annual accommodation whilst noting some of the positive changes implemented by way of pension alignment with the workforce, the mandatory deferral mechanism and increased shareholding requirement. UBS noted that Glanbia's short-term incentives were greater than its long-term incentives and therefore questioned whether this policy is adequately aligned with long-term performance.




Focus on..

# REMUNERATION

(Continued)

Dissenting investors' sentiment towards Flutter Entertainment's remuneration report, achieving 67.55% approval, echoed similar concerns regarding pay/performance link and the link to material company changes as well as and excessive quantum. Shareholders raised additional concerns regarding the lack of ESG performance criteria.

While the handful of Banks listed on the ISEQ 20 achieved average approval levels above the overall index average (99.40% vs. 92.67%), the Irish Banking pay cap, implemented as a part of the Eurozone's banking bailout after the 2008 financial crisis, is putting inverse pressure on remuneration practices within the industry. This is considered one of the biggest pressure points for attracting and retaining talent. These restrictions have led to several high-profile C-suite and mid-tier resignations recently, and leaders within the Irish Banking industry have repeatedly called for these remuneration restrictions to be eased. Calls have become louder in recent years as impacts of additional market and geopolitical events such as Brexit and COVID-19 have contributed to added strain on the search for talent and staff retention.



Focus on...

# BOARD

Of all the committee elections during this proxy season, Nomination Committee Chairs received the lowest approval level and saw the most drastic reduction in average shareholder approval. As already mentioned above, board diversity is a key focus and as such investors would vote against the Nomination Committee Chair as they are deemed responsible for the Board' lack of diversity. AXA voted against the re-election of Kingspan Group Plc's Chair Jost Massenberger this year due to concerns about lack of board diversity and Blackrock went further and voted against the Chair due to a failure to adequately account for diversity on the board. By September 2022, only 22% of Kingspan's supervisory board seats were filled by women directors and there were no serving board members from a minority ethnic background. Mr. Massenberger's re-election received only 76% approval versus 94% at last year's AGM. This, along with the Chair (Board) and Nomination Committee Chair elections falling in the overall lower shareholder approval quadrant this year for Board Elections, indicates an acceleration is being undertaken by investors more than previously seen against Supervisory Boards and senior members due to lack of diversity and insufficient board responsiveness.

In September 2022, the average percentage of women appointed to ISEQ 20 constituent boards was 34%, exceeding the BfBB target by 1%. In 2021, Ireland had one of the lowest percentage of women directors on Supervisory Boards in Europe (27%). However, the gender balance of new appointments in Ireland in 2021 was 42%, which was marked as a notable material improvement.[2] There is a general agreement across Europe that despite this, however, the increase of female representation in both supervisory and executive leadership is progressing too slowly.

[2] Heidrick & Struggles, Board Monitor Europe

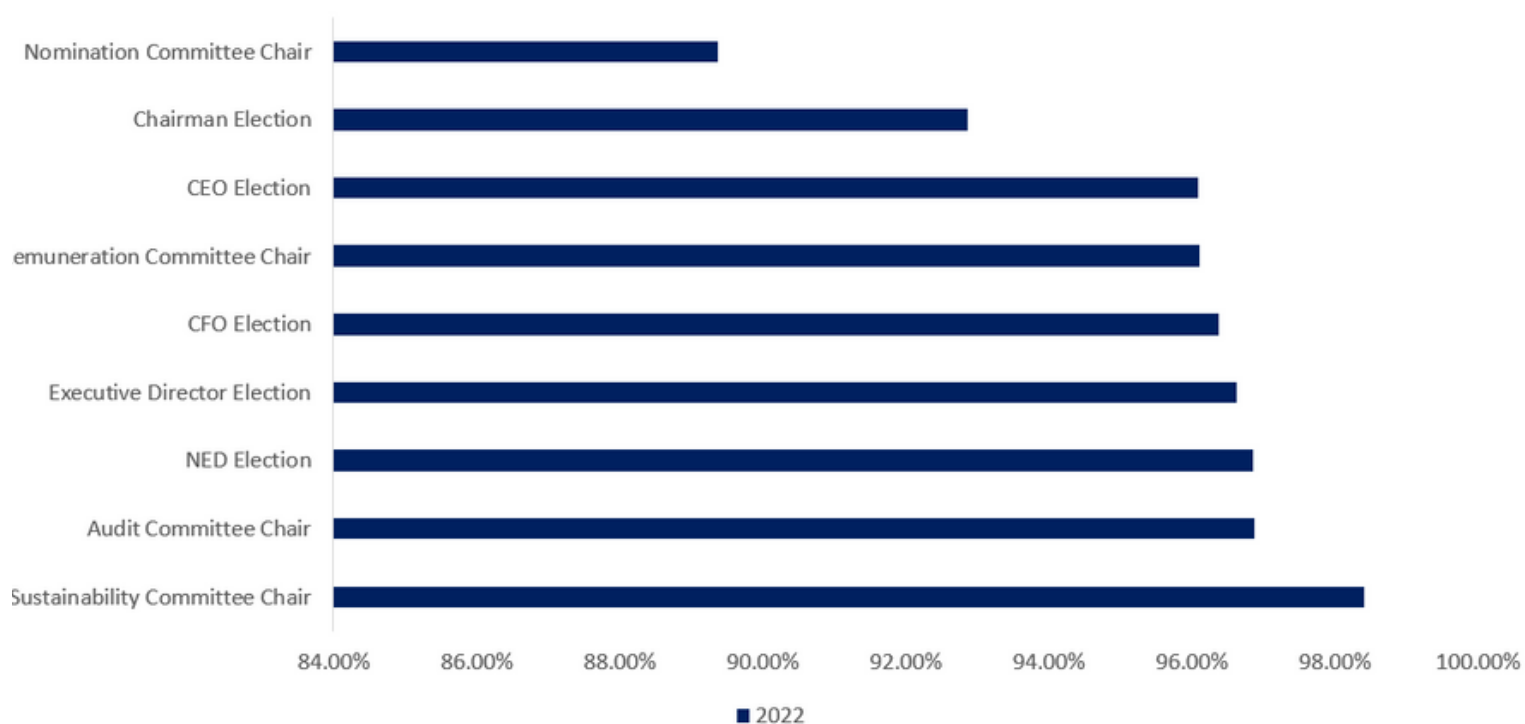


Focus on...

**BOARD**

(Continued)

## AVERAGE BOARD RELATED SUPPORT



As only 21% of ISEQ 20 constituents studied for this season review had at least one (1) Director of an ethnic minority background by September 2022, this indicates that there is much progress to be made in subsequent years where issuers will need to work diligently to understand investors' expectations on diversity disclosure through engagement. Issuers should expect many of them to take a comply-or-explain approach to ethnic diversity in the future.

# CONCLUSION

Ireland saw intensified scrutiny on companies' pay policies in the 2022 proxy season, where the largest focus for dissenting investors was excessive quantum and the lack of disclosure. In coming proxy seasons, alignment with investor expectations for the integration of ESG metrics in remuneration is expected to take a greater role especially due to the ISS and Glass Lewis' updated 2022 guidelines.

In addition, should the Irish Banking pay cap be lifted, many investors may deem subsequent adjusted remuneration practices as too excessive and/or without sufficient justification or performance criteria disclosure. This would put ISEQ 20-listed Banks at an increased risk of failing to rally support for new remuneration policies.

Looking into the future of Board diversity in the region, we are likely to witness further investors and proxy advisors accelerate their dissent and provide negative recommendations against the Nomination Committee Chair, the Committees' other members and the Chair of the Supervisory Board for companies who do not meet board diversity targets or disclose accompanying roadmaps that are deemed to be sufficiently clear or comprehensive.

# CRH PLC

## KEY ISSUES

- Climate Action 100+ flagged the Audit Committee Chair Shaun Kelly, Ratification of the Auditor Deloitte and CRH's financial statements for what they viewed as insufficient energy transition action and preparedness.
- The group does not formally issue voting recommendations but uses a 3-tier risk system to flag issuers' climate performance. In 2020, CRH was a recipient of IIGCC's Investor Expectations warning letter.

## KEY TAKEAWAYS

- Should Climate Action 100+'s signatory list, influence and voting power grow through further affiliation with an increased number of major investment institutions, there is a possibility that flagged climate performance elements will translate into a greater percentage of climate performance dissent in future AGM seasons.
- Investors are currently utilising a wide variety of tools to evaluate climate risks and opportunities, including ESG rating agency scores and other third-party intelligence providers, as well as G&S risks. Issuers will need to adapt to third-party research providers steadily launching new metrics for their research; a recent example being the temperature increase metric.

## OVERVIEW

- The significant risks that climate change presents to global markets are becoming increasingly apparent: investors are calling for issuers to disclose robust, high-quality and comprehensive information to assist them in their investment decision-making process and ESG risk evaluation.
- Climate Action 100+'s influence on the actual voting outcomes for these resolutions were minimal (average of ca. <3% dissent). They published the following risk assessment:



- No defined decarbonization strategy for medium/long term greenhouse gas reduction targets
- No plans for medium term (before 2050) greenhouse gas reduction targets
- No disclosure of capital / Paris Agreement alignment
- Remuneration policy does not incorporate climate as a performance metric



- Short term (before 2025) greenhouse gas reduction targets do not cover 95% of Scope 1/2/3 emissions
- Partially defines role of green revenues
- Partial climate scenario planning (does not include 1.5° C scenario / cover entire company)



- Net Zero by 2050 or sooner
- Long term (2050+) greenhouse gas reduction targets
- Board level climate oversight
- TCFD disclosure

NON-SUPPORTERS

**SARASIN**  
& PARTNERS

**Union**  
**Investment**

Rathbones

**KBIGI**

**Pension**Danmark

**Schroders**

# RYANAIR HOLDINGS PLC

## 2022 AGM QUORUM

### KEY ISSUES

- The overall participation level seen at Ryanair’s 2021 and 2022 AGMs was 9.03% and 12.99%, respectively. After 2020, Ryanair has seen a ca. 60% reduction in shareholder participation.
- This significant drop is attributed to measures which the company took to comply with EU ownership regulations to protect its EU licenses, as well as Ireland’s move from CREST towards a new Euroclear Bank system after Brexit.



Ryanair Holdings PLC 3-Years Quorum



### OVERVIEW

- Ryanair has long-standing restrictions of non-EU ownership of its common stock. Since the Brexit referendum, up until its full implementation, Ryanair had advised that it would extend this restriction to also exclude UK shareholders.
- The company implemented a roadmap to increase its EU interest in its common stock from 30% to 100%.
- Non-EU owners may still own and trade ADRs, but non-EU owned ADRs were prohibited from voting as of 1 January 2021.
- Ireland’s banking system made a post-Brexit shift from CREST to Euroclear which added two additional nominee layers. This resulted in degrees of confusion among investors due to unfamiliarity with the new system, and a heightened risk for difficulty executing through a more complex vote chain.

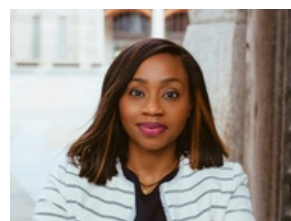
### KEY TAKEAWAYS

- Post-Brexit EU ownership rules and Ireland’s banking system shift both played significant roles in drastically reducing Ryanair’s overall AGM participation levels.
- Issuers and investors in Ireland still face concerns surrounding the post-Brexit banking system migration. More intermediate steps in the vote chain may push client deadlines earlier and make successful submission of votes more challenging, notably in the case of late votes received for best-efforts-basis processing.
- As of July 2022, Ryanair’s top non-EU institutional shareholders included Capital Group, Baillie Gifford, AKO Capital and MFS. They hold an aggregate of 26.1% of the ISC in Ryanair and are known to be active investors who exercise their voting rights globally. The aforementioned challenges likely heavily prevented such investors from fully exercising their voting rights at the recent meetings.
- Through active and prompt engagement with investors, intermediaries and global / sub custodians, CMi2i’s unique shareholder identification methodology and full-scale proxy service provide crucial insights required to identify issues along the vote chain and action escalation points maximise AGM participation and achieve desired outcomes.



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### CMi2i

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