Because we're Worth it!

The Truth About CEO PAY In Ireland

FOURTH EDITION

Congress Policy Department
Winter 2019

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

The number of years it would take an average worker to earn what the CEO in each company earned in 2018.

Company	Years
Smurfit Kappa	87 YEARS
CRH	212 YEARS
Tullow Oil	80 YEARS
DCC	75 YEARS
ARYZTA	57 YEARS
Paddy Power	57 YEARS
ICG	71 YEARS
Kerry Group	66 YEARS
Glanbia	60 YEARS
Ryanair	59 YEARS
Grafton	59 YEARS
Kingspan	51 YEARS
UDG	51 YEARS
Dalata	39 YEARS
Greencore	36 YEARS
Kenmare	36 YEARS
Total Produce	31 YEARS
Origin Enterprises	29 YEARS
C & C	26 YEARS
Bank of Ireland	25 YEARS
FBD	24 YEARS
Cairn Homes	24 YEARS
INM	16 YEARS
AIB	15 YEARS
Permanent TSB	14 YEARS
Animex	9 YEARS

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Introduction

This is the fourth in a series of annual reports on CEO pay published by the Irish Congress of Trade Unions.

Each of our reports highlights a different aspect of corporate earnings. This year we focus on developments in the CEO-to-typical-worker pay ratio in Ireland, the UK and US, and also the new Shareholder Rights Directive, which puts the pay of top executives of listed EU companies under greater scrutiny than ever before.

Based on the 2018 filed accounts of 26 companies – 20 of some of the biggest companies listed on the Irish Stock Exchange and 6 Irish based companies listed on the London Stock Exchange - our analysis shows that total annual CEO remuneration increased in 11 companies, ranging from 9% in Permanent TSB to a 99% increase in Smurfit Kappa. Meanwhile, wages for the average full-time worker were up just 2.6% on 2017.

Annual pay and benefits were close to or above €1 million for 22 of the 26 CEOs, and as much as €8.2 million.

CRH continues to have the highest CEO-to-worker pay ratio, at 212-to-1. This is narrower on the previous year (230-to-1) as a result of a €296,000 reduction in the bonus paid to the chief executive in 2018 to €2.04 million.

The new EU Shareholder Rights Directive, which was due to have been implemented in national law by June 2019 but has not yet happened, represents a good first step in pay transparency. However, despite the efforts of Congress as detailed in this report, Government has to-date declined to avail of the opportunity to include more ambitious provisions to shed greater light on the CEO-to-worker pay gap.

In September 2019, Minister Richard Bruton TD appointed Congress as one of 12 SDG champions from across society to drive Ireland's progress towards achieving the UN 17 Sustainable Development Goals.[1] This report, in highlighting the gap between pay at the top and pay elsewhere in the workforce, supports SDG Goal 10 which focuses on reducing inequalities within and among countries.

Methodology

Our analysis covers CEO pay in twenty-six Irish companies – 20 of some of the biggest companies listed on the Irish Stock Exchange and 6 Irish based companies listed on the London Stock Exchange. See Appendix 1 for a brief description of each company.

We examine changes in total annual remuneration as well as in components of the compensation package received by each chief executive between 2017 and 2018.

The analysis is based on annual reports for the year 2018. All figures for 2017 are as quoted in the 2017 published audited accounts.

Congress, in undertaking this research, converts the remuneration rates from the currencies quoted in the companies' annual reports to euros.

See Table 1 for companies covered in our analysis. Companies reporting in currencies other than euro are marked with an asterisk.

1 https://www.un.org/sustainabledevelopment/sustainable-development-goals/

Table 1: Companies included in analysis

1	AIB
2	AMINEX*
3	ARYZTA*
4	BANK OF IRELAND
5	C&C
6	CAIRN HOMES
7	CRH
8	DALATA
9	DCC
10	FBD
11	GLANBIA
12	GRAFTON*
13	GREENCORE*
14	ICG
15	INM
16	KENMARE*
17	KERRY GROUP*
18	KINGSPAN
19	ORIGIN ENTERPRISES LTD
20	PADDY POWER*
21	PERMANENT TSB
22	RYAN AIR
23	SMURFIT KAPPA
24	TOTAL PRODUCE
25	TULLOW OIL*
26	UDG

Notes:

Aminex quotes in US Dollars and does not quote an average rate in their accounts so the average ECB Dollar to Euro rates (1.1926) and (1.1810) have been used for 2017 and 2018.

Aryzta - quoted in Swiss France, average ECB rate of (1.1575) and (1.1550) have been used for 2017 and 2018.

Grafton quoted in Sterling - used the 'average Sterling conversion rate' as per their annual report of (.8500) and (.8847) has been used for 2017 and 2018

Greencore quoted in Sterling, average rate in Annual Accounts of (.7743) and (.8857) have been used for 2017 and 2018.

Kenmare quote in US Dollars but do not give an average rate so the average ECB rate of US$ to Euro (1.1069) (1.926) in 2017 and 2018.

Kerry quoted in US Dollars - used the 'average USD conversion rate' as per their annual report of (1.19) in 2017 and figures are quoted in euro for 2018.

Paddy Power quoted in Sterling - used the 'average Sterling conversion rate' as per their annual report of €1 = £1.1406 in 2017 and £1 = €1.13032 in 2018.

Tullow Oil quoted in Sterling and no average rate given, so ECB average rate of (.88620) and (.88471) was used for 2017 and 2018.

The Composition of CEO Pay

Executive pay is normally comprised of five components – basic pay, bonuses, long term incentive plans, pensions and benefit-in-kind.

Basic Pay

Basic pay forms only a portion of most executives' total pay, as their compensation package can be made up of bonuses, benefit-in-kind and share options, for example.

In the companies examined, basic pay accounts for just 37% of the total pay for the twenty-six CEOs on average.

Bonus Payments

Bonuses are awarded to most chief executives (and also to other senior executives). They are generally based against specific metrics such as the company's and the individual's performances or financial performance, with typical targets being earnings per share or return on capital employed. The bonus may be paid either in full or in part depending on the extent to which the performance indicators are achieved. The bonus can be paid in cash, in shares or a combination of both. A level of bonus of 100% of basic pay is not uncommon, and can be in excess of this. For example, in Tullow Oil, the maximum annual award opportunity is 400% of basic pay i.e. in the region of €3.4 million.

Bonuses are subject to tax, PRSI and USC.

See Table 6 for the cash element of the bonus paid in 2018.

Long Term Incentive Plans (LTIP)

A Long Term Incentive Plan (LTIP) grants units of stock to the CEO and other senior executives. This grant is conditional, as the stock will only be transferred when certain performance conditions have been achieved, usually after three years. One of the more common performance conditions is the company's Total Shareholder Return (TSR) performance over a specified period. It is common for none of the LTIPs to be exercisable in a particular year, as the conditions for exercise may not have been fulfilled.

A high proportion of a CEO's potential earnings are based on short-term and long-term performance related incentives. The majority of the twenty-six companies operate these incentive plans which have become a growing feature of executive pay. The format of the various plans can vary greatly. Company boards use compensation contracts involving short and long term incentive plans in the belief that they are necessary to attract the best talent to their company. In most cases, shares are given gratis or purchased at a discounted price. The shares do not become the property of the executive concerned for a period of years. The shares awarded must, in addition, be retained for a period – normally two years. A number of companies insist that the CEO has a contractual requirement to hold an amount of shares in the company – an amount equivalent to their basic pay is not uncommon. An example of this is in Kingspan, where executive directors have to hold at least 200% of basic pay in company shares. The shares can also be career-based plans in which the benefits accrue over the individual's career, and are paid on retirement. LTIP awards vary from company to company and can be based on earnings per share (EPS), return on capital employed (ROCE) total shareholder return (TSR) or a combination of all three. It is therefore difficult, if not impossible, to make a comparison between the value of LTIP schemes – apart from the fact that the awards are ultimately based on share value.

LTIPs can easily account for one-third of an executive's total pay. Table 2 demonstrates how valuable LTIPs/share options are in the total remuneration of CEOs by taking the example of the CEO of CRH, who has consistently been one of the highest paid CEOs in our research series.

Table 2: Remuneration of CEO of CRH from 2009-2018 (to nearest 000)

Type of Payment	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Single figure[2] Remuneration (€m)	2.6m	2.6m	2.9m	2.5m	4.2m	4.3m	5.4m	9.9m	8.7m	8.2m
Annual Bonus (% of max)	22%	21%	39%	28%	30%	100%	100%	98%	96%	81%
Long-Term Incentive Award Vesting (% of max)	50%	46%	17%	0%	PSP: 49% LTIP: 34%	PSP: 0% Options: 75%	PSP: 78% Options: 37%	100%	79%	59%

Pensions

Annual pension contributions are often a percentage of gross annual salary. As a result of changes in the 2006 Finance Act, a number of companies gave executives the option of continuing to accrue pension benefits as prior to the Act or of choosing an alternative arrangement, generally a cash sum. See Table 7 for pension contributions.

Benefit-in-Kind

A typical benefit-in-kind package would include a company car or equivalent, medical insurance, life insurance, interest-free loans, re-location expenses and overseas allowance where applicable. It can also include non-pensionable cash sums in lieu of any of the above. Benefit-in-kind is taxable.

2 Single figure remuneration comprises the total fixed pay, annual bonus and the value of long-term incentives vesting in respect of each year.

Changes in Remuneration

Table 3 sets out basic pay as a percentage of total remuneration. In eighteen of the twenty-six companies, basic pay accounts for 50% or less of total remuneration. In four companies basic pay is 80% or above of their CEO's total remuneration - Bank of Ireland: 99%; Aminex: 96%; Permanent TSB: 86%; and AIB: 83%. In contrast, basic pay as a percentage of total remuneration was only 18% in CRH, 19% in both DCC and ICG and 27% in Tullow Oil.

Basic pay as a percentage of total remuneration has decreased in ten companies since 2017. The biggest decrease is in Smurfit Kappa where basic pay as a percentage of total pay fell from 65% in 2017 to just 33% in 2018, as a result of more than a doubling of the CEO's bonus.

Notes to Table 3:

Aryzta: *The 2018 figures reflect remuneration for both the incoming and outgoing CEOs. The incoming CEO took up his position in September, 2017. The highest earner in FY2018 was the outgoing CEO, who earned €1,256,000. This amount reflects his 12 month contractual notice period and related contractual bonus, as included in his employment contract. Aryzta operates under Swiss law rather than IFRS.*

Bank of Ireland: *2017 figures include remuneration for both outgoing and incoming CEOs.*

DCC: *Former CEO retired as CEO from the board on 14th July, 2017. Current CEO's salary was increased to €480,057 (+3.0%) on 1 April 2017 and to €820,000 on 14 July 2017, on his appointment as Chief Executive.*

Figures quoted for 2018 are for his tenure as CEO from 14th July, 2017, plus the remuneration for the outgoing CEO.

INM: *On resigning as CEO in October, 2017, the outgoing CEO received a severance payment of €1,500,000 which included a payment of €239,950 in lieu of notice. The 2017 figures include remuneration for both incoming and outgoing CEOs.*

Paddy Power: *CEO stepped down in January 2018 and remained in employment until 10 August 2018. New CEO took up position 8 January 2018. Figures for 2018 reflect the salaries of both CEOs.*

Smurfit Kappa: *2018 total includes LTIP vested bonuses for 2017 and 2018, including deferred amounts.*

Kerry Group: *The 2017 figure for Kerry Group includes the salaries of both the outgoing and incoming CEOs.*

Tullow Oil: *The 2017 figures include remuneration for both the outgoing and incoming CEOs.*

Table 3: Basic Pay as a percentage of Total Remuneration (to nearest 000)

Company	Total Remuneration of CEO in 2017	Basic Pay of CEO in 2017	Basic pay as a % of Total Remuneration in 2017	Total Remuneration of CEO in 2018	Basic Pay of CEO in 2018	Basic pay as a % of Total Remuneration in 2018	Changes in basic pay as a % of Total Remuneration in 2018
CRH	8,659,000	1,442,000	17%	8,230,000	1,485,000	18%	1%
DCC	5,319,000	759,000	14%	4,953,000	947,000	19%	5%
ICG	2,326,000	526,000	23%	2,768,000	538,000	19%	-3%
TULLOW OIL	4,046,000	1,072,000	26%	3,119,000	844,000	27%	1%
GRAFTON	1,988,000	682,000	34%	2,306,000	667,000	29%	-5%
SMURFIT KAPPA	1,692,000	1,100,000	65%	3,372,000	1,106,000	33%	-32%
UDG	2,242,000	650,000	29%	1,995,000	663,000	33%	4%
GLANBIA	1,949,000	811,000	42%	2,341,000	860,000	37%	-5%
PADDY POWER	3,653,000	812,000	22%	2,214,000	820,000	37%	15%
DALATA	1,712,000	575,000	34%	1,512,000	587,000	39%	5%
KENMARE	1,281,000	520,000	41%	1,408,000	550,000	39%	-2%
KERRY GROUP	8,071,000	1,743,000	22%	2,577,000	1,050,000	41%	19%
KINGSPAN	1,540,000	770,000	50%	1,998,000	828,000	41%	-9%
TOTAL PRODUCE	1,225,000	500,000	41%	1,194,000	510,000	43%	2%
ORIGIN ENTERPRISES LTD	1,031,000	500,000	48%	1,136,000	500,000	44%	-4%
RYAN AIR	3,258,000	1,058,000	32%	2,310,000	1,060,000	46%	13%
CAIRN HOMES	797,000	425,000	53%	920,000	425,000	46%	-7%
FBD	1,051,000	450,000	43%	933,000	450,000	48%	5%
GREENCORE	1,655,000	803,000	49%	1,414,000	824,000	58%	10%
INM	517,000	417,000	81%	632,000	404,000	64%	-17%
ARYZTA	1,525,000	1,103,000	72%	2,216,000	1,501,000	68%	-5%
C&C	1,052,000	708,000	67%	994,000	677,000	68%	1%
AIB	600,000	500,000	83%	600,000	500,000	83%	0%
PERMANENT TSB	499,000	424,000	85%	544,000	466,000	86%	1%
AMINEX	355,000	283,000	80%	341,000	328,000	96%	16%
BANK OF IRELAND	1,210,000	928,000	77%	958,000	950,000	99%	22%

Table 4 shows the changes in basic pay and total remuneration for CEOs between 2017 and 2018.

Basic pay increased in sixteen companies in 2018. Aryzta at 36% shows the biggest increase in basic pay (see below). The biggest decrease was in Kerry Group which recorded a 40% decrease.[3]

Eleven of the twenty-six companies had an increase in total remuneration, with Smurfit Kappa recording a 99% increase, followed by Aryzta by 45% and Kingspan by 30%.

While the increase in total remuneration at Smurfit Kappa and Kingspan is due to a salary increase (see under Bonuses), the increase in Aryzta is explained by a change in CEO. The new CEO took up his appointment in September 2017 and the 2018 figures reflect the remuneration of both the outgoing and incoming CEOs. The highest paid executive in Aryzta in 2018 was the outgoing CEO who received a total payment of €1.26 million. This figure is presented in accordance with Swiss law and reflects amounts in connection with the 12-month contractual notice period and related bonus, as included in his employment contract.

Kerry Group recorded a 68% decrease in total remuneration, as the 2017 figure was a combination of the outgoing and incoming CEOs' pay.

Paddy Power also recorded a decrease of 39%, as the company had a change of CEO in 2017 and the 2017 figure included a LTIP which had vested for the outgoing CEO to the value of €1.8 million.

The large decrease in Ryanair is due to no cash bonus being paid to the CEO in 2018, in contrast to a €950,000 bonus paid in 2017.[4]

The highest earning CEO was once again in CRH who earned €8.23 million, followed by DCC at €4.95 million, Smurfit Kappa at €3.37 million and Tullow Oil at €3.12 million. The lowest paid chief executive was in Aminex who earned €341,000.

3 The 2017 figure for Kerry included the totals for the outgoing and incoming CEOs.
4 However, in 2019 the Ryanair CEO was awarded a €10 million share options. He already owns 3.9% of the airline - a stake currently valued, at the time of writing, at €435m.

Table 4: Evolution of Basic Pay and Total Remuneration for CEOs between 2017 and 2018 (to nearest 000)

	Basic Pay of CEO 2017	Basic Pay of CEO 2018	% increase/ decrease	Total Remuneration of CEO in 2017	Total Remuneration of CEO in 2018	% increase/ decrease
CRH	1,442,000	1,485,000	3%	8,659,000	8,230,000	-5%
DCC	759,000	947,000	25%	5,319,000	4,953,000	-7%
SMURFIT KAPPA	1,100,000	1,106,000	1%	1,692,000	3,372,000	99%
TULLOW OIL	1,072,000	844,000	-21%	4,046,000	3,119,000	-23%
ICG	526,000	538,000	2%	2,326,000	2,768,000	19%
KERRY GROUP	1,743,000	1,050,000	-40%	8,071,000	2,577,000	-68%
GLANBIA	811,000	860,000	6%	1,949,000	2,341,000	20%
RYAN AIR	1,058,000	1,060,000	0%	3,258,000	2,310,000	-29%
GRAFTON	682,000	667,000	-2%	1,988,000	2,306,000	16%
ARYZTA	1,103,000	1,501,000	36%	1,525,000	2,216,000	45%
PADDY POWER	812,000	820,000	1%	3,653,000	2,214,000	-39%
KINGSPAN	770,000	828,000	8%	1,540,000	1,998,000	30%
UDG	650,000	663,000	2%	2,242,000	1,995,000	-11%
DALATA	575,000	587,000	2%	1,712,000	1,512,000	-12%
GREENCORE	803,000	824,000	3%	1,655,000	1,414,000	-15%
KENMARE	520,000	550,000	6%	1,281,000	1,408,000	10%
TOTAL PRODUCE	500,000	510,000	2%	1,225,000	1,194,000	-3%
ORIGIN ENTERPRISES	500,000	500,000	0%	1,031,000	1,136,000	10%
C&C	708,000	677,000	-4%	1,052,000	994,000	-6%
BANK OF IRELAND	928,000	950,000	2%	1,210,000	958,000	-21%
FBD	450,000	450,000	0%	1,051,000	933,000	-11%
CAIRN HOMES	425,000	425,000	0%	797,000	920,000	15%
INM	417,000	404,000	-3%	517,000	632,000	22%
AIB	500,000	500,000	0%	600,000	600,000	0%
PERMANENT TSB	424,000	466,000	10%	499,000	544,000	9%
AMINEX	283,000	328,000	16%	355,000	341,000	-4%

See Notes at Table 3

Table 5 sets out the changes in basic pay and total remuneration in the top twelve commercial state companies in 2017 and 2018. Seven companies recorded an increase in CEO total remuneration. The 23% increase in Ervia is, however, because the figure includes an incoming, interim and outgoing CEO's remuneration. Eirgrid's increase is also explained by the inclusion of the salaries for the outgoing CEO, the interim CEO and the incoming CEO. So too does Bord na Móna's figures include the compensation for both an outgoing and incoming CEO.

Four companies - An Post, Iarnród Éireann, RTE and VHI - remain unchanged. The Irish Aviation Authority shows a 14% decrease. However, the 2018 figure only includes the incoming CEO's salary from the time of his appointment in June, 2018.

Table 5: CEO Pay in Top 12 Commercial State Companies in 2017and 2018 (to nearest 000)

Company	CEO Basic Pay 2017	CEO Basic pay 2018	% Difference from 2017 to 2018	CEO Total Pay 2017	CEO Total Pay 2018	% Difference from 2017 to 2018
ERVIA	200,000	225,000	13%	245,000	302,000	23.3%
EIRGRID	170,000	206,000	21%	217,000	260,000	19.8%
COILLTE	194,000	225,000	16%	277,000	315,000	13.7%
BORD NA MONA	200,000	213,000	7%	280,000	308,000	10.0%
DUBLIN BUS	167,000	179,000	7%	212,000	230,000	8.5%
ESB	295,000	318,000	8%	359,000	386,000	7.5%
DAA	241,000	250,000	4%	378,000	395,000	4.5%
AN POST	240,000	240,000	0%	300,000	300,000	0.0%
IARNRÓD ÉIREANN	225,000	225,000	0%	296,000	296,000	0.0%
RTE	250,000	250,000	0%	338,000	338,000	0.0%
VHI	338,000	338,000	0%	338,000	338,000	0.0%
IRISH AVIATION AUTHORITY	221,000	221,000	0%	348,000	299,000	-14.1%

***Notes**:*

Bord na Móna: *outgoing CEO resigned on 15th Oct 2017, interim CEO appointed 16 Oct, 2017 and a new CEO was appointed in April, 2018. Compensation reflects figures for all three CEOs.*

Eirgrid: *CEO resigned in January 2018, Interim CEO until June 2018, new CEO appointed June 2018. Figures reflect remuneration for all three CEOs.*

Ervia: *Remuneration details for 2017 relate to both the current and former Group Chief Executive Officer. The former Group Chief Executive Officer resigned on 1 June 2017 and the current Group Chief Executive Officer was appointed effective from 31 October 2017.*

IAA: *New CEO appointed on 6th June 2018, basic salary is €225,000 and 2018 figures above only reflect his remuneration from his appointment in June.*

VHI: *does not distinguish between basic salary and total salary.*

Bonuses

Table 6 sets out the change in bonuses between 2017 and 2018. Cash bonuses (not including bonuses made under LTIPs) increased in twelve companies from 2017, they decreased in ten companies and four companies did not pay a bonus, mainly in the banking sector - AIB, Bank of Ireland, Permanent TSB and ICG.

The highest increase in the cash bonus was in Smurfit Kappa where it increased from €342,000 to €807,000, followed by Kingspan with an increase of €229,000. The biggest decrease was experienced by the Kerry Group CEO as the 2017 figure included the outgoing and incoming CEOs' bonuses.

As in previous years, the highest cash bonus was received by the CEO of CRH who received €2,042,000 which was down €296,000 on 2017. Even at this reduced figure it remains over €2m more than the annual wage of a typical worker.

Table 6: Cash Bonus Payments to CEOs in 2016 and 2017 and Differences (to nearest 000)

Company	Bonus paid to CEO in 2017	Cash Bonus paid to CEO in 2018	Increase/Decrease in cash bonus 2017 and 2108
CRH	2,338,000	2,042,000	-296,000
DCC	1,366,000	1,586,000	220,000
TULLOW OIL	1,248,000	844,000	-404,000
KINGSPAN	599,000	828,000	229,000
SMURFIT KAPPA	342,000	807,000	465,000
GRAFTON	819,000	743,000	-76,000
KERRY GROUP	2,101,000	711,000	-1,390,000
PADDY POWER	879,000	703,000	-176,000
DALATA	633,000	645,000	12,000
GLANBIA	608,000	645,000	37,000
TOTAL PRODUCE	550,000	505,000	-45,000
ORIGIN ENTER-PRISES	330,000	435,000	105,000
CAIRIN HOMES	319,000	383,000	64,000
ARYZTA	184,000	368,000	184,000
FBD	473,000	354,000	-119,000
KENMARE	307,000	318,000	11,000
INM	0	152,000	152,000
UDG	487,000	119,000	-368,000
GREENCORE	0	111,000	111,000
C&C	0	97,000	97,000
AIB	0	0	0
AIMINEX	60,000	0	-60,000
BANK OF IRELAND	0	0	0
ICG	0	0	0
PERMANENT TSB	0	0	0
RYAN AIR	950,000	0	-950,000

Notes:

Aryzta: *The 2018 figure includes the bonus for the outgoing and incoming CEOs.*

DCC: *The 2018 figure includes the bonus for the outgoing and incoming CEOs.*

Paddy Power: *The 2018 figure includes the bonus for the outgoing and incoming CEOs.*

Kerry Group: *The 2017 figure included the cash bonus for both the outgoing and incoming CEOs.*

Smurfit Kappa: *The 2018 figure includes the total bonuses paid in respect of 2018 and 2017, including deferred amounts.*

Tullow Oil: *The 2017 figure includes the bonus for both the outgoing and incoming CEOs.*

Pensions

The largest pension contribution was made to the CEO of CRH who received €684,000, followed by DCC at €476,000 (but this is a combination of the outgoing and incoming CEOs pension contributions) and the CEO of Greencore who received €309,000 towards his pension.

In many cases a taxable cash lump sum is provided in lieu of a direct pension contribution. For example, in the Kerry Group the CEO participates in the general employee defined contribution scheme while the CFO instead participates in an after tax savings scheme.

No pension contributions were made to the company pension scheme on behalf of the executive directors in Total Produce. Instead, the Compensation Committee approved a cash payment of €179,000 to a defined contribution (DC) pension for the CEO by way of compensation for the value of his defined benefit (DB) pension entitlement.

In Paddy Power, a cash sum was paid to the CEO in lieu of a pension. From 2019 this contribution will be a cash sum equal to 15% of his total salary.

Out of the twenty-six companies, four CEOs did not receive a contribution towards their pension - Dalata, ICG[5], Ryan Air and Bank of Ireland.

5 There were no pension benefits attributable to the CEO as he has reached normal retirement age and pension benefits have vested.

Table 7: Pension Contributions (to nearest 000)

Company	Pension Contributions 2017	Pension Contribution 2018	Increase/Decrease in Pensions
CRH	677,000	684,000	7,000
DCC	762,000	476,000	-286,000
GREENCORE	301,000	309,000	8,000
ARYZTA	166,000	263,000	97,000
GLANBIA	215,000	228,000	13,000
SMURFIT KAPPA	226,000	226,000	0
TULLOW OIL	393,000	211,000	-182,000
KERRY GROUP	462,000	200,000	-262,000
TOTAL PRODUCE	0	179,000	179,000
ORIGIN ENTERPRISES	175,000	175,000	0
C&C	177,000	169,000	-8,000
UDG	163,000	166,000	3,000
KINGSPAN	140,000	150,000	10,000
GRAFTON	151,000	145,000	-6,000
PADDY POWER	122,000	122,000	0
CAIRN HOMES	43,000	102,000	59,000
AIB	100,000	100,000	0
FBD	90,000	90,000	0
PERMANENT TSB	51,000	56,000	5,000
KENMARE	52,000	55,000	3,000
INM	77,000	51,000	-26,000
AMINEX	8,000	13,000	5,000
DALATA	0	0	0
ICG	0	0	0
RYAN AIR	0	0	0
BANK OF IRELAND	240,000	0	-240,000

Notes:

Aryzta: *2018 figure quoted is for both the outgoing and incoming CEOs. Incoming CEO took up the position on 1st April, 2017.*

Bank of Ireland: *CEO resigned in Oct 2017 and pension amount shown for 2017 is in respect of pension benefit accrued in line with his contractual entitlement during 2017. The current CEO does not participate in a Bank of Ireland Pension Scheme.*

DCC: *2018 figure quoted is for both the outgoing and incoming CEOs.*

ICG: *There were no pension benefits attributable to the CEO as he has reached normal retirement age and pension benefits have vested.*

INM: *The 2017 figure includes pension contributions for both incoming and outgoing CEOs.*

Kerry Group: *Figure for 2017 is based on the pension contributions of both the outgoing and incoming CEOs.*

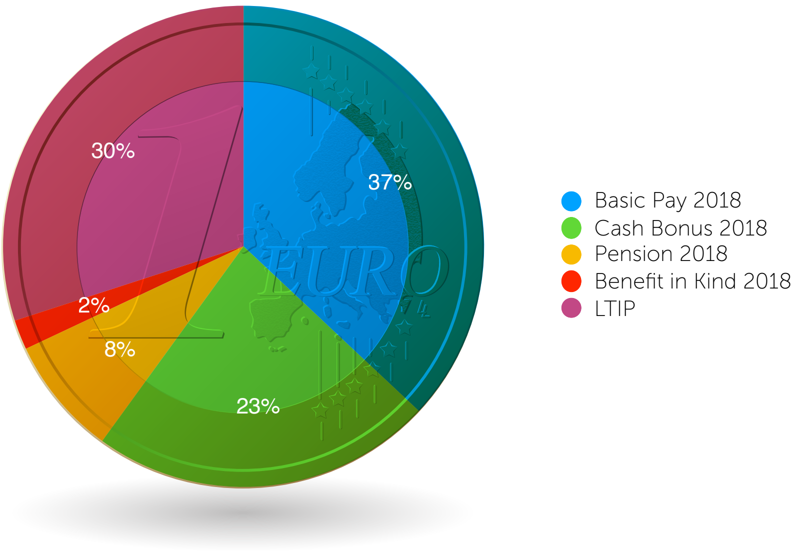
Paddy Power: *CEO stepped down in January 2018 and remained in employment until 10 August 2018. New CEO took up position 8 January 2018. Figures for 2018 reflect the pensions for both CEOs.*

Tullow Oil: *The 2017 figure includes the pension contributions for both the outgoing and incoming CEOs.*

Composition of CEO Pay

We now turn to the breakdown of CEO pay, both paid and deferred pay. In some instances, the amount awarded from Long Term Incentive Plans (LTIP) is an estimate as the shares have not been vested at the time the annual accounts were published. Basic pay accounted for little more than one-third of total CEO pay (37%) on average. LTIPs accounted for more than one-third (30%), and when taken together with the cash bonus accounted for over half of the total remuneration of the CEOs (53%) on average. See Figure 1.

Figure 1: Average Composition of CEO Pay



Wealth Inequality

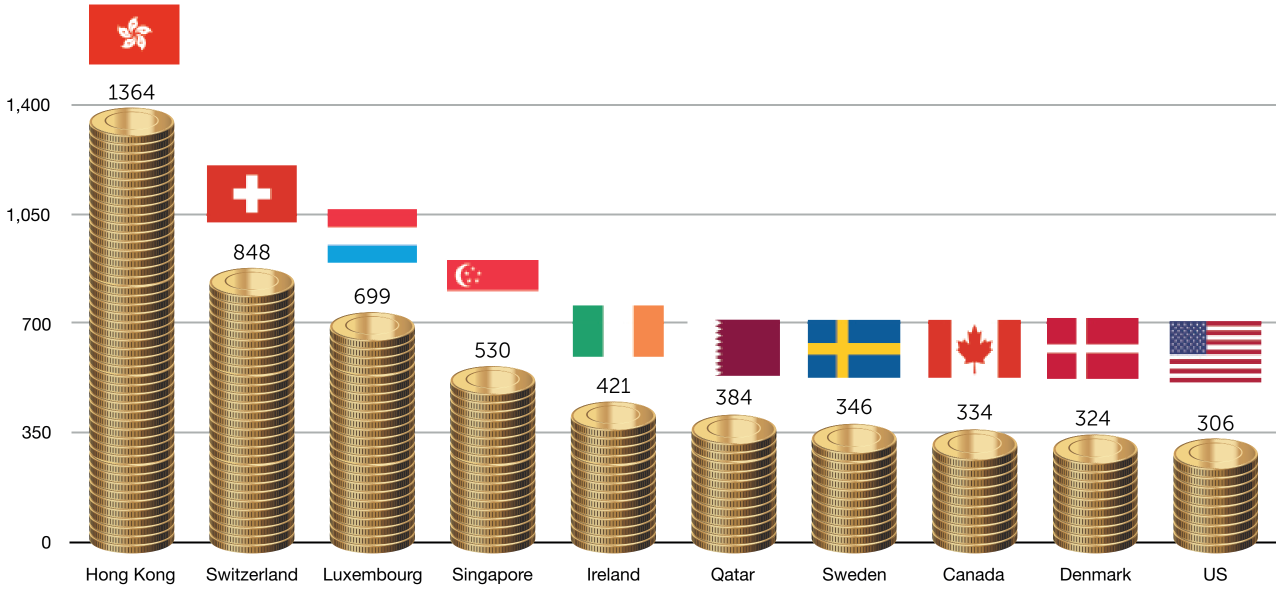
According to Wealth-X[6] which examines global private wealth, in 2018 there were 22.8 million individuals with net worth in excess of $1m, holding a combined net worth of $94.1 trillion. Their report, World Ultra Wealth Report 2019[7], estimates 277,360 individuals will have a net worth of between $30 million and $100 million in 2023, a net increase of almost 69,400 in five years.

The world's ultra-wealthy population remains mostly male but, in 2018, there was a modest increase in the proportion of women to 14.6%, continuing the upward trend of recent years.

6 https://www.wealthx.com
7 https://www.wealthx.com/wp-content/uploads/2019/09/Wealth-X-World-Ultra-Wealth-Report-2019.pdf

Wealth-X found Ireland to have the 5th highest density worldwide of ultra-wealthy people with 421 ultra-wealthy persons per million, higher than in the US, Canada, Denmark, Sweden and Qatar. See Figure 2.

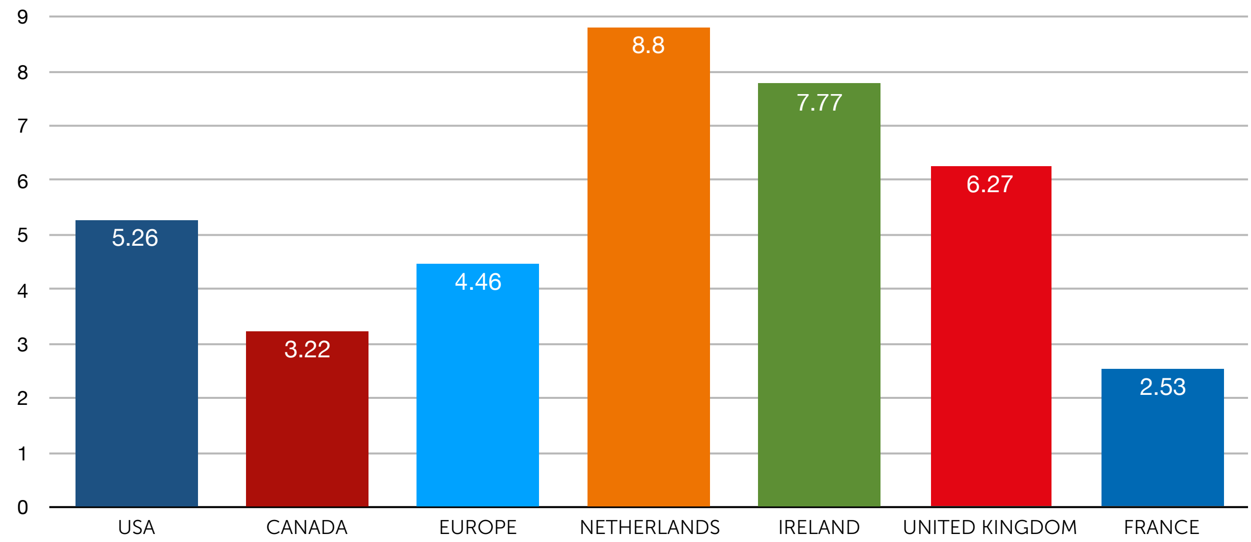
Figure 2: Worldwide Density of Ultra Wealth



Source:Wealth-X

In a recent article published on the Harvard Law School Forum on Corporate Governance and Financial Regulation – CEO Pay Trends Around the Globe[8] - Ireland is shown to have the 2nd highest median CEO total compensation at $7.7 million, when compared to the US, Canada, Netherlands, United Kingdom and France. See Figure 3.

Figure 3: Median CEO Total Compensation $m



Source: Harvard Law School

8 https://corpgov.law.harvard.edu/2019/02/03/ceo-pay-trends-around-the-globe/

CEO to Employee Pay Ratio

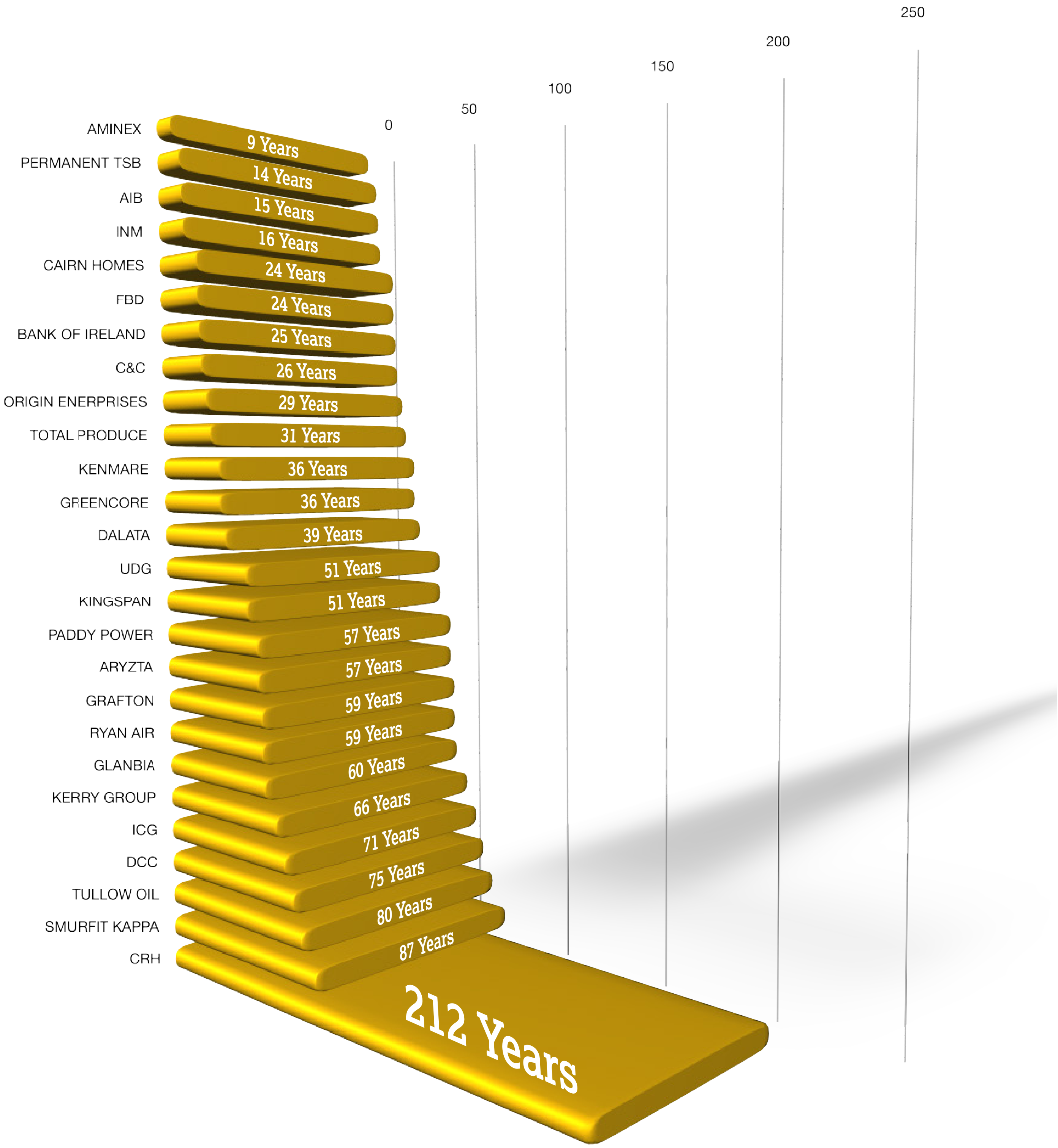
Figure 4 sets out the number of years it would take a worker on the average wage[9] to earn the annual pay and benefits package of each CEO in the twenty-six companies.

The building materials company, CRH continues to have the highest CEO-to-typical-worker pay ratio. It would take an ordinary worker 212 years to earn what the chief executive of CRH took home in 2018. The pay ratio is narrower on the previous year (230 years), by virtue of a reduction in the CEO's bonus to €2,042,000.

Thirteen company chief executives were paid more than 50 times an ordinary worker's salary in 2018. The highest CEO to worker pay ratios are in: CRH: 212 years; Smurfit Kappa: 87 years; Tullow Oil: 80 years; DCC: 75 years; ICG: 71 years; Kerry Group: 66 years; Glanbia: 60 years; Ryan Air: 59 years; Grafton: 59 years; Aryzta 57 years, Paddy Power: 57 years; Kingspan: 51 years and UDG: 51 years.

9 https://www.cso.ie/en/releasesandpublications/er/elca/earningsandlabourcostsannualdata2018/

Figure 4: Number of Years for Average Worker to Earn what CEO earned in 2018



Analysis carried out by the Irish Times in August 2019[10] on CEO pay in the ISEQ 20 companies found that the average compensation package for chief executives rose from €1.6 million to €1.87 million, which amounted to a 13% increase on the previous year and 41 times the average salary paid to employees of these 20 companies.

Analysis of the 50 publically listed US companies with the largest pay ratios, undertaken by the Institute for Policy Studies, a progressive think tank, in their latest report on executive pay 'Executive Excess 2019'[11], found the typical employee would have to work at least 1,000 years – an entire millennium – to earn what their CEO made in just one year. These 50 companies include 24 corporations in the blue-chip S&P 500 and cover a wide range of industries, such as retail (14) and fast food (5).

Both the UK and US have introduced legislation requiring some companies to publish their CEO to employee pay ratios.

The successful push for corporate governance legislation in the UK primarily came from demands for greater transparency around executive pay. It was also heavily influenced by shareholder concerns over excessive pay in a number of top companies including Royal Mail, Persimmon and Unilever. Royal Mail, for example, had one of the biggest pay revolts in UK corporate history at their annual shareholder meeting in 2018. Almost three-quarter of investors refused to support the remuneration package for its incoming CEO, worth up to £2.7 million, in addition to a £6 million 'golden hello'.

The new UK Corporate Governance Code[12] introduced in 2018 means that since January 2019, all UK listed companies with more than 250 UK-based employees are legally obliged to publish and explain every year the differences in pay between their chief executive and staff. Companies have three options on how to calculate the ratios:

- Option A - calculate the pay and benefits of all UK employees for the relevant financial year in order to identify P25, P50 and P75;
- Option B - use the most recent hourly rate gender pay gap information for all UK-based employees of the company to identify three UK employees as the best equivalents of P25, P50 and P75;
- Option C - use pay data other than, or in addition to, gender pay gap information to identify three UK-based employees that are the best equivalents of P25, P50 and P75. The data used must not relate to any year prior to the previous financial year or be less up-to-date than the gender pay gap information.

Publicly traded companies in the US are required to make pay ratio disclosures, under the Dodd-Frank Wall Street Reform and Consumer Protection Act.[13]

10 https://www.irishtimes.com/business/economy/ireland-s-top-20-bosses-earn-41-times-more-than-average-employee-1.3990016
11 https://ips-dc.org/wp-content/uploads/2019/09/EE19-Sept-2019.pdf

12 https://www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf
13 https://www.sec.gov/corpfin/pay-ratio-disclosure

However, even though this Act was enacted into federal law back in 2010, much of it has not come into effect as a result to corporate lobbying.

The city of Portland, Oregon is the only jurisdiction to currently impose a local tax penalty on companies who have an excessive CEO to worker pay ratio. 10% is added on to a city's business licence tax if a company's chief executive earns more than 100 times the median pay of their employees. Companies with pay ratios greater than 250 times the median face a 25% surcharge. Portland collected $3.5 million in the first year of its application.

San Francisco plans to vote on a similar proposal to link business taxes to pay ratios. It is expected that it will be the retail sector, rather than Silicon Valley, which will be most impacted. Similar proposals are under consideration in Connecticut, Illinois, Massachusetts, Minnesota, and Rhode Island.

The new Shareholder Rights Directive

The EU Shareholder Rights Directive (EU/2017/828) was adopted by EU governments and MEPs in 2017. It replaced previous European legislation adopted in 2007 which had been enacted into Irish law in 2009. The stated aim of the new legislation is to improve the role shareholders play in European companies listed on stock exchanges.

The new directive was due to have been enacted in Irish law by June 2019. At the time of writing *"work is [still] ongoing with the Office of Parliamentary Council (OPC) to transpose this directive as soon as possible"*, according to the Department of Business, Enterprise and Innovation (DBEI).

Whereas the 2007 directive did not include any provisions on directors' pay, the European Commission's original draft of the new directive, published in 2014, had proposed that a listed company's remuneration policy set out directors' pay as a ratio of the average pay of full-time employees and explain why this ratio was considered appropriate.

The final directive, as amended and adopted by ministers and MEPs, did not take up this part of the Commission's proposal in full – it merely requires a listed company's remuneration policy to explain how the pay and conditions of employees were taken into account when establishing directors' remuneration policy.

The directive does also provide however that when enacting the new directive into national law, member states are not prevented from putting more ambitious provisions in place. In other words, the directive sets down minimum provisions that must be applied in every member state but member states can build on these provisions if they so wish.

Congress, therefore, urged the Government in Summer 2019 to avail of this opportunity and to include provisions that would require a company's remuneration policy to explain the ratio between directors' remuneration and the average remuneration of full-time employees and, crucially, why this ratio is considered appropriate, i.e. as per the Commission's original draft.

The Government's response, issued in early July, was that it could not do this since the new directive was being enacted by means of a statutory instrument, i.e. secondary legislation and that Irish law precluded the insertion of any provisions into such an instrument that were not *"necessitated, consequential nor essential"* by the relevant directive.

Congress replied in mid-July that the manner by which any directive is enacted into Irish law is entirely a matter for the Government to decide - the Government could, if it so wished, enact the new directive by means of primary legislation and include additional provisions into that legislation. We cited the example of the 2014 statutory audit directive, which the Government chose to enact by means of primary legislation in 2018 in order to *"implement some of the options in the EU rules that could not be implemented in secondary legislation and introduce some new measures that will enhance the system of public oversight"*.

The Government's subsequent reply of late July did not address our proposal, but merely stated that it was continuing to enact the new directive by means of secondary legislation.

Congress acknowledge that the provisions of the new directive concerning directors' pay do represent an advance on the previous legislation, which did not deal with this issue at all. But we are disappointed that the Government has failed to seize the opportunity to shed more light on directors' pay policy through the national legislation giving effect to the new directive.

See Appendix 2 for copies of this correspondence to the time of writing.

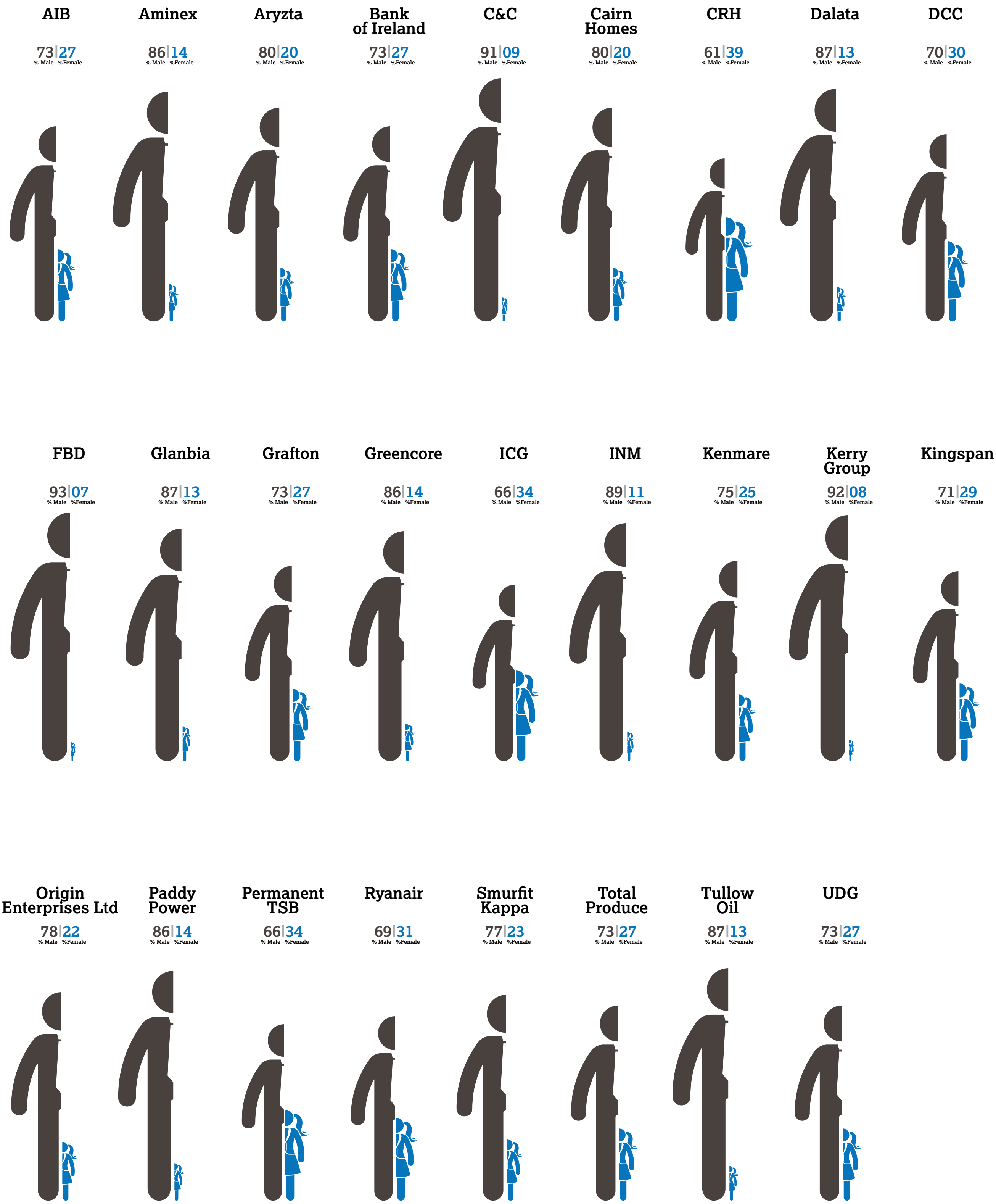
Gender Diversity

In July, 2018, the Department of Business, Enterprise and Innovation established the Balance for Better Business group to improve the gender balance in senior leadership. The group produced its first report in May 2019.[14] The report found that in Irish listed companies, 16.4% of directors are female (20.9% in ISEQ 20 companies and 12.1% in other listed companies), 8.8% executive directors are female (8.3% in ISEQ 20 companies and 9.2% in other listed companies), and 19.5% of non-executive directors are female (24.8% in ISEQ 20 companies and 19.4% in other listed companies). Balance for Better Business have set a target of 33% of women on boards of ISEQ 20 companies and 25% in other listed companies by 2023.

Females make up a very small percentage of the directors on the boards of the twenty-six companies in this study, with only three female CEOs at Bank of Ireland, FBD and Glanbia. See Figure 5.

14 https://cdgserver4.com/better-balance/wp-content/uploads/2019/05/B4BB-Report-Final.pdf

Figure 5: Gender % on Boards



Conclusion

Our analysis shows that the annual pay and benefits package of half of the chief executives in the 26 leading Irish companies under review is more than 50 times the yearly wage of a typical worker. The highest paid boss was paid €8.23 million in 2018 by building materials company, CRH. The €296,000 reduction in his bonus to €2.04 million helped bring down the CEO-to-worker pay ratio from 230-to-1 in 2017 to 212-to-1 in 2018.

The grossly excessive and unjustifiable gap between the top and rest of the workforce needs to be tackled, as now recognised by the European Commission and the OECD.

Earlier this year, the European Commission pointed out that market income inequality (pre-distribution income before tax and social welfare) in Ireland is the highest in the EU28.[15] The Commission's 2019 Social Scoreboard explicitly identified Ireland's rising income quintile ratio as an issue *"to watch"* – this represents a deterioration of Ireland's relative performance on this indicator compared to the 2018 Social Scoreboard. The OECD's 2018 economic survey of Ireland also pointed to our high income inequality and poverty in market income. Previous OECD research warns that inequality is detrimental to long-term growth.[16]

The new Shareholder Rights Directive introduces for the first time minimum provisions on directors pay to enhance transparency.

To-date the Government has failed to heed the repeated calls from Congress to seize the opportunity afforded by the directive to put more ambitious provisions in place, such as placing an onus on a listed company's remuneration policy to set out director's pay as a ratio of the average pay of their full-time employees.

Public companies have a legal obligation to publish certain information, including pay of their management team. Private companies are under no such obligation and their executives' pay remains shrouded in secrecy. But, there is nothing to prevent a future Government making such reporting a requirement of firms tendering for public contracts.

Government ignores the consequences of excessive executive pay at our collective peril.

15 European Commission (2019) Country Report Ireland p.39
16 OECD (2015) In it together – why less inequality benefits all.

APPENDIX 1: Description of companies

ALLIED IRISH BANKS is one of the Big Four commercial banks in Ireland. AIB offers a full range of personal and corporate banking services.

Headquarters: Dublin

Founded: September 1966

Operating Profit: €1.278m (2018)

Total Employees: 9,801 (worldwide)

AMINEX PLC is a producing, upstream oil and gas company premium listed on the London Stock Exchange and primary listed on the Irish Stock Exchange (AEX)

Headquarters: United Kingdom

Founded: 1979

Gross Profit: US $1.17m (2018)

Number of Employees: 107 (worldwide)

ARYZTA is a food business based in Zurich with operations in the Americas, Europe, Asia, Australia and New Zealand. It is incorporated in Switzerland and has listings on the Swiss and Irish Stock Exchanges.

Headquarters: Switzerland

Founded: August 2008

Operating Profit: Swiss F: 79.8m (2018)

Total Employees: 19,857 (worldwide)

BANK OF IRELAND is a commercial bank operation in Ireland and one of the Big Four Irish banks.

Headquarters: Dublin

Founded: 1783

Operating Profit: €852m (2018)

Total Employees: 10,595 (worldwide)

CAIRN HOMES Cairn Homes Public Limited Company specialising in housing and was set up on Wednesday the 12th of November 2014.

Headquarters: Dublin

Founded: 2014

Revenue: €53.2m (2018)

Gross Profit: €7.1m

Number of Employees: 146

C&C GROUP PLC 102 is a manufacturer, marketer and distributor of alcoholic drinks, particularly cider. It has production facilities across Ireland, the UK and the US. **Headquarters:** Dublin

Founded: 1852

Operating Profit: €86.1m (2018)

Total Employees: 1,185

CRH PLC is the parent company for an international group of diversified building materials businesses which are engaged in the manufacture and supply of a wide range of building materials and in the operation of builders' merchanting and DIY stores.

Headquarters: Dublin

Founded: 1970

Operating Profit: €2.2bn (2018)

Total Employees: 89,831

DALATA is Ireland's largest hotel operator, with a current portfolio of 44+ hotels (owned, leased and managed).

Headquarters: Dublin

Founded: 2007

Operating Profit: €96.815m (2018)

Total Employees: 4,923

DCC PLC is an Irish diversified investments group and holding company. DCC is organised and managed in four separate divisions, each focused on specific market sectors.

Headquarters: Republic of Ireland

Founded: 1976

Operating Profit: €383.4m (2018)

Total Employees: 11,000

FBD HOLDINGS PLC is an Irish insurance company. It is quoted on the Irish Stock Exchange and the London Stock Exchange. FBD also has financial service businesses as well as hotel and leisure property interests.

Headquarters: Dublin

Founded: 1969

Profit before Tax: €50m (2018)

Total Employees: 750

GLANBIA PLC is a global performance nutrition and ingredients group with operations in 32 countries. It has leading market positions in sports nutrition, cheese, dairy ingredients, speciality non-dairy ingredients and vitamin and mineral premixes.

Headquarters: Kilkenny

Founded: 1997

Operating Profit: €239m (2018)

Total Employees: 4,157

GRAFTON GROUP PLC is a United Kingdom & Ireland–based builders merchants business. It is listed on the London Stock Exchange, and is a constituent of the FTSE 250 Index.

Headquarters: Republic of Ireland

Founded: 1909

Operating Profit: Stg £94.5m (2018)

Net income: €96.5m (2015)

Total Employees: 12,500

GREENCORE is a leading international producer of convenience foods.

Headquarters: Dublin

Founded: 1991

Revenue: Stg £1,418.9m (2018)

Gross Profit: Stg £1054.6m

Number of Employees: 11,300

ICG is a shipping and transport group principally engaged in the transport of passengers, cars and freight on routes between Ireland, the United Kingdom and Continental Europe.

Headquarters: Dublin

Founded: 1972

Operating Profit: €60million (2018)

Total Employees: 311

INDEPENDENT NEWS & MEDIA PLC ('INM') is a leading newspaper and media group across the island of Ireland. INM has market-leading newspaper positions in Ireland and Northern Ireland.

Headquarters: Dublin

Founded: 1972

Operating Profit: €23.6m (2018)

Total Employees: 825

KENMARE RESOURCES LTD is an Irish incorporated mining *company* with its head office located in Dublin.

Headquarters: Dublin

Founded: 1985

Operating Profit: US $62.9m (2018)

Number of Employees: 1,398

KERRY GROUP is a public food company headquartered in Ireland. It is quoted on the Dublin ISEQ and London stock exchanges.

Headquarters: Tralee

Founded: 1972

Operating Profit: €751.8m (2018)

Total Employees: 25,255

KINGSPAN GROUP PLC is a building materials company based in Ireland.

Headquarters: Republic of Ireland

Founded: 1960

Operating Profit: €423m (2018)

Total Employees: 13,469

ORIGIN ENTERPRISES PLC is an Irish food and agribusiness group majority owned by Swiss/Irish food company Aryzta. It is listed on the Irish Stock Exchange.

Headquarters: Republic of Ireland

Founded: 2006

Operating Profit: €71.2m (2018)

Total Employees: 2,400

PADDY POWER is an Irish bookmaker. Offline it conducts business through a chain of licensed betting shops in Ireland and the United Kingdom, and by operating Ireland's largest telephone betting service.

Headquarters: Dublin

Founded: 1988

Operating Profit: £119m (2018)

Total Employees: 7,901

PERMANENT TSB GROUP HOLDINGS PLC, formerly Irish Life and Permanent plc is a provider of personal financial services in Ireland.

Headquarters: Dublin

Founded: 1884

Operating Profit: €81m (2018)

Total Employees: 2,400

RYANAIR LTD. is an Irish low-cost airline headquartered in Swords, Dublin, Ireland, with its primary operational bases at Dublin and London Stansted Airports.

Headquarters: Dublin

Founded: 1985

Operating Profit: €1,667.3m (2018)

Total Employees: 17,500

SMURFIT KAPPA GROUP is Europe's leading corrugated packaging company and one of the leading paper-based packaging companies in the world.

Headquarters: Dublin

Founded: December 2005

Operating Profit: €1,105m (2018)

Total Employees: 46,025

TOTAL PRODUCE is one of the world's largest and most accomplished fresh produce providers. Operating out of 23 countries while serving many more, Total Produce's global infrastructure of over 120 facilities extends across Europe, India and North America.

Headquarters: Dublin

Founded: 1850s

Operating Profit: €72.1m (2018)

Total Employees: 5,200

TULLOW OIL is a leading independent oil exploration and production company, focused on finding and monetising oil in Africa and South America.

Headquarters: Dublin

Founded: 1985

Revenue: US $1.270bn (2018)

Operating Loss: US $528m

Number of Employees: 1,030

UDG HEALTHCARE PLC formerly United Drug, is a Dublin-based international company and ... The company was *established* in Ballina in County Mayo as The United Drug Chemical Company, a co-operative controlled by Irish pharmacists.

Headquarters: Dublin

Founded: 1948

Operating Profit: US $147.5m

Number of Employees: 8,700

COMMERCIAL SEMI-STATES

AN POST is a major commercial organisation providing a wide range of services which encompass postal, distribution and financial services.

Headquarters**:** Dublin

Founded**:** 1500s

Operating Profit: €52.6m (2018)

Total Employees: 12,114

RTE (Raidió Teilifís Éireann) is a semi-state company and the national public service broadcaster of Ireland. It both produces programmes and broadcasts them on television, radio and the Internet

Headquarters: Dublin

Founded: 1960

Operating Profit/Loss: -€13m (2018)

Total Employees: 1,978

ESB (Electricity Supply Board), commonly known as the ESB, is a state owned electricity company operating in the Republic of Ireland.

Headquarters: Dublin

Founded: 1927

Operating Profit: €531m (2018)

Total Employees: 7,870

Bord na Móna is an Irish company operating six business units: Powergen, Biomass, Resource Recovery, Peat, Horticulture, and Fuels.

Headquarters: Newbridge, Co Kildare

Founded: 1946

Operating Profit/Loss: -€6.1m (2018)

Total Employees: 1,438

EIRGRID plc is the state-owned electric power transmission operator in Ireland. It is a public limited company registered under the Companies Acts.

Headquarters: Dublin

Founded: 2006

Operating Profit: €82.9m (2018)

Total Employees: 389

DAA previously Dublin Airport Authority, is a commercial semi-state airport company in Ireland. The company owns and operates Dublin Airport and Cork Airport.

Headquarters: Dublin

Founded: 1937

Operating Profit: €165m (2018)

Total Employees: 5,140

Dublin Bus is a bus operator providing services in Dublin. It is a subsidiary of Córas Iompair Éireann.

Headquarters: Dublin

Founded: 1987

Revenue Growth: €1.6m (2018)

Total Employees: 3,424

Iarnród Éireann also known as Irish Rail in English, is the operator of the national railway network of Ireland. Established on 2 February 1987, it is a subsidiary of CIE.

Headquarters: Dublin

Founded: 1987

Operating Profit/Loss: €1.1m (2018)

Total Employees: 3,782

Voluntary Health Insurance Board – which trades under the brand name VHI Healthcare is the largest health insurance company in Ireland.

Headquarters: Dublin

Founded: 1957

Net Surplus: €75.3m (2018)

Total Employees: 1,132

Coillte is a state-sponsored company in Ireland, based in Newtownmountkennedy. Coillte is a commercial company operating in forestry.

Headquarters: Newtownmountkennedy.

Founded: 1988

Profit after tax: €156.4m

Total Employees: 475

Irish Aviation Authority regulates the safety standards of Irish civil aviation and provides air traffic management and aeronautical communications services in Irish controlled airspace.

Headquarters: Dublin

Founded: 1993

Operating Profit: €31.6m (2018)

Total Employees: 685

Eirvia is the commercial semi-state multi-utility company responsible for the delivery of Ireland's national gas and water infrastructure and services that underpin the growth of the Irish economy.

Headquarters: Dublin

Founded: 2014 (formerly Bord Gáis Eireann)

Operating Profit: €163m (2018)

Total Employees: 1,761

APPENDIX 2: Copies of Letters on Shareholder Directive

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

31st May, 2019

Ms Heather Humphreys TD
Minister for Business, Enterprise and Innovation
Department of Business, Enterprise and Innovation
Kildare Street
Dublin 2
D02 TD30

Dear Minister Humphreys

I am writing to you in relation to the transposition into domestic law of the new Shareholders' Rights directive,[1] and specifically its provisions concerning directors' remuneration policy.

You will be aware that ICTU publishes an annual report on CEO pay. This highlights the problem of wage inequality in Ireland.[2] For example, the most recent report, published last January, points out that in some cases it would take the average worker over 200 years to earn what their CEO earns in one year.

When a previous edition of this report was discussed in the Dail in 2017, the then Minister for Jobs, Enterprise and Innovation, Mary Mitchell O'Connor TD, made reference to the new Shareholders' Rights directive, stating that one aspect of this legislation was to 'ensure greater shareholder involvement in determining the pay of company directors'.[3]

One of the ways we believe this could be done would be by giving effect to what the European Commission's Internal Market DG had originally proposed in relation to remuneration policy in its 2014 proposal for this new directive.

That proposal had included the following provision:

> '[A listed company's remuneration policy] shall explain how the pay and employment conditions of employees of the company were taken into account when setting the policy or directors' remuneration by explaining the ratio between the average remuneration of directors and the average remuneration of full time employees of the company other than directors and why this ratio is considered appropriate.'[4]

The Commission's Internal Market DG had justified this particular provision partly on the grounds that:

> '…in the United States, federal legislation requires a high level of disclosure of executive remuneration, with comprehensive disclosure in 12 tables amongst which the ratio CEO salary/mean salary information.'[5]

[1] Directive 2017/828/EU of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC. on the encouragement of long-term shareholder engagement, with a transposition deadline of 10 June 2019.
[2] *Because we're worth it – the truth about CEO pay in Ireland* (January 2019). https://www.ictu.ie/download/pdf/congress_ceopaybooklet2019.pdf
[3] Answer to written question no.14898/17 of 28 March 2017.
[4] Article 9a (3), second paragraph of COM(2014) 213 final.
[5] Commission STAFF WORKING DOCUMENT, SWD(2014) 127 final.

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Affiliated to the European Trade Union Confederation

General Secretary Patricia King

The final directive however did not include this provision in full. It states that:

> 'The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy'[6]

As you are aware, the Commission is currently working on (non-binding) guidelines for the standardised presentation of remuneration reports under the new directive.

The new directive does however also explicitly provide that when transposing the directive into domestic law, member states are *not* prevented from putting in place more ambitious provisions.[7]

ICTU would therefore urge the government to avail of this opportunity and to include provisions that would require a company's remuneration policy to explain the ratio between the average remuneration of directors and the average remuneration of full time employees of the company other than directors and, crucially, why this ratio is considered appropriate, i.e. as per the Commission's original proposal. The annex below sets out our specific proposal in detail.

We note that Minister Mitchell O'Connor stated that in her March 2017 comments on CEO pay that there was some evidence that wage inequality may be increasing during the recovery, but that it was important not to draw strong inferences from limited information. You will now be aware that the OECD's March 2018 economic survey of Ireland pointed out that income inequality and poverty in market income are high in Ireland and that the European Commission's 2019 Social Scoreboard (February 2019) explicitly identified income inequality as an issue for Ireland 'to watch'.[8] You will recall in this regard that OECD research has found that inequality is detrimental to long-term growth.[9]

We believe that introducing increased transparency for listed companies' remuneration policy would go some way towards addressing the problem of wage inequality in Ireland.

We would therefore urge the Oireachtas to transpose the directive as set out in this letter.

We would be happy to discuss this matter further with you, in advance of the transposition of the new Shareholders' Rights directive.

Yours sincerely

Patricia King
General Secretary

[6] Article 9a (6) of Directive 2017/828.
[7] Recital 55.
[8] Both reports did acknowledge that that Ireland's tax/benefit system brings net income inequality below the EU average.
[9] OECD (2015) *In it together – why less inequality benefits all.*

Annex – ICTU proposal for remuneration policy under the forthcoming Irish legislation transposing the Shareholders' Rights Directive

Current legislation (i.e. Directive 2007/36/EC on Shareholders' Rights)	Commission's Internal Market DG proposal for a new Shareholders' Rights Directive (i.e. COM(2014) 213 final)	Adopted Shareholders' Rights Directive (i.e. 2017/828/EU)	ICTU proposal for Irish legislation giving effect to the new Shareholders' Rights Directive
(No provisions concerning directors' remuneration policy)	*'It* [i.e. remuneration policy] *shall explain how the pay and employment conditions of employees of the company were taken into account when setting the policy or directors' remuneration by explaining the ratio between the average remuneration of directors and the average remuneration of full time employees of the company other than directors and why this ratio is considered appropriate.'*	*'The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy.'*	*'The remuneration policy shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy,* ***including by explaining the ratio between the average remuneration of directors and the average remuneration of full time employees of the company other than directors and why this ratio is considered appropriate.***

e-KSL. 1 of 2

Oifig an tAire Gnó, Fiontar agus Nuálaíochta
Office of the Minister for Business, Enterprise and Innovation

2 JUL 2019

Our Ref: 190521/MIN

27 June 2019

Ms. Patricia King
General Secretary
Irish Congress of Trade Unions (ICTU)
32 Parnell Square
Dublin 1

Dear Ms. King,

I refer to your recent correspondence regarding Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the Directive).

As you point out, the Commission's proposal in Article 9(a) to explain the ratio between directors' remuneration and the average pay of full-time employees was not accepted and was removed during the course of the negotiations on the Directive as its relevance and value-added were questioned e.g. there could be vast differences in the ratios depending on the type of industry sectors. However, the Directive requires that the remuneration policy explain how the pay and employment conditions of employees of the company were taken into account when establishing the remuneration policy. Further Article 9(b) paragraph 1 of the adopted Directive requires the provision of certain information on the remuneration of individual directors. That information must include the average change in remuneration and the "average remuneration on a full-time equivalent basis of employees of the company other than directors over at least the five most recent financial years, presented together in a manner that permits comparison."

The Office of Parliamentary Counsel, in conjunction with this Department, is currently drafting a statutory instrument (S.I.) under the European Communities Act 1972 to give effect to the mandatory requirements of the Directive, including Article 9(b). An S.I. under the European Communities Act cannot introduce additional elements not required by the Directive; such would require primary legislation.

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CMcL. 1 of 2

The publication of the remuneration report should increase corporate transparency and enable not just shareholders, but other stakeholders and potential investors, to assess directors' remuneration.

I trust this information is of assistance to you.

Yours sincerely,

2 JUL 2019

Heather Humphreys T.D.
Minister for Business, Enterprise and Innovation

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

12th July, 2019

Heather Humphreys TD
Minister for Business, Enterprise and Innovation
Department of Business, Enterprise and Innovation
Kildare Street, Dublin 2
D02 TD30.

Ref: 190521/MIN

Dear Minister Humphreys

Thank you for reply of 27 June 2019 to our correspondence of 31 May 2019 concerning the transposition into domestic law of the new 'Shareholders' Rights' Directive (Directive 2017/828/EU), and specifically its provisions relating to directors' remuneration policy.

Our previous correspondence was concerned exclusively with Article 9a of the Commission Internal Market DG's original proposal and Article 9a of the adopted Directive. We did and do have issues in relation to other provisions of the adopted Directive but had decided in that correspondence to focus on how the provisions of Article 9a of the adopted Directive could be improved upon, based on the original Commission proposal for that article. For example, in relation to Article 9b of the adopted Directive, to which you refer, we do have concerns that this article is somewhat weaker than what the Commission originally proposed. Whereas the original proposal stated that the remuneration reports 'shall, where applicable, contain *all of* the following elements' (emphasis added), Article 9b of the adopted Directive states that 'Where applicable, the remuneration report shall contain the following information' – i.e. without the words 'all of'. We would be interested in finding out why these words were deleted. Arising from their removal, we are concerned it may not necessarily be the case that remuneration report must include all of the information set out in Article 9b, (a) to (f), i.e. including the parts of Article 9b(b) which you highlight in your correspondence. We would be keen to ensure that this possibility is not permitted under the forthcoming domestic legislation giving effect to the adopted Directive.

In relation to statutory instruments under the European Communities Act 1972 that give effect to EU Directives not being permitted to introduce additional elements that are not required by those Directives, we would respectfully make the point that the EU treaties do provide that it is the national authorities that decide the 'form and method' for transposing EU Directives into domestic law,[1] and there is no prohibition under EU law on member states when transposing a Directive going beyond what is required by that Directive,[2] as has been acknowledged by the Government,[3] and in the Directive at hand (i.e. Recital 55).

[1] Treaty on the Functioning of the European Union, Article 288.
[2] For example, the Inter-institutional Agreement Between the European Parliament, the Council of the European Union and the European Commission On Better Law-Making of 13 April 2016 12.5.2016 OJ L123/1 p 43 states that 'when, in the context of transposing directives into national law, Member *States choose to add elements that are in no way related to that Union legislation*, such additions should be made identifiable either through the transposing act(s) or through associated document' (emphasis added)
[3] For example, the Department of the Taoiseach's *Revised RIA Guidelines – How to Conduct a Regulatory Impact Assessment* (2009) states that officials responsible for the transposition of EU Directives should prepare a separate RIA on the 'available transposition options (both legislative and non-legislative) and that this RIA 'should distinguish between those elements of each of the proposed options which are prescriptive or mandatory and *those which are optional or have been added on as a result of specific national concerns…*' (emphasis added).

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General Secretary Patricia King

That said, if there are concerns that introducing additional elements though a statutory instrument that are not 'necessitated, consequential nor essential' under the new Directive could be in breach of the European Communities Act, we would suggest that such measures could be introduced through primary legislation. In this regard we would point out for example that the 2014 Statutory Audit Directive (2014/56/EU) has now been transposed by means of the Companies (Statutory Audits) Act 2018. You will recall that when addressing the Seanad on the (then) Companies (Statutory Audits) Bill 2017, on 12 July 2018, you said that that bill 'would replace the current statutory instrument,[4] elevate its provisions to primary legislation, implement some of the options in the EU rules that could not be implemented in secondary legislation *and introduce some new measures that will enhance the system of public oversight*' (emphasis added). We believe that a similar approach could be taken in relation to the additional measures we are now proposing. Such primary legislation could deal exclusively with the proposal we have made or alternatively our proposal and all of the provisions of the new Directive.

We have put forward this particular proposal not to add to the difficulties in transposing into domestic law of what we accept is a more complex piece of legislation than the 2007 Directive it amends but to try to help address the issue of rising equality in Ireland. You will be aware that the European Commission points out that market income inequality in Ireland is the highest in the EU-28[5], that its 2019 Social Scoreboard identified Ireland's rising income quintile ratio as an issue 'to watch' – this represents a deterioration of Ireland's relative performance on this particular indicator compared to the 2018 Social Scoreboard - and that the OECD warns that inequality is detrimental to long-term growth.

As we stated in our previous correspondence, when the issue of excessive CEO pay was discussed in the Dail in March 2017, it was the then Minister for Jobs, Enterprise and Innovation, Mary Mitchell O'Connor TD who referred to the (then) draft new Shareholders' Rights Directive provisions on director's remuneration policy introducing greater shareholder involvement in determining company directors' pay. We believe that introducing additional elements for listed companies' remuneration policy based, to repeat, on what the Commission Internal Market DG originally proposed, would, in our view, facilitate further such involvement as well as enhanced transparency.

We would therefore urge you to give very serious consideration to our particular proposal in this regard.

Yours sincerely

Patricia King
General Secretary

[4] The 'required' elements of that directive were originally transposed through S.I No.312/2016 and this statutory instrument was subsequently repealed and replaced by the 2018 Act.
[5] European Commission (2019) Country Report Ireland 2019, p.39

2-1 TE

Oifig an tAire Gnó, Fiontar agus Nuálaíochta
Office of the Minister for Business, Enterprise and Innovation

Our Ref: 190521/MIN

31 JUL 2019

29 July 2019

Ms Patricia King
General Secretary
Irish Congress of Trade Unions (ICTU)
32 Parnell Square
Dublin 1

Dear Ms King,

I refer to your further correspondence of 12 July regarding Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (the Directive).

In relation to the query in the second paragraph of your letter, during the course of the negotiations the Commission's original proposal was amended, as is the usual way of negotiations, and the final text agreed by the co-legislators, European Council and European Parliament, is that of the adopted Directive.

In relation to your concern about the absence of the qualifying word "all" does not alter the extent of the information to be provided. There are numerous examples in Irish law where a company must provide particulars which are set out in a list and the obligation to provide the required particulars is not lessened by the absence of the word "all". Article 9b of the Directive states *"Where applicable, the remuneration report shall contain the following information regarding each individual director's remuneration."* A company must provide the information required with the qualification of "where applicable". That qualification also appeared in the Commission's original proposal and reflects the fact that some of the information specified may not be applicable to all directors e.g. an individual director may not receive remuneration from another undertaking on the same group (Article 9b(1)(c)).

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My Department is working with the Office of the Parliamentary Counsel to finalise the draft to transpose the Directive.

Yours sincerely,

Heather Humphreys T.D.
Minister for Business, Enterprise and Innovation

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