

# Because We're Worth It

## The Truth about CEO Pay in Ireland - Issue 2

Spring 2018



Dr Peter Rigney  
Eileen Sweeney

  
**CONGRESS  
BRIEFING**



Number of years it would take an average earner to earn what the CEO in each company earned in 2016



- CRH 270 years
- DCC 121 years
- Tullow Oil 101 years
- Kerry Group 98 years
- Greencore 88 years
- Ryanair 87 years
- Smurfit Kappa 65 years
- ICG 63 years
- Aryzta 62 years

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# Introduction

**This report updates the report on CEO pay ‘Because we’re worth it’ published in the spring of 2017. Our analysis of the twenty-seven companies shows that the average total pay for CEOs is still increasing, at an average rate of 0.9% per annum. Five out of the seven newly included companies (Irish companies based on the London Stock Exchange), actually showed a decrease in total CEO pay. This may be due to the increased interest in CEO pay by politicians in the UK and the subdued growth in the wages of the average British worker. Theresa May PM has also highlighted and criticised the growing gap between awards made to those at the top of companies and those who are ordinary workers. She has promised to make shareholder votes on pay binding, rather than advisory, and has called for all publicly quoted companies to publish the ratio between chief executive and average worker pay.**

In Ireland this debate hasn’t really started. Shareholder rebellions on pay votes at AGMs is exceptional in Ireland, and a much less common phenomenon than in the UK. However, in April 2017, some of Kingspan’s biggest shareholders took a very critical view of one of the key items on the company’s agenda – that of the company’s share bonus plan. Over 25 per cent of investors who voted by proxy before the AGM rejected the resolution. Meanwhile, at the Greencore 2017 AGM, a resolution to double the CEO’s potential performance-based share bonus – from 100% of his basic salary to 200% was only passed with the support of just under 60% of shareholders.

Each year we intend to focus on different aspects of corporate high earnings. This year we address the issue of Gender Balance on Boards. Of the companies researched, there are only two female CEOs and this issue is dealt with in detail in this report.

## Methodology

For 2016, we have examined 20 of the 21 companies examined in 2015 who are listed on the Irish Stock Exchange (Fyffes having been absorbed by Sumitomo). In addition we have added seven Irish based companies who are quoted on the London – but not the Dublin – stock exchange. These are: Aminex, Cairn Homes, Greencore, Kainos, Kenmare, Tullow and UDG, giving a total of twenty-seven companies. As in 2016, we have shown the differences in pay in Basic Pay, Total Remuneration and in Cash Bonus between 2015 and 2016. The information on pay comes from the published accounts. We have also examined the CEO pay at the twelve largest Commercial State companies. A short description of all the companies is contained in Appendix 1.

**Table 1: Companies used in this research (the London listed companies are highlighted):**

AIB	<p><u>All salaries quoted are to the nearest €1,000</u></p> <p><u>For companies reporting in currencies other than euro, the following should be noted:</u></p> <ul style="list-style-type: none"> <li>Aminex quotes in US\$ and does not quote an average rate from US\$ to Euro in their accounts so the average ECB rate of US\$ to Euro (1.1095) and (1.1069) has been used for 2015 and 2016</li> <li>Aryzta - quoted in Swiss Franc, average rate of 1.0905 rate used.</li> <li>Grafton quoted in Stg£ - the 'average sterling conversion rate' as per their annual report of 81.95 was used.</li> <li>Greencore quoted in Stg£, average rate in Annual Accounts for 2015 was .7443 and for 2016 was .7743.</li> <li>Kainos - No Stg£ average in Annual Accounts so ECB average rate of .772584 for 2015 and .81948 for 2016 used.</li> <li>Kenmare quote in US\$ but do not give an average rate so the average ECB rate of US\$ to Euro (1.1095) in 2015 and (1.1069) in 2016 used.</li> <li>Kerry quoted in US\$ - used the 'average US\$ conversion rate' as per their annual report of 1.11 used for 2016.</li> <li>Paddy Power quoted in Stg£ - used the 'average sterling conversion rate' as per their annual report of €1 = £1.2203 used for 2016.</li> <li>Tullow Oil quoted in Stg£ and no average rate given, so ECB average rate of .772584 used for 2015 and .81948 used for 2016.</li> </ul>
AMINEX	
ARYZTA	
BANK OF IRELAND	
C&C	
CAIRN HOMES	
CRH	
DALATA	
DCC	
FBD	
GLANBIA	
GRAFTON	
GREENCORE	
ICG	
INM	
KAINOS	
KENMARE	
KERRY GROUP	
KINGSPAN	
ORIGIN ENTERPRISES LTD	
PADDY POWER	
PERMANENT TSB	
RYAN AIR	
SMURFIT KAPPA	
TOTAL PRODUCE	
TULLOW OIL	
UDG	

# The Composition of CEO Pay

**Executive pay is normally comprised of five parts – basic, bonus, long term incentive plans, pensions and Benefit in Kind. They may be explained as follows:**

## Basic Pay

In the case of the twenty seven companies examined, basic pay comprises on average 47% of overall CEO remuneration. In the case of CRH basic pay comprises just 14% of overall remuneration. In recent years, the general tendency has been for basic pay to decrease as a percentage of the overall pay package and in 2016, it declined as a percentage in fourteen companies.

## Bonus Payments

Bonus payments are awarded to the vast majority of CEOs (and many senior officers). The bonus can be paid in cash, in shares or a combination of both. A level of 100% of salary is not untypical, but they can be in excess of this amount. The payment of a bonus is generally based on a mix of performance indicators, some based on company finances and others on goals set for the CEO. The bonus may be paid either in full or in part depending on the extent to which the performance indicators are achieved. Bonuses are included in the report of the board remuneration committee, and are subject to tax, PRSI and USC.

## Long Term Incentive Plans (LTIPs)

An LTIP grants units of stock conditionally to participants within the plan. This grant is conditional, as the stock will only be transferred to the participant when certain performance conditions have been achieved, usually after three years. LTIPs have performance conditions, which must be achieved prior to the conditional units of stock being transferred to the participant. One of the more common performance conditions is the company's Total Shareholder Return (TSR) performance over a specified period.

The majority of firms researched operate long term incentive plans (LTIPs). These plans are a growing feature of Executive pay. They are an arrangement whereby CEOs (and in some cases other senior officers) are given shares or are allowed to buy them at a discounted price. These shares do not become the property of the Executive concerned for a period of years. For example, Dalata has an LTIP in place but no awards have yet been made as the company has only been on the ISEQ for two years.

The shares awarded must, in addition, be retained for a period – normally two years. In addition some CEOs have a contractual requirement to hold an amount of shares in the enterprise – an amount equivalent to their basic salary is not uncommon. 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 altogether from the fact that the awards are ultimately based on share value.

## Pensions

Company remuneration reports indicate the contribution made to the pension pot of an individual. In the past, putting money into pension pots was a way of minimising the tax liability. The Finance Act 2006 effectively established a cap on pension provision by introducing a penalty tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7th December 2005. As a result of these changes, a number of companies decided that Executives who are members of an Irish pension scheme should have the option of continuing to accrue pension benefits as previously or of choosing an alternative arrangement, generally a cash sum.

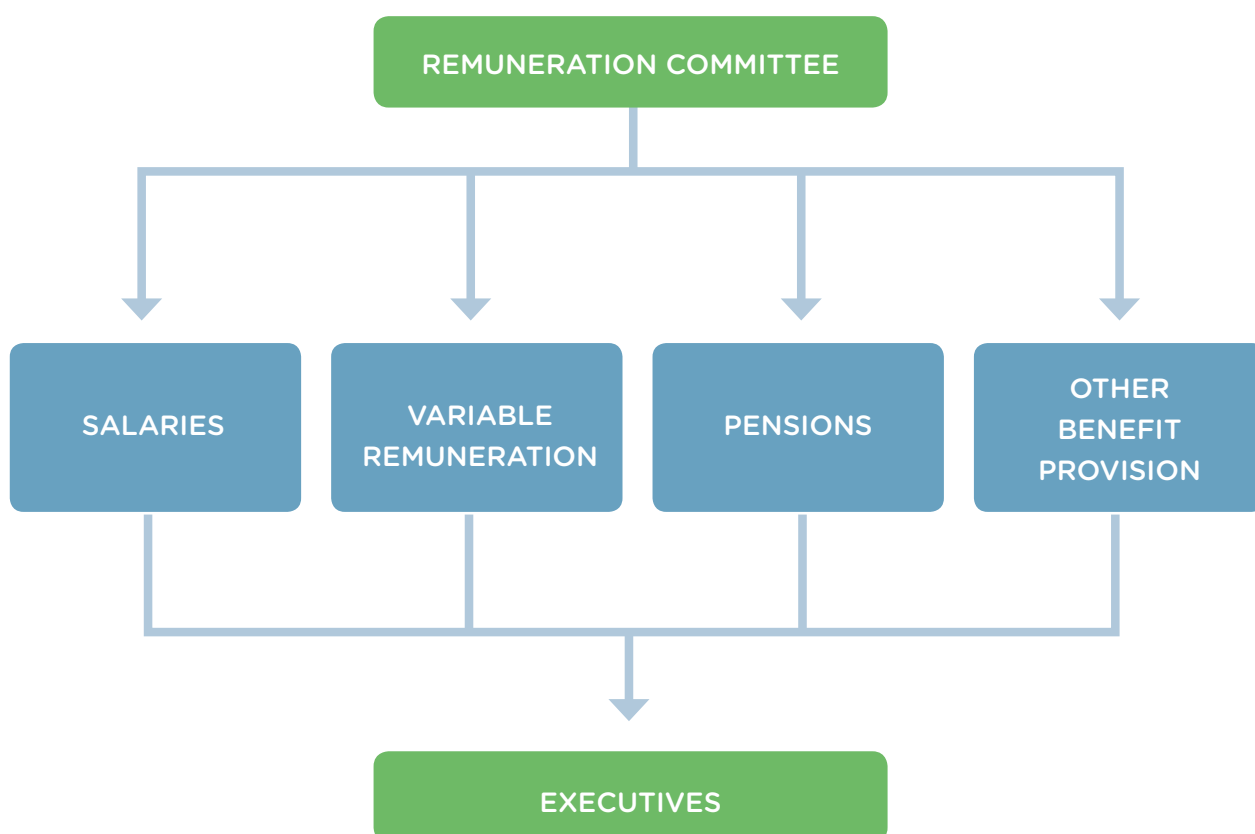
## Benefit in Kind

A typical benefit in kind package would include car benefit or equivalent, medical insurance, and re-location expenses and overseas allowance where applicable. Benefit in kind payments are taxable.



# How is Executive Pay Decided?

Executive pay is decided by the Remuneration Committee (often referred to as a Compensation Committee) of the company board. This Committee decides on the total remuneration package for the Executives in the company including salaries, variable remuneration, pensions and other benefit provision and any termination of office settlements. The Remuneration Committee also sets the fees paid to Board members.



**Table 2** shows the percentage of Total Remuneration which is 'Basic Pay'. In seventeen of the twenty-seven companies, 'Basic Pay' accounts for 50% or less of 'Total Remuneration'. The average basic Chief Executive pay of the ISEQ companies was €786,250 in 2016 compared to €701,100 in 2015 – an increase of 12%. The average basic pay of CEOs in the London listed companies was €568,143 more than €200,000 lower than in the ISEQ companies.

**Table 2: Basic pay as a percentage of total remuneration in 2015 and 2016 and difference**

Company	Total Remuneration of CEO 2015	Basic Pay of CEO 2015	Basic Pay as a % of CEO's Total Remuneration 2015	Total Remuneration of CEO 2016	Basic Pay of CEO 2016	Basic Pay as a % of CEO's Total Remuneration 2016	Change in Basic Pay as a % of CEO's Total Remuneration 2015 to 2016
	€	€		€	€		
ORIGIN ENTERPRISES LTD	1,257,000	420,000	33%	701,000	500,000	71%	37.9%
INM	919,000	400,000	44%	566,000	404,000	71%	27.9%
PADDY POWER	3,721,000	700,000	19%	1,900,000	785,000	41%	22.5%
TOTAL PRODUCE	913,000	439,000	48%	736,000	512,000	70%	21.5%
SMURFIT KAPPA	3,324,000	963,000	29%	2,407,000	1,100,000	46%	16.7%
GRAFTON	3,127,000	784,000	25%	1,851,000	694,000	37%	12.4%
GREENCORE	5,038,000	781,000	16%	3,258,000	789,000	24%	8.7%
KERRY GROUP	4,124,000	1,187,000	29%	3,609,000	1,306,000	36%	7.4%
UDG	2,604,000	587,000	23%	2,049,000	603,000	29%	6.9%
KAINOS	623,000	276,000	44%	516,000	264,000	51%	6.9%
AIB	587,000	479,000	82%	600,000	500,000	83%	1.7%
BANK OF IRELAND	961,000	690,000	72%	958,000	690,000	72%	0.2%
KINGSPAN	1,745,000	635,000	36%	1,915,000	698,000	36%	0.1%
ICG	2,212,000	513,000	23%	2,326,000	526,000	23%	-0.6%
TULLOW OIL	3,460,000	1,082,000	31%	3,745,000	1,147,000	31%	-0.6%
DCC	3,853,000	715,000	19%	4,462,000	737,000	17%	-2.0%
GLANBIA	1,889,000	750,000	40%	2,029,000	761,000	38%	-2.2%
PERMANENT TSB	452,000	400,000	88%	502,000	424,000	84%	-4.0%
CRH	5,525,000	1,290,000	23%	9,983,000	1,400,000	14%	-9.3%
C&C	980,000	736,000	75%	1,230,000	803,000	65%	-9.8%
RYAN AIR	2,400,000	1,000,000	42%	3,200,000	1,000,000	31%	-10.4%
CAIRN HOMES	719,000	455,000	63%	924,000	425,000	46%	-17.3%
ARYZTA	1,659,000	1,141,000	69%	2,302,000	1,171,000	51%	-17.9%
DALATA	840,000	420,000	50%	1,493,000	475,000	32%	-18.2%
AMINEX	272,000	214,000	79%	335,000	199,000	59%	-19.3%
FBD	449,000	360,000	80%	898,000	450,000	50%	-30.1%
KENMARE	671,000	550,000	82%	1,211,000	550,000	45%	-36.6%

**Notes:**

- All figures for 2015 are as quoted in the 2015 published Audited Accounts.
- Cairn Homes – the remuneration for the CEO in 2015 is from the date of incorporation of the company (12 November, 2014)
- INM includes an amount of €78,368 charged to the Group Income Statement in respect of the options granted in 2016.
- Aryzta - Bonus of €878,000 earned by CEO FY 2016 has been withheld pending resumption of growth in underlying fully dilute earnings per share (included in Gross Figure above.)
- UDG - CEO stepped down On 2 February, 2016 but continued in an Executive role until 31 March, 2016. He then transitioned to a consultant and non-executive director until 21 September, 2016. CEO was paid a fee of €50,000 per month for this role. The new CEO's total salary increased from €904,000 in 2015 (as Chief Operating Officer) to €1,898,000 (an increase of €994,000) after he took up the position of CEO (Feb 2016)

The gap between the highest and the lowest total pay was between Aminex and CRH in both 2015 and 2016. In 2015, the gap was €5,253,000 and this year it has almost doubled to €9,648,000. The enormous pay of the CEO of CRH distorts this. Omitting the highest and lowest companies, the gap for 2016 shrinks to €3,960,000 (between DCC and PTSB).

Among the London quoted companies the gap in 2016 was €3,410,000, a decrease from €4,766,000 in the previous year. While the sample size is small (seven companies) it appears that the range of CEO total salaries is much higher in Dublin than in London companies. This possibly reflects the more active debate on this issue in London, the more interventionist role of the UK Investment Association, and the suggestion made by the UK Government to legislate on this matter last year.

**Table 3** shows the changes in basic pay and total remuneration for CEOs between 2015 and 2016. When bonuses are taken into account, the average total pay in 2016 was €2,099,769 compared to €2,080,192 the previous year – an increase of 0.9%. Total Remuneration increased in sixteen out of the twenty-seven companies. These increases ranged from 2% to 100%. Ten companies saw their ‘Total Remuneration’ decrease, ranging from -12% to -49%, with one company unchanged.

**Table 3: Evolution of Basic Pay and Total Remuneration for CEOs between 2015 and 2016**

Company	Basic Pay of CEO			Total Remuneration of CEO		
	2015	2016	% increase /decrease	2015	2016	% increase /decrease
FBD	360,000	450,000	25%	449,000	898,000	100%
CRH	1,290,000	1,400,000	9%	5,525,000	9,983,000	81%
KENMARE	550,000	550,000	0%	671,000	1,211,000	80%
DALATA	420,000	475,000	13%	840,000	1,493,000	78%
ARYZTA	1,141,000	1,171,000	3%	1,659,000	2,302,000	39%
RYAN AIR	1,000,000	1,000,000	0%	2,400,000	3,200,000	33%
CAIRN HOMES	455,000	425,000	-7%	719,000	924,000	29%
C&C	736,000	803,000	9%	980,000	1,230,000	26%
AMINEX	214,000	199,000	-7%	272,000	335,000	23%
DCC	715,000	737,000	3%	3,853,000	4,462,000	16%
PERMANENT TSB	400,000	424,000	6%	452,000	502,000	11%
KINGSPAN	635,000	698,000	10%	1,745,000	1,915,000	10%
TULLOW OIL	1,082,000	1,147,000	6%	3,460,000	3,745,000	8%
GLANBIA	750,000	761,000	1%	1,889,000	2,029,000	7%
ICG	513,000	526,000	3%	2,212,000	2,326,000	5%
AIB	479,000	500,000	4%	587,000	600,000	2%
BANK OF IRELAND	690,000	690,000	0%	961,000	958,000	0%
KERRY GROUP	1,187,000	1,306,000	10%	4,124,000	3,609,000	-12%
KAINOS	276,000	264,000	-4%	623,000	516,000	-17%
TOTAL PRODUCE	439,000	512,000	17%	913,000	736,000	-19%
UDG	587,000	603,000	3%	2,604,000	2,049,000	-21%
SMURFIT KAPPA	963,000	1,100,000	14%	3,324,000	2,407,000	-28%
GREENCORE	781,000	789,000	1%	5,038,000	3,258,000	-35%
INM	400,000	404,000	1%	919,000	566,000	-38%
GRAFTON	784,000	694,000	-11%	3,127,000	1,851,000	-41%
ORIGIN ENTERPRISES	420,000	500,000	19%	1,257,000	701,000	-44%
PADDY POWER	700,000	785,000	12%	3,721,000	1,900,000	-49%

Notes:

- All figures for 2015 are as quoted in the 2015 published Audited Accounts.
- Cairn Homes – the remuneration for the CEO in 2015 is from the date of incorporation of the company (12 November, 2014)
- Aryzta – bonus of €878,000 earned by CEO in 2016 has been withheld pending resumption of growth in underlying fully diluted earnings per share (included in Gross Figure above).
- INM includes an amount of €78,368 charged to the Group Income Statement in respect of the options granted in 2016.
- UDT – CEO stepped down in February, 2016 but continued in an Executive role until 31st March, 2016. He then transitioned to a consultant and non-executive director until September, 2016, for which he was paid €50,000 per month. The new CEO’s total salary increased from €904,000 in 2015 as Chief Operating Officer to €1,898,000 when he took up the post of CEO (an increase of €994,000).

**Table 4** shows the changes in basic pay and total remuneration in the top 12 Commercial State Companies in 2015 and 2016. Three CEOs' total remuneration remained unchanged, two increased by less than 1%, six CEOs' total remuneration increased by more than 1% while only one CEO's remuneration decreased.

**Table 4: CEO Pay in Top 12 Commercial State Companies in 2015 and 2016**

<i>Company</i>	<i>CEO Basic Pay 2015</i>	<i>CEO Basic Pay 2016</i>	<i>% Difference from 2015 to 2016</i>	<i>CEO Total Pay 2015</i>	<i>CEO Total Pay 2016</i>	<i>% Difference from 2015 to 2016</i>
<b>RTE</b>	250,000	287,000	15%	337,000	368,000	9.2%
<b>COILLTE</b>	183,000	191,000	4%	239,000	254,000	6.3%
<b>BORD NA MONA</b>	183,000	200,000	9%	253,000	263,000	4.0%
<b>IARNRÓD ÉIREANN</b>	211,000	217,000	3%	279,000	286,000	2.5%
<b>AN POST</b>	240,000	246,000	3%	286,000	291,000	1.7%
<b>VHI</b>	324,000	328,000	1%	324,000	328,000	1.2%
<b>ERVIA</b>	250,000	250,000	0%	334,000	335,000	0.3%
<b>DAA</b>	250,000	250,000	0%	398,000	399,000	0.3%
<b>IRISH AVIATION AUTHORITY</b>	232,000	232,000	0%	344,000	344,000	0.0%
<b>EIRGRID</b>	170,000	170,000	0%	217,000	217,000	0.0%
<b>ESB</b>	295,000	295,000	0%	359,000	359,000	0.0%
<b>DUBLIN BUS</b>	177,000	167,000	-6%	230,000	212,000	-7.8%

Notes

- All figures for 2015 are as quoted in the 2015 published Audited Accounts.
- Where a new CEO has been appointed, but has served for less than a full year the salary is that of the new CEO calculated on an annualised basis.
- RTE - A new CEO commenced on 11th July, 2016. Expenses of €49,652 were incurred by new CEO following her appointment, including relocation expenses.
- Coillte - Chief Executive, was appointed in November 2016. The emoluments disclosed above relate to the full financial year.
- An Post - new CEO appointed in October, 2016.
- VHI - No distinction made between 'Basic' and 'Total Pay' so same figure used
- Eirvia - New Managing Director appointed April, 2016
- IAA - CEO voluntarily waived 10% of his salary in 2015 and 2016

**Table 5** shows the evolution of cash bonuses between 2015 and 2016. Cash bonuses increased for fifteen CEOs, decreased for seven CEOs and remained unchanged for five CEOs (with four of these not having received a bonus in either 2015 or 2016).

**Table 5: Cash Bonuses Payments to CEOs in 2015 and 2016 and Differences**

<i>Company</i>	<i>Bonus Paid to CEO in 2015 €</i>	<i>Bonus Paid to CEO in 2016 €</i>	<i>to CEO between 2015 and 2016 €'000 Increase/Decrease in Cash Bonus Paid</i>
CRH	1,451,000	2,323,000	872,000
DCC	532,000	884,000	352,000
PADDY POWER	536,000	888,000	352,000
FBD	0	315,000	315,000
CARIN HOMES	212,000	446,000	234,000
KERRY GROUP	685,000	910,000	225,000
C&C	0	161,000	161,000
KENMARE	0	132,000	132,000
AMINEX	0	98,000	98,000
TULLOW OIL	1,019,000	1,112,000	93,000
GREENCORE	427,000	491,000	64,000
KINGSPAN	635,000	698,000	63,000
DALATA	420,000	470,000	50,000
GLANBIA	563,000	574,000	11,000
GRAFTON	494,000	502,000	8,000
ARYZTA	0	0	0
RYAN AIR	900,000	900,000	0
AIB	0	0	0
BANK OF IRELAND	0	0	0
PERMANENT TSB	0	0	0
SMURFIT KAPPA	303,000	285,000	-18,000
KAINOS	313,000	227,000	-86,000
TOTAL PRODUCE	320,000	205,000	-115,000
INM	218,000	87,000	-131,000
UDG	412,000	244,000	-168,000
ORIGIN ENTERPRISES	298,000	0	-298,000
ICG	514,000	0	-514,000

Notes

- All figures for 2015 are as quoted in the 2015 published Audited Accounts.
- Aryzta 2016 - Bonus of €878,000 withheld pending resumption of growth in underlying fully diluted earnings per share.
- Kenmare - awards under the KIP are normally delivered 30% in cash, and the balance in shares, with 75% of those shares being performance shares subject For the 2015 award the Remuneration Committee exercised its discretion, as provided for under the KIP, to make an award of deferred shares of equivalent value in lieu of making the 30% cash award.

# ISEQ vs LSE Companies

## - What Difference?

By including London registered Irish domiciled companies we can get a glimpse of the differing legal framework in the area of corporate governance in Ireland and the UK. A number of companies make explicit reference to this.

### **Kenmare states:**

*The legislative framework that underpins UK directors' remuneration does not apply ...[we] apply best practice.*

### **Greencore states:**

*We are committed to apply the regulations [on remuneration] insofar as it is possible under Irish legislation.*

### **Cairn Homes states:**

*While Cairn Homes are not subject to these regulations, we recognise that they represent best practice in remuneration reporting and we have substantially applied them on a voluntary basis.*

There are subtle differences in these positions but they point to a gap in Irish company law. Another series of questions arise as a consequence:

- What is the difference between UK legislative requirements and the code to which all companies listed on the London Stock Exchange have to comply? This is important because ISEQ registered companies must comply with the essence of the London code as applied through its Irish Annexe.
- Differences between the tenor of the reports may give us some clues. London listed companies generally list who their remuneration consultants are and how much they have paid them. Most ISEQ companies do not.
- There are variations in practice in the reporting of the directorships of other companies held by directors, especially relating to private companies. Examples of good practice are Kingspan and CRH whose report contains an itemised entry for listed and non-listed companies on the biography of each director. In other companies, however, the phrase 'interests in a number of private companies' ranges from nine (INM one director) to over fifty (Dalata, three directors ranging from nine to over fifty private directorships). The logic for not sharing this information is unclear as it is all available in the Company Records Office, but at a cost.

# Gender Diversity

At CEO level, there are two female CEOs - in FBD and Glanbia. Most companies have a long way to go if an average of at least two female directors was to be in place. In order to achieve this, eleven women would have to be appointed - or seven if the four companies who had no female directors (Kingspan, Kainos, Cairn Homes and Aminex) were to appoint one each.

## **The UK Corporate Governance Code states<sup>1</sup>:**

*Achieving gender diversity on boards is, at the time of writing, the subject of political focus at both UK and EU level. In the UK, the Davies Review (2011<sup>2</sup>) recommended that FTSE 100 boards should aim for a minimum of 25 per cent female representation by 2015. No target has been set for FTSE 250 companies, but the chairmen of all FTSE 350 companies are expected to set out the percentage of women they aim to have on their boards in 2013 and 2015. The government and the business and investor community have broadly supported these recommendations. In practice, what this means for a typical board is that it should aim to appoint two or more female directors (and at least one).*

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1. <https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Corporate-Governance-Code.aspx>  
2. <https://www.gov.uk/government/news/women-on-boards>



**Table 6** sets out the number of female directors in the companies researched (the Company Secretary is not a Board member). Table 6 also examines the issue of non-executive directors' fees, taking a simple average of the fees paid within each company. This comprehends basic fee, chairman's fee and fees for sitting on committees. The only sum omitted is the figure of €512,000 paid in travel expenses to the Chairman of CRH. The median figure for all companies is €70,125 per annum, lower than the mean figure of €77,127. However, either sum represents a generous reward for what may be less than thirty days work per annum.

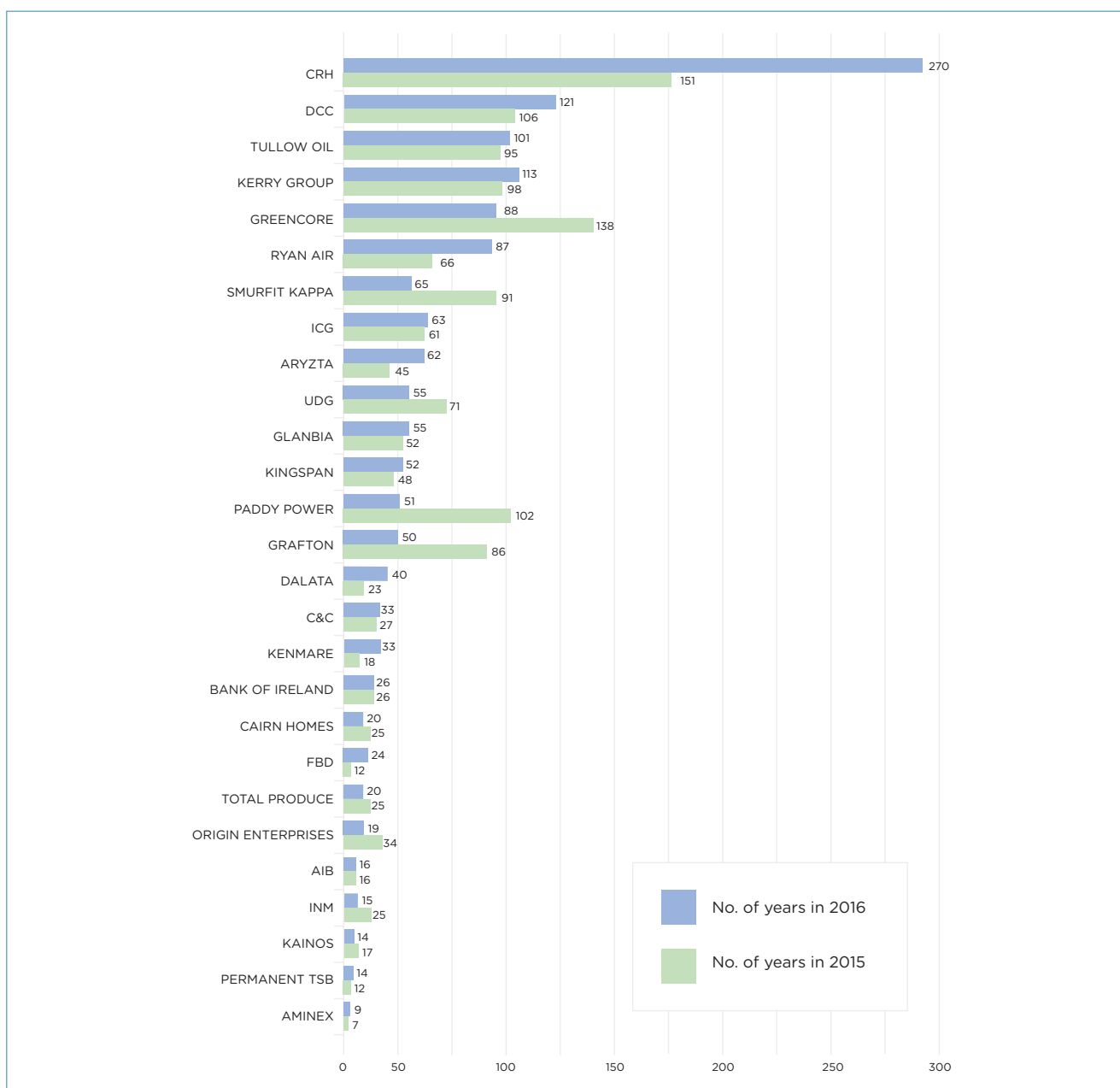
**Table 6: Number of Directors, Female Directors and Non-Executive Director Average Fee**

<i>Company</i>	<i>No. of Directors</i>	<i>No. of Female Directors</i>	<i>Average Non-Executive Director Fee €</i>
CRH	12	3	129,545
SMURFIT KAPPA	14	2	115,000
AIB	12	3	113,600
ARYZTA	8	1	106,650
TULLOW OIL	9	2	100,350
KINGSPAN	11	0	96,800
GREENCORE	8	2	92,990
BANK OF IRELAND	10	2	89,000
PADDY POWER	10	2	84,675
KERRY GROUP	12	2	83,848
UDG	11	2	81,000
C&C	10	2	77,666
GRAFTON	9	1	76,400
INM	9	1	71,250
DALATA	7	1	70,000
TOTAL PRODUCE	8	2	68,750
RYAN AIR	12	2	66,000
PERMANENT TSB	9	2	65,333
DCC	11	2	65,000
KENMARE	9	2	64,754
CAIRN HOMES	7	0	60,000
ORIGIN ENTERPRISES LTD	9	3	58,166
GLANBIA	18	1	58,000
KAINOS	7	0	57,963
ICG	7	1	52,000
FBD	11	3	50,000
AMINEX	7	0	27,700

# Pay Ratios

In **Figure 1** we show the amount of time it would take a worker employed in Ireland on the average industrial wage to earn what the CEO of a given company earns, for 2015 and 2016. According to the CSO figures, average earnings in 2016 were €36,919<sup>3</sup>. Of the twenty-seven companies researched, the 'number of years' increased in fifteen companies from 2015 to 2016, decreased in ten companies and remained unchanged in two companies. The most striking increase in the number of years it would take an average worker to earn what the CEO earns is with CRH, where there is an increase from 151 years in 2015, to 270 years in 2016.

**Figure 1: Number of years it would take an average earner to earn what the CEO in each company earned in 2015 and 2016:**



3. <http://www.cso.ie/en/releasesandpublications/er/elca/earningsandlabourcostsannualdata2016/> <https://>

# Developments Since Last Year

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The (British) Investment Association report<sup>4</sup> on high pay was published in July 2016, and was mentioned in our report last year. The effect of this report on the work of remuneration committees has yet to be noticed.

Developments in London are important as the London Code applies to ISEQ based companies.

This issue will assume increased importance if and when the UK Government's proposals on high pay come to fruition. These may include:

- Brexit.
- Publication of pay ratios of CEO to average staff pay.
- Strengthening the power of shareholders in voting on CEO pay.
- Questions will then arise for Irish companies along the following lines:
  - Will British Law be transposed into the London Code and its Irish Annex?
  - What position will the Irish Association of Investment Managers take on the proposed reforms?
  - Will Irish domiciled companies quoted in London such as Cairn Homes and Greencore continue to implement the provisions of UK Corporate law on a voluntary basis?

At a European level, the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017<sup>5</sup> has recently come into effect. These regulations oblige certain large companies to provide information on non-financial matters in their management report.

The Directive requires large listed companies to include in the corporate governance statement a report on their diversity policy with regard to their board of directors. However, the requirement to provide a non-financial statement applies only to companies that meets all three of the following criteria:

- It is a public-interest entity; (i.e. a listed company or a banking/insurance grouping).
- It is a large company or a parent company of a large group.
- It, or the group of which it is the parent company, has an average of more than 500 employees. The recommendations of ICTU and more recently of the CIPD are relevant here.

The application of these three criteria will mean that the application of the directive will be limited, at least in the short term.

More recently the UK High Pay<sup>6</sup> Centre, together with the UK CIPD, published a joint report on high pay (August 2017). The CIPD recommendations mirrored many of our recommendations made earlier year:

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4. [www.theinvestmentassociation.org/assets/components/ima\\_filesecurity/secure.php?f=press/2016/ERWG%20Final%20Report%20July%202016.pdf](http://www.theinvestmentassociation.org/assets/components/ima_filesecurity/secure.php?f=press/2016/ERWG%20Final%20Report%20July%202016.pdf)

5. <https://www.djei.ie/en/Legislation/Legislation-Files/SI-No-360-of-2017.pdf>

6. [http://highpaycentre.org/files/2016\\_CEO\\_pay\\_in\\_the\\_FTSE100\\_report\\_%28WEB%29\\_%281%29.pdf](http://highpaycentre.org/files/2016_CEO_pay_in_the_FTSE100_report_%28WEB%29_%281%29.pdf)

## CIPD/High Pay Centre Report Recommendations August 2017

We would encourage companies to disclose:

1. Their FTE figures alongside their headcount numbers, and include a breakdown by region of both FTEs and staff costs so a comparison of UK-only pay ratios can be made.
2. Employee figures for contractors as well as permanent staff, for a deeper understanding of the true size of the business. (see ICTU recommendation no. 4).
3. Pay ratios within their organisation. This can include the ratio from the highest to the lowest paid employee, pay ratios between management tiers as well as the ratio between the pay for the CEO and the median worker.
4. A graph showing the skew of a company income distribution over time to show if it is becoming more evenly distributed or not.
5. How they invest in, lead and manage their workforce for the long term.
3. All companies receiving public contracts for services should be required to publish a report in accordance with the Combined Code and the Irish annexe. A universal requirement do so would eliminate concerns regarding sensitive information. This can in part be achieved by a revision of public procurement procedure.
4. Where a substantial part of a company's business is undertaken by agency workers or sole traders, companies should be required to report on the numbers and payments to such categories.
5. The appointment of outsiders as non-Executive directors of the boards of major companies should be actively encouraged by a combination of gender balance rules and a more activist role for investor groupings, pension funds and worker representatives.

## ICTU Recommendations - March 2017

1. When the proposals contained in the UK Green Paper eventually come into force, they will be applied in Ireland through the UK governance code. Now is the time to bring increased transparency to the setting of Chief Executive pay in Ireland. This would require Irish companies to set broad parameters under which top Executive pay is set by company boards in Ireland which will establish objective criteria, including financial performance, employee welfare, consumer satisfaction, environmental protection and gender pay gap, etc.
2. Consideration should be given to adjusting the mandate of the Low Pay Commission to monitor the relationship between highest and lowest pay.
6. Shareholder resolutions on Executive pay should have a binding rather than an advisory status, and consideration should be given to capping the relationship between Executive basic pay and bonus/ LTIP elements.
7. A higher tax rate should be applied on very high incomes, over €1m per year and a more aggressive posture should be taken by the Revenue Commissioners on non-basic elements of Executive remuneration.
8. The maximum number of directorships which an individual can hold should be reduced to 13, thus giving general application to the Central Bank regulations for directorships in credit institutions.
9. Where Remuneration Committees use a reference group of other companies in setting Executive pay, these companies should be listed in the report of the remuneration committee. This is already the case in a number of the companies surveyed.

# Conclusions and Issues for 2018

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The issue of CEO pay is part of the debate on corporate governance. On this issue, Ireland lags behind the UK and other major EU countries. However, there are signs that the debate is beginning to take off in Ireland. The issue of the real independence of independent directors has been raised in the case of INM and Ryanair, while CEO pay was an issue at the Kingspan and Greencore AGMs. The pace of change on this issue, while glacial, is being driven by forces outside Ireland. These forces will intensify over the next few years. The recent takeover of the Irish Stock Exchange by Amsterdam based Euronext will further increase the pressure on corporate governance standards on Irish companies.

Two big issues stand out for the year 2018 - gender diversity and changing legislation in the UK. With regard to gender diversity, the recent report by the National Women's Council<sup>7</sup> provides a useful starting point for debate. Of particular concern is the fact that three out of the four companies having no women on their boards are London based. Some of the companies have noted that they are not bound by London codes of practice because they are Irish registered. If this is a regulatory gap it needs to be closed. This is a matter for government, for the stock exchanges and for fund managers.

The implementation of new UK rules and their implications for Ireland will be the big issue for 2018. These developments would generate downstream pressures on accountancy and auditing practices to report profits in a consistent manner. There are already allegations in London that some firms are using what is termed 'accountancy trickery' to adjust reported CEO pay downwards<sup>8</sup>.

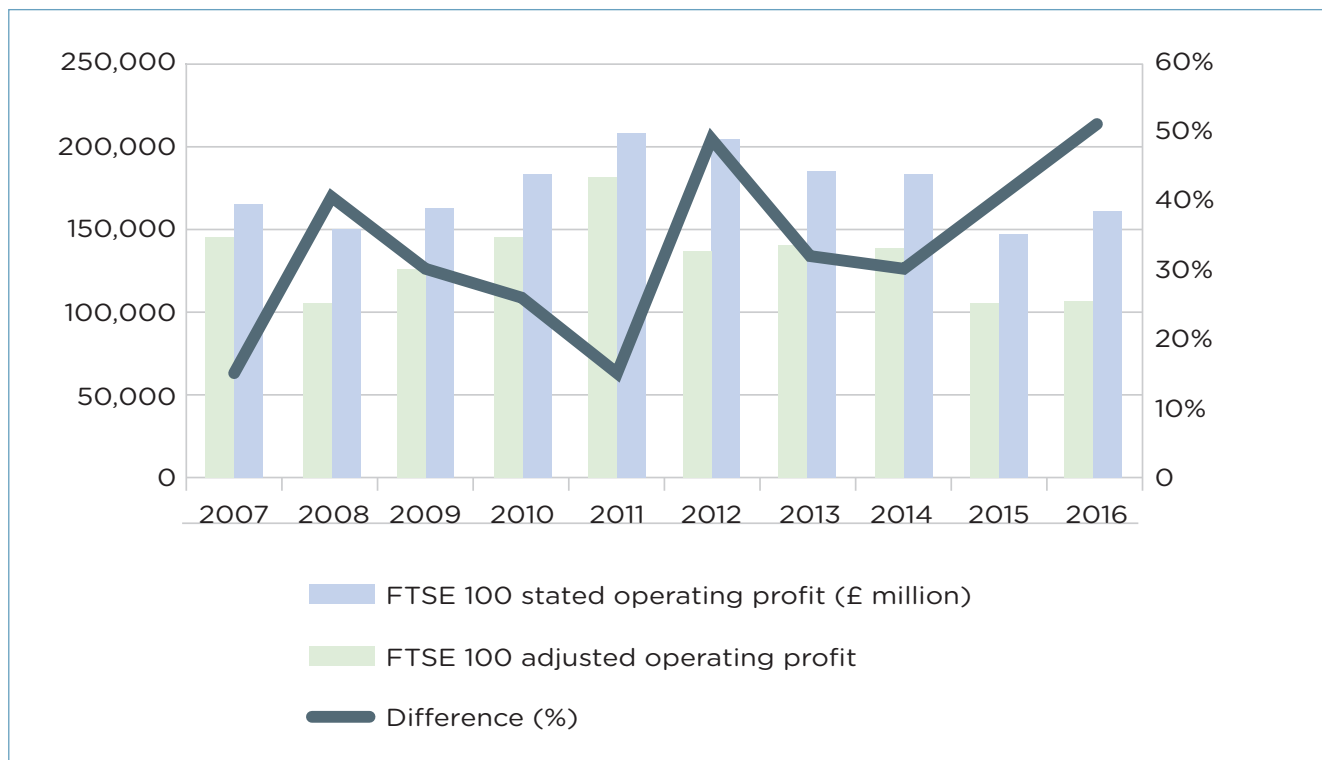
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7. [http://www.nwci.ie/images/uploads/Better\\_Boards\\_PDF.pdf](http://www.nwci.ie/images/uploads/Better_Boards_PDF.pdf)

8. <http://www.cityam.com/269831/ftse-100-companies-have-been-accused-using-accounting>

**Figure 2** shows research by AJ Bell<sup>9</sup> found that there was a 51 per cent gap between stated and adjusted operating profits at FTSE 100 companies, the highest level in a decade, and that some companies are booking profits in different ways to intentionally confuse investors, presenting sales figures in multiple formats of actual, underlying and constant currencies, while others use metrics "of their own choosing" in different announcements.

**Figure 2: Difference in Stated and Adjusted Operating Profits of FTSE 100 Companies**



Source: AJ Bell

This sentiment was reinforced more recently in a statement by British leaders to the Financial Times City Network. The Director General of the Confederation of British Industry in a statement said capitalism had taken a number of wrong turns and that issues such as 'the financial crash, a fixation on shareholder value...and the toxic issues of ...payment of tax and executive pay stand in the way of redemption'. Another company chair, described as a city grandee, said that capitalism had been hijacked by the managerial class with the rewards of owner entrepreneurs being made available to managerial employees.

Irish institutions such as the Dublin Stock exchange and the IAIM should be prepared to act autonomously and to make progress without waiting on London institutions. A priority area should be the area of gender diversity on boards.

9. <https://www.youinvest.co.uk/articles/investmentarticles/76780/how-spot-next-ftse-100-profits-accident-it-happens>

# 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: €1.439m (2016)

Total Employees: 10,550 (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

Revenue: US\$4.934 million (2016)

Gross Profit: US\$3.346 million

Number of Employees: 19 (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: €211.5123m (2016)

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: €1.208m (2016)

Total Employees: 11,086 (worldwide)

**CAIRN HOMES** Cairn Homes is a house building company. The company has 7 directors who have also been the director of 111 other Irish companies between them; 29 of which are now closed.

Headquarters: Dublin

Founded: 2014

Revenue: €40.9 million (2016)

Gross Profit: €7.1 million

Number of Employees: 38

**C&C GROUP PLC**, is a manufacturer, marketer and distributor of alcoholic drinks, particularly cider. It has production facilities across Ireland, the UK and the US but its products are sold around the world.

Headquarters: Dublin

Founded: 1852

Operating Profit: €115m (2016)

Total Employees: 1,805

**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: €1.3bn (2016)

Total Employees: 86,778

**DALATA** is Ireland's largest hotel operator, with a current portfolio of 41 hotels (owned, leased and managed).

Headquarters: Dublin

Founded: 2007

Operating Profit: €55.067m (2016)

Total Employees: 3,000

**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: €300.5m (2016)

Total Employees: 10,500

**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

Operating Profit: €11.4m (2016)

Founded: 1969

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: €213.6 million (2016)

Total Employees: 6,200

**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£142m (2016)

Total Employees: 10,000

**GREENCORE** is a leading international producer of convenience foods.

Headquarters: Dublin

Founded: 1991

Revenue: Stg£1,418.9 million (2016)

Gross Profit: Stg£102.0 million

Number of Employees: 12,000

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

Headquarters: Dublin

Founded: 1972

Operating Profit: €62.6 million (2016)

Total Employees: 302

**INDEPENDENT NEWS & MEDIA PLC ('INM')** is a leading newspaper and media group across the island of Ireland. It manages gross assets of €187.6m. INM has market-leading newspaper positions in Ireland and Northern Ireland, with a strong and growing digital presence.

Headquarters: Dublin

Founded: 1972

Operating Profit: €40.2 million (2016)

Total Employees: 876

**KAINOS** is a digital services company, offering information technology products and services to clients in a range of markets, including government, healthcare and financial services.

Headquarters: Dublin

Founded: 1986

Operating Profit: Stg£14.219 million (2016)

Number of Employees: 777

**KENMARE RESOURCES LTD** is an Irish incorporated mining company with its head office located in Dublin. The company is a member of the FTSE All-Share Index.

Headquarters: Dublin

Founded: 1985

Revenue: US\$141.5 (2016)

Operating Profit US\$5.2 million

Number of Employees: 1,323

**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: €682.2m (2016)

Total Employees: 23,036

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

Headquarters: Republic of Ireland

Founded: 1960

Operating Profit: €246.8 million (2016)

Total Employees: 10,000

**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: €68.585 million (2016)

Total Employees: 1,128

**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: Stg330 million (2016)

Total Employees: 7,300



### **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: €120 million (2016)

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: €1.460.1 million (2016)

Total Employees: 11,458

**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: €815 million (2016)

Total Employees: 45,000

**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: €56.2m (2016)

Total Employees: 4,800

**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\$1.270 (2016)

Operating Loss: US\$546.9 million

Number of Employees: 1,152

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

Headquarters: Dublin

Founded: 1948

Revenue: €943.1 million (2016)

Operating Profit: €104.2million

Number of Employees: 6,300

## **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

Operating Revenue: €5.2m (2015)

Founded: 1500s

Operating Profit: €52.6m (2015)

Total Employees: 9,600

**RTE (Raidió Teilifís Éireann)** is 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: €14.050 (2015)

Total Employees: 1,978

**ESB (Electricity Supply Board)** is a state owned electricity company operating in the Republic of Ireland.

Headquarters: Dublin

Founded: 1927

Operating Profit: €531M (2015)

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: €52.425m (2015)

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: €59.961 (2015)

Total Employees: 250

**DAA** is a commercial semi-state airport company in Ireland and operates Dublin Airport and Cork Airport.

Headquarters: Dublin

Founded: 1937

Operating Profit: €100.9 m (2015)

Total Employees: 3,300

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

Headquarters: Dublin

Founded: 1987

Operating Profit: €20.332m (2015)

Total Employees: 3,313

**Iarnród Éireann** 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: €29.5m (2015)

Total Employees: 3,793

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

Headquarters: Dublin

Founded: 1957

Operating Profit: €47.9m (2015)

Total Employees: 1,132

**Coillte** is a commercial company operating in Ireland. Coillte is a commercial company operating in forestry.

Headquarters: Newtownmountkennedy, Co Wicklow

Founded: 1988

Operating Profit: €78.0m (2015)

Total Employees: 897

**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: €33.6m (2015)

Total Employees: 655

**Eirvia** is a 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 Éireann)

Operating Profit: €379m(2015)

Total Employees: 1,600 and 5,700 indirect.



Irish Congress of Trade Unions,  
32 Parnell Square,  
Dublin 1,  
D01 YR92  
Tel: 01 889 7777  
Email: [congress@ictu.ie](mailto:congress@ictu.ie)  
[www.ictu.ie](http://www.ictu.ie)

Northern Ireland Committee  
Irish Congress of Trade Unions  
45/47 Donegall Street  
Belfast BT1 2FG  
Tel: 028 9024 7940  
Email: [info@ictuni.org](mailto:info@ictuni.org)  
[www.ictuni.org](http://www.ictuni.org)