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Ireland: Shareholder ‘say on pay’ now mandatory

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Ireland’s traded public limited companies (PLCs) must disclose their directors’ remuneration policy, report annually on the policy’s implementation, and provide for a compulsory “say on pay” vote by shareholders under the [European Union \(Shareholders’ Rights\) Regulations 2020](#) (the regulations) effective 30 Mar 2020. The regulations implement the European Union’s [shareholder rights directive](#) and amend the Irish [Companies Act 2014](#).

PLCs include those listed on Euronext Dublin or on the main market of the London Stock Exchange. Prior to the new regulations, many PLCs already provided detailed disclosure around directors’ remuneration (either on a compulsory or voluntary basis), but these regulations require PLCs to provide more comprehensive content and disclosure.

In general, PLCs must establish a shareholder-approved remuneration policy for financial years commencing on or after 10 Jun 2019. Of note is a “grandfathering” provision that allows an exemption of up to four years for company director remuneration policies that received shareholder approval before 30 Mar 2020, regardless of the policy’s compliance with the regulations.

Remuneration policy

Under the regulations, shareholders have the right to vote on remuneration policies covering executive and non-executive directors at least once every four years at the company’s general meeting — and more frequently if a material policy change is proposed. The policy vote is advisory unless the company’s constitution requires a binding vote. If shareholders don’t approve the policy, the company must submit a revised policy at the next general meeting, and must publish voting results on the company’s website.

The policy should:

- Explain how the policy contributes to the company's business strategy, long-term interests and sustainability
- Describe the different components of fixed and variable remuneration, and indicate their relative proportion
- Set clear, comprehensive and varied criteria for the award of variable remuneration awarded by the company, if applicable
- Specify information on any deferral periods and on the possibility for the company to reclaim the variable remuneration
- Explain how the pay and employment conditions of the company's employees were taken into account
- Indicate the financial and non-financial performance targets used in the remuneration plans including, where appropriate, targets relating to corporate social responsibility,
- Explain how the performance targets contribute to the company's business strategy, long-term interests and sustainability, and describe how achievement of the performance targets is assessed
- Specify the duration of director contracts, the applicable notice periods, the main characteristics of supplementary pension schemes, and the termination terms
- Explain the decision-making process followed for the determination, review and implementation of the policy
- Explain how the policy takes shareholders' views into account
- Set out policy elements from which the company can derogate

Remuneration report

For financial years commencing on or after 10 Jun 2019, PLCs must prepare an annual report on each director's remuneration according to the approved remuneration policy, and offer the report for an annual shareholder vote at the general meeting. The report must include:

- The total remuneration broken down into its various components

- The relative proportion of fixed and variable remuneration
- An explanation of how the total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company
- Details of the performance criteria application
- A table showing — over the five most recent financial years since the regulations took effect — the annual change of (i) director remuneration, (ii) company performance, and (iii) the average employee remuneration
- Details on shares and share options granted, including the number, grant price and vesting conditions
- Information on the possibility to clawback variable remuneration
- Details of any deviations from the remuneration policy
- Voting details on the previous remuneration report

Related resources

- [European Union \(Shareholders' Rights\) Regulations 2020](#) (Irish Statute Book, 13 Mar 2020)
- [EU directive 2017/828](#) (EurLex, 20 May 2017)
- [Companies Act 2014](#) (Irish Statute Book, 23 Dec 2014)

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