LENS ON:

Irish Corporate Governance Code 2024

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Euronext Dublin recently published the first Irish Corporate Governance Code ('Irish Code'). Companies that are incorporated in Ireland and are listed on Euronext Dublin must adhere to the Irish Code on a comply-or-explain basis, whilst companies that are dual-listed in both the UK and Ireland have the option to follow either the Irish Code or the UK Corporate Governance Code ('UK Code'). The Irish Code comes into effect for financial years commencing on or after 1 January 2025.

Previously, Irish companies listed on Euronext Dublin followed the UK Code supplemented by an Irish Annex. Although the Irish and the UK Codes are very similar, the Irish Code has been tailored for the Irish market and will no longer automatically adopt changes to the UK Code. Going forward, any changes to the UK Code will now be *'assessed for relevance and appropriateness'* before being automatically added to the Irish Code. Being part of the European Union, Ireland is a member of the Capital Markets Union which continues to develop its own regulatory framework; therefore, greater divergence between the UK and Irish Codes may be seen in the future.

Remuneration-related differences

There remains significant overlap between the Irish and UK Codes but with some notable differences:

- The UK Code requires companies that receive less than 80% support for a resolution to explain what actions they intend to take to consult shareholders, with an update on shareholder views to be published within six months of the resolution. The Irish Code reduces the dissent threshold to 75%, the same as for a special resolution, and the requirement to publish an update within six months has been removed.
- The Irish Code recommends a total vesting and holding period for long-term share awards of three years, compared to the five-year requirement introduced to the UK Code in 2018, and which is now majority practice across the FTSE (albeit adopted by only c.60% of companies listed on Euronext Dublin). The UK Code requirement for companies to apply a post-employment shareholding requirement is, however, retained in the Irish Code.
- The Irish Code requires companies to *'include a description of its malus and clawback provisions'* but no further detail is given on this disclosure. The requirement for companies to provide more prescriptive disclosures on malus and clawback provisions introduced in the 2024 version of the UK Code has not been adopted into the Irish Code.
- The Irish Code does not require pension alignment between Executive Directors and employees of the company, merely stating that pension contribution rates should be *'carefully considered when compared with those available to the workforce.'* Similar wording is used in the UK Code, albeit with the additional requirement of workforce alignment.

- Finally, whilst Remuneration Committees are still expected to ensure payments to directors do not reward poor performance, the requirement for Remuneration Committees to be *'robust in reducing compensation to reflect departing directors' obligations to mitigate loss'* has not been adopted into the Irish Code.

Ellason commentary

The drafting of the Irish Code was guided by the principle that it should reflect best practice in corporate governance without creating unnecessary complexity and burden for Irish companies.

It is interesting to note that the level below which a shareholder vote is considered problematic is lower, albeit only marginally so, than in the UK Code; indeed, it is Ellason's experience that more recently fewer remuneration committees fear the consequences of being below this threshold given concerns around the governance burden on pay in the UK.

Whilst the other changes aid simplification and increase market competitiveness, early conversations suggest that investors (and the proxy advisory bodies) remain unconvinced by the changes. Ellason therefore expects the majority of dual-listed companies to continue to uphold the more prescriptive UK Code. However, it will be interesting to see how the Irish Code might foretell further changes to the UK Code as pressure builds on the FRC to lighten the governance constraints on UK companies

Please do not hesitate to contact any of the Ellason team should you wish to discuss this issue further.