



Irish Voting Working Group project

Project findings and outcomes

April 2022

Stewardship encompasses much more than voting, but the voting of shares is an important mechanism for shareholders to express their views and exercise their rights. Following the 2021 AGM season, shareholders became concerned that the efficacy of the voting process had been negatively impacted by changes in the Irish market following the decision of the United Kingdom to leave the European Union. This was of particular concern given that the scrutiny of voting records by both clients and wider society is high.

A Working Group of nine institutional investors with a significant collective investment in Irish securities was convened in October 2021 under the auspices of the Investor Forum. The objective of the Group was to understand the consequences of recent changes to the system of proxy voting for Irish companies, and to explore whether there were actions that could be taken to ensure that institutional investors were able to fully exercise their shareholder rights and fulfil their stewardship responsibilities in the 2022 voting season.

This technical note for institutional investors details the findings, and the outcomes, of the Irish Voting Working Group. Early results from the 2022 AGM season indicate that voting levels have returned to 2020 levels.

Background

When the United Kingdom left the European Union, Euroclear UK & Ireland, the operator of the CREST system, required an additional permission to act as issuer central securities depository (“CSD”) for securities constituted under the laws of Ireland. This additional permission was granted on a time-limited basis only. Euroclear Bank (“EB”) was selected to provide a replacement holding and settlement system for securities of Irish companies with effect from 12th March 2021.

Subsequent to the migration to EB, investors observed:

- a material increase in shareblocking;
- an increased level of disintermediation in the voting chain;
- shorter time frames for decision-making; and
- lower levels of voter turnout at the 2021 AGMs of Irish companies.

The scale of the problem was significant: voting turnout dropped at 29 of the 41 meetings (including companies listed on the Euronext Dublin, the Euronext Growth Dublin and Irish issuers listed on the London Stock Exchange) following the CSD change in 2021 compared to 2020. In some cases the turnout fell by as much as 68% (see **Annex 1**).

The Working Group met with a number of stakeholders in the voting chain, including issuers, registrars, voting service providers and custodians. We subsequently engaged constructively with the Irish Market Committee (a market governance structure established by EB). Working with the Committee, we were able to escalate concerns with the voting service provider to resolve the significant issues that was impacting share blocking. **Annex 2** details the actions of the Working Group during the course of the project.

Six key issues were addressed by the Working Group. In **Section 1**, we set out the background to each issue, an explanation of the concerns, and the outcomes that were achieved following engagement with various stakeholders, including EB and the voting service provider.

Information on a further five issues is provided in **Section 2**, which illustrate the complexity of both the transition, and the new system.

In **Section 3**, we set out our conclusions. One tangible consequence of the project has been the identification of the source of the unnecessary blocking flags, and the steps undertaken to correct this. Beyond this important near-term action, we hope that the clarifications made, and the commitments to future process enhancements, will be beneficial to the whole market.

Executive summary

- Shareblocking was observed in the majority of Irish meetings in 2021. Following a live case investigation in January 2022, the Irish Voting Working Group, with the help of Euroclear Bank and with the support of the chair of the Irish Market Committee, was able to pinpoint the source of the blocking flag and challenge the application of the rule applied by a third-party voting service provider. Further scrutiny and engagement was required at the start of the 2022 season to ensure the application of the rule was accurately and consistently applied. As a result of this intervention, all parties are hopeful that this will result in a material decrease in shareblocking in future.
- Shareblocking will remain an issue where meetings are held on a Tuesday, unless Irish legislation is changed to remove non-working days from the calculation of the record date. There is market-wide advocacy for this change to be made as a priority in the Miscellaneous Provisions Bill, and investors support this.
- Until the legislative change occurs, companies can avoid the impact of blocking by not holding their meetings on a Tuesday.
- Investors can minimise the time that blocking occurs by instructing their votes close to the deadline, and removing the blocking flag immediately after the record date. This will require a better flow of information on process and timing throughout the voting chain.
- Unlike in the UK, the process to allow an institutional investor's representative to attend an AGM and speak in person is not through a 'Letter of Representation', but by issuing an instruction that this person is appointed their proxy. This instruction is treated in the same way as an electronic voting instruction and will result in the shares being blocked if the Euroclear Bank deadline is before the record date. Awareness of this option, and the impact of using it, was not widely understood amongst investors and their service providers.
- SRD II imposed an obligation on intermediaries to transmit information "without delay" between companies and shareholders. In order to give effect to the spirit of this legislation, there needs to be a move from multiple batch processing to real time information flow. Euroclear Bank is currently working on a project to migrate to a new processing platform, first for meetings and then progressively for all corporate actions. This will allow Euroclear Bank to offer real time notifications in Q3 – Q4 2023.
- Investors would like to be able to receive confirmation that their vote has been cast, and companies would like to be able to identify which of their shareholders have voted. For this to happen, information on beneficial owner details needs to be conveyed with the voting instruction. This is currently done on a voluntary basis, and did not occur in one third of instructions in 2021. Participants in the chain are encouraged to provide and convey Beneficial Owner information.
- Provision of confirmation of votes cast requires an evolution of market infrastructure to ensure all participants can comply with the requirements. This should be a priority target for all participants for future service level evolution.
- There are technology platforms which can connect issuers and investors in real time to facilitate the flow of information. Incorporating such technology into market infrastructure as standard would result in a welcome increase in speed and transparency. Prior to the migration from EUI to EB in March 2021, this option had been considered but not pursued by the market as EB was in a position to offer a meeting and voting service to its participants.
- In terms of outcomes, one tangible consequence of the project has been the focus on, and identification of, the source of the unnecessary blocking flags. EB and the Working Group engaged extensively with the voting service provider to ensure that this was rectified.
- EB has sent user guidance, in the form of its March newsletter, to help clients to understand the various issues, and has requested that this information is cascaded throughout the voting chain. We hope that the clarification and enhanced understanding will be beneficial to the market.

Technical Background

When the United Kingdom left the European Union, Euroclear UK & Ireland¹ (“EUI”), the operator of the CREST system required an additional permission to act as issuer central securities depository (“CSD”) for securities constituted under the laws of Ireland - this additional permission was granted on a time limited basis only. Euroclear Bank (“EB”), an International CSD incorporated in Belgium, was selected to provide a replacement holding and settlement system for securities of Irish companies listed or quoted on Euronext Dublin and/or the London Stock Exchange.

The EB model is an ‘intermediated’ or ‘indirect’ system, which is structurally different to CREST.

Participants in the Euroclear system retain a right of co-ownership to a portion of a pool of fungible securities. This qualifies as an intangible right of co-ownership under Belgian law and is represented by a book-entry record on the books of Euroclear Bank for each Participant.

Relevant securities are held by EB’s wholly-owned Nominee, Euroclear Nominee Limited (“EB Nominee”), which is the only entity to appear on the Register of Members (alongside individuals holding shares in certificate form). The EB Nominee is thus the ‘Member’ as defined under Irish law.

In the new model, institutional investors do not have enforceable rights against an issuer of an Irish corporate security as only the EB Nominee is regarded as the Member. However, they do have the right to the full economic benefit of the security and these rights are exercised under contractual arrangement with EB.

Each relevant issuer was required to pass certain resolutions at its AGM or at an EGM consenting to the migration. Some companies changed their articles to allow the ‘beneficial owner’ (not the Member) to call a meeting and file a shareholder resolution – but did not necessarily give the beneficial owner the right to attend a meeting.

As result of the changes, EB is both CSD and, through the EB Nominee, the dominant shareholder on the register for Irish issuers.

Irish companies listed on the UK stock exchange continue to trade as a CREST Depository Interest (CDI). This is a security governed by UK law which represents an interest in an underlying international security held pursuant to the CREST International Service. The CREST International Service provides that a CREST Nominee holds securities in a third country CSD, such as EB. The CREST Nominee holds those securities on behalf of the CREST Depository for the account of CREST Members. The CREST Depository will therefore issue CDIs to CREST Members which will represent an entitlement in relation to the underlying international securities. The CDIs issued by the CREST Depository are constituted under English law by virtue of a Deed Poll. The CDIs are transferable by means of the CREST system to other CREST members in the same way as domestically held CREST securities.

EB offers a meeting and voting service to its participants and has not appointed a third-party service provider. A vast majority of EB participants (of which the CREST Nominee is one) do use third party voting service providers in respect of voting.

¹ Euroclear UK & Ireland was renamed Euroclear UK & International from 1st September 2021.

1. Key Issues

Six issues were explored during the project. We set out below the background to the issue, an explanation of the concerns, and the outcome and conclusions following engagement with various stakeholders.

1.1 Shareblocking

Background:

Prior to the migration of Irish securities to EB, blocking was not applied to any Irish security. This was due to the securities holding model that is applied to domestic securities within the CREST system, as EUI did not hold a position in an Irish security on behalf of CREST participants, and only passed meeting and voting messages between the holder in the CREST system and the Registrar.

The EB securities holding model does require blocking, depending on the position of the EB deadline relative to the record date.

As a general rule, and following section 183 of the Irish Companies Act 2014, the market deadline to instruct a vote is a maximum of 48 hours before the meeting. Those 48 hours include weekend hours and hours on public holidays.

The EB deadline is always one hour before the market deadline.

If the EB deadline is after the record date, EB will not block the client's instructed position.

If the EB deadline is before the record date, EB blocks the client's instructed position from the time of instruction until after the end of the settlement window on the record date (typically, unblocking occurs at 3am on the business day after the record date).

The EB deadline will always be before the record date for meetings held on a Tuesdays (a 'Tuesday meeting') because the inclusion of non-working days in the record date calculation puts the record date on a weekend.

If the client instructs at EB's deadline, the block applies from Friday 3pm (Brussels time) until 3am on the following Monday. However, an investor would usually instruct well in advance of the EB deadline – and blocking is imposed from the point of instruction as, if the investor sells and no longer has the position, it would invalidate the instruction.

Out of 56 meetings held in 2021, EB informed us that there were only 9 where blocking was applied by EB. All of these related to a general meeting that occurred on a Tuesday.

In practice, investors observed that a blocking indicator systematically announced by a third-party voting service provider had been placed against many more than 9 Irish votes in the 2021 season.

Concern:

For many investors, any restriction on their ability to trade is a concern. When they weigh the benefits of voting against the risks to liquidity in their portfolios, they often choose to forgo voting in favour of maintaining trading rights, depending on the materiality of the position, or the controversy of the vote. If a trade fails because the position is blocked, the manager may have to pay penalties for non-settlement. The decision to block a position is therefore a material factor in the resulting lower turnout.

Outcomes and conclusions:

The Greencore plc AGM of 27th January 2022 acted as a live case study. The Working Group contacted senior connections at all points in the chain to investigate the issue and isolate the point of application of the blocking flag. We established that the issue was due to the manner of application of 'underlying rules' by a voting service provider, who had been using a deadline two days before the EB deadline, resulting in the application of many blocking flags in the 2021 voting season. Due to this intervention and intense further engagement during the start of the 2022 season, the application of these rules at the third-party voting service provider has been revised and a technological fix implemented. All are hopeful that this will resolve the blocking flag issue being applied to non-Tuesday meetings.

This leaves a remaining issue relating to 'Tuesday meetings'. EB argued strongly that the issue was not related to their ability, or otherwise, to do real time reconciliation of positions: in their view, only a legislative change could address the situation with an intermediated Issuer CSD model.

The solution, therefore, appears to be a revision to the legislation regarding the record date calculation methodology (see section 1.2), and in the meantime, to encourage companies to avoid Tuesday meetings.

EB sent a Newsletter Update in March which clarifies timing and processes around blocking to ensure that accurate information is being conveyed throughout the chain.

1.2 Non-working days in record date calculation

Background:

The Irish Companies Act 2014 made provision for a record date up to 96 hours before the meeting, with a proxy close up to 48 hours before the meeting. The Brexit Omnibus Bill amended this to say "'record date' in relation to a relevant issuer shall be close of business on the day before a date not more than 72 hours before the general meeting to which it relates."

Unlike all other EU markets, Irish company law does not provide any exclusion for weekends or public holidays hours in the computation of time and determination of record dates before general meetings of companies with securities admitted to trading venues.

Although the Department of Finance and the Central Bank of Ireland were part of the migration steering committee, the weekend exclusion was not addressed as part of the legislation changed for migration. There is ongoing advocacy with the Department of Enterprise, Trade and Employment for the changes related to the record date calculation to be given legislative effect within the 'Miscellaneous Provisions Bill' as a priority.

Concern:

The calculation of the deadline over a weekend requires shareblocking by EB (as described above) and was therefore a legitimate cause of the blocking at the 9 meetings which EB declared as being blocked. When blocking occurs, as discussed above, investors may choose to withhold votes.

Irish issuers are aware of the anomalies of this position and tend to target corporate actions and meetings towards the latter half of the working week. This can result in a clustering effect, which is not ideal.

Outcomes and conclusions:

The most effective remedy to the problem of blocking at 'Tuesday meetings' would be to amend Irish legislation to exclude weekends and public holidays in calculating the record date. We believe that addressing this issue would, in practical terms, remove the need for any share blocking in the Irish market, and align the Irish market with most European markets. This systems-level intervention would help protect the exercise of shareholder rights and remove a barrier to institutional investors fulfilling their stewardship responsibilities.

We note Recommendation 4.7.5(f) of the Company Law Review Group's Annual Report for 2020² on certain company law issues arising under the EU Central Securities Depositories Regulation 909/2014 (CSDR) contains the following statement:

"There is merit in amending section 183 of the 2014 Act [Companies Act 2014] to exclude hours at weekends and on public holidays from the computation of the 48-hour period [i.e., the 48 hours before a general meeting, before which forms of proxy must be delivered], aligning the law with that of the UK and the Review Group accordingly recommends that the law be amended accordingly."

We understand that the Review Group is looking at making a similar recommendation in relation to the omission of those hours from the setting of the record date.

No party we spoke to could see any positive benefits in the status quo, and all were supportive of the change being made.

1.3 Notification of 'unblocking'

Background:

² [Company Law Review Group, Annual Report 2020](#), page 9

During the course of our conversations with investors, we heard that, if a blocking flag is observed on an external voting system, the share is put onto an internal blocking list. It became apparent that, at present, there is no notification to investors of the specific date(s) on which the blocking applies.

Concern:

While in theory EB might require a position to be blocked for the period from vote instruction until record date, in practice, investors tend to block their position from point of vote instruction to the date of the AGM, rather than risk a failed trade. This additional period of illiquidity reduces the willingness of some to vote their shares.

Outcomes and conclusions:

We understand that there is a field within the ISO20022 messaging standard that can convey the unblocking information. More familiarity with this format and the information that can be conveyed through the chain would be welcomed.

We encourage clearer communication by EB of the specific date(s) to which blocking would apply, and for this information to be conveyed to all the participants in the voting chain.

EB included more detail of blocking times in their March Newsletter.

1.4 Right to attend meetings

Background:

As it is 'EB Nominee' that is on the shareholder register, institutional shareholders require a delegated authority in order to attend an AGM in person. They may wish to do this to give them the 'last resort' option of leaving a voting or corporate action decision to the final deadline of the Meeting to vote at a poll or to allow them to speak and pose questions to the Board in public as part of their stewardship activity.

In some markets, the delegated right to attend is achieved via a Letter of Representation. In EB's Service Description, dated August 2021³, it states "We will not offer a Letter of Company Representation." EB has clarified that a Letter of Representation will only be used to give an individual person the right to attend *on behalf of EB* if, for some reason their systems require attendance rather than an electronic vote in advance. It has been used only once, in March 2021. It is not an option for individual clients or beneficial owners.

Instead, in Ireland, investors must appoint a named individual from their firm as their proxy and lodge this proxy voting instruction before the deadline imposed by their respective intermediary. This is treated in the same way as an electronic voting instruction, and results in the shares being blocked for Tuesday meetings. Attendance at a meeting is therefore not an option to avoid being blocked.

Investors can either vote in advance using electronic voting or appoint themselves as proxy without voting and attend the AGM and vote. They cannot receive permission for a representative to attend an AGM just to speak or ask a question without that person also being responsible for voting at the meeting.

Investors can cancel the electronic instructions, provided that it is one hour before the market deadline, *then* request late instructions to be accepted (i.e. request a proxy vote). Late requests to attend the meeting (after the EB deadline) will be automatically rejected by EB. Upon request by the EB client, EB will - on a best-efforts basis - seek, via the registrar, the Issuer's agreement to receive late instructions. Ultimately it is the Issuer's decision whether or not to accept the late instruction.

Concern:

Given the blocking issues discussed above, investors might try to avoid losing liquidity on their holdings by instead choosing to attend the meeting in person to exercise their rights. This is will not work. EB has confirmed that there is no way to vote at, or attend, a Tuesday meeting without being blocked.

Outcomes and conclusions:

In-person attendance at an AGM and asking questions in public of the Board is a valued shareholder right, and clarity of the means by which this right can be achieved is important. The description of 'proxy voting'

³ Euroclear Bank as Issuer CSD for Irish corporate securities, Service description, August 2021, page 58

being used to appoint oneself as proxy and have the right to attend a meeting in person is unusual, and has resulted in confusion for investors.

EB have sent user guidance to clients to help them understand how the 'proxy voting' option can be used more effectively and have requested that this is escalated up the voting chain such that the option can be appropriately utilised by investors.

1.5 Notifications and confirmations of votes cast

Background:

The Shareholder Rights Directive ("SRD") was implemented in 2009 to enhance the rights of shareholders by imposing certain minimum standards on the exercise of voting rights attaching to shares in companies listed on EU regulated markets. SRD was amended by the Revised Shareholder Rights Directive ("SRD II"), which applied from 10 June 2019.

The Irish Department of Enterprise, Trade and Employment published the European Union (Shareholders' Rights) Regulations 2020 (SI 81 of 2020) which amended and inserted new provisions into Part 17 of the Companies Act 2014, transposing the obligations under SRD II into Irish law.

SRD II requires intermediaries to transmit information "without delay" between companies and shareholders. As discussed above, under Irish law, the 'shareholder' is EB Nominee, rather than the end investor (the beneficial owner) (see also point 2.4 below). However, it is clear that the intention of the Regulation is to facilitate information flow between issuers and the providers of capital.

Every announcement that EB receives from issuers before 4pm is released to clients the same day. EB has multiple intraday batches (10 cycles a day) pushing out notifications.

EB passes on the votes received to the registrar in three batches a day (including an information file for each instruction) up until the record point, at which time a single consolidated final file is issued.

Concern:

Real time information flow is now possible, which maximises the time that both sides have to consider and take action. Batch processing (10 cycles a day), as is currently used by EB, can impose a delay which can be inefficient.

Outcomes and Conclusion:

In order to give effect to the spirit of this legislation, we believe there needs to be a move from batch processing to real time information flow. EB is currently working on a project to migrate to a new processing platform first for meetings and then progressively for all corporate actions. This will allow EB to offer real time notifications in Q3 – Q4 2023.

EB has informed us that many European markets are not in a position to provide confirmation of votes cast yet, given the complexities of the voting chain, and so Ireland is not an outlier in this regard.

However, technological solutions are emerging which connect the issuer and investor and allow the real time flow of information (see point 2.5 in Further Considerations below).

We have encouraged EB to consider how it might evolve its service offering to work towards a more integrated real-time exchange of information.

1.6 Beneficial owner information

Background:

SRD II requires Member States to ensure that traded PLCs have the right to identify their shareholders, and allows traded PLCs to request the necessary information from intermediaries. As discussed above, under Irish law, the 'shareholder' is EB Nominee, rather than the end investor (the beneficial owner ("BO")). (See also point 2.4 below).

SRD II places requirements on investors to disclose 'engagement and voting behaviour', which requires the receipt of vote confirmation.

EB encourages ISO 20022 standardized messaging to enable beneficial owner identification (although we understand that not all custodian banks were using this format in the 2021 season).

EB confirmed that, any details provided in the BO field will be passed to the registrar (un-validated), and in 2021, over 66% of instructions were received with BO details included.

Providing BO details is not a requirement in Ireland hence EB cannot enforce it. EB is dependent on whether or not EB participants (or their voting service providers) supply this information.

Concern:

Investors are frustrated that they do not receive confirmation that their vote has been received by the issuer. In instances where it was apparent that the votes had not been received, tracing accountability through the chain was fraught with difficulty.

Many of the companies we heard from were equally frustrated with their loss of connection with their investors, the low transparency on who is voting, and the disrupted timing.

Actions and conclusions:

We understand both EB and EUI operate in markets where beneficial owner information *must* be passed to the issuer, so the mechanisms to do so must already exist.

We encouraged EB to communicate the fact that, where the BO information is provided, it will be passed on to the registrar and issuers as a matter of course, and to encourage their participants to be more proactive in providing the information. This was included in their March Newsletter.

In turn, investors can ensure that their service providers are conveying the BO details through the chain.

2. Further considerations

In addition, a further five issues, outlined below, were also discussed as part of the project. Information on each is provided to illustrate the complexity of the transition and the resulting system.

2.1 Issues which impacted 2021 turnout but have been/are being resolved

- **Acclimatization:** In April/May, during the early weeks on the EB platform, formatting issues meant that a number of invalid instructions were given. EB believes that these have now been resolved. Investors sought assurance from their service providers that these formatting issues did not result in the rejection of their votes. One Custodian informed us:

“... we understand there were messaging issues at the onset of 20022 message adoption... which required Euroclear to manually intervene in order to process voting. Representatives from both organizations agreed to migrate back to 15022 messaging until further analysis and subsequent testing could be completed.”

We understand that the system is currently undergoing testing so that 20022 messaging can be fully adopted.

- **Powers of Attorney:** EB informed us that initially, some custodians had not set up the necessary power of attorneys to cast votes, resulting in some votes being unable to be cast. None of the service providers we spoke to said this was an issue for them, and we believe this has been resolved.
- **Split votes:** Previously, the Irish system allowed split voting, but EB has decided it will not accept opposing votes on a single ballot instruction, and will reject these. We have heard that not accepting split votes causes significant additional administration for the voting service providers, as ballots cannot be aggregated. However, it appears that processes are now in place to accommodate this.

2.2 Transfer to escrow

Where the EB deadline is on or before the record date, blocking in EB is applied and as a result it is also required in EUI. For balances held in the CREST system as CDIs, blocking is undertaken using the 'Transfer To Escrow' (TTE) transaction.

One respondent told us that “the requirement to move assets into Escrow is a real burden on custodians, it adds pressure to operations teams and unwanted risks due the level of manual intervention. No other blocking market has a process this onerous.” At least one custodian settling in EUI has recently reviewed their process and has decided that a blocking flag should be used where a stock is TTE.

EB informed us that responsibility for the TTE process lay with EUI. We have not engaged further to resolve this, as the hope is that the less frequent application of the blocking flag will reduce the burden.

2.3 Dematerialisation

We heard from one project participant that 10-15% of the market capitalisation of the Irish market is held by retail investors in certificated form, but retail investors make up ~85% of the number of investors, with around 500,000 individual holders’ names on the register. (Note this data has not been possible to verify from an independent source.)

The EU’s Central Securities Depositories Regulation specifies that all transferable securities from EU issuers admitted to trading, or trading venues, in the EU shall be represented in book entry form as of 1st January 2023 for newly issued securities, and from 1st January 2025 for all existing securities. This means that a full dematerialisation model for Ireland has to be developed by the end of 2022 at the latest. It will be a challenge to design a process for getting certificated holder information into EB, if that is the chosen approach. Whilst legislative changes will be required, dematerialisation is unlikely to impact the issues for institutional investors raised above.

2.4 The definition of shareholder

The question of whether ‘Member’ and ‘Shareholder’ are the same thing under Irish law is one that is not yet settled. While the ‘Shareholder’ and ‘Member’ are used interchangeably in practice, legislation implementing SRD II and the Companies Act 2014 makes reference to ‘Member’ only.

The EB Nominee is regarded as the Member under Irish law and is the only entity listed in the Register of Members. Having the EB Nominee as the entity on the register means that there is only one legal vote instruction from all institutional investors.

We understand that SRD II is being reviewed in 2023 and there is a possibility of an EU-wide definition of shareholder that looks through to the beneficial owner being imposed. However, given the wide-ranging implications of this for the Irish legal system, as a registered market not a bearer market, many of the market participants the Group spoke with felt this was not a likely outcome. More likely, there may be an ‘extension’ of shareholder rights to give end-beneficiary investors rights equal to that of the ‘first shareholder’.

2.5 Technological solutions

The Working Group met with Proxymity, an investor communications platform that connects issuers, intermediaries and investors in real time via a digital pathway. Investors were familiar with Proxymity, given its objective to address some of the long-acknowledged issues within global intermediated voting systems.

We understand a solution was proposed which Proxymity claim would have (1) connected the issuer and end investor to allow publication of notices in real time, (2) allowed consolidation of the vote and direct pass through to the registrar, and (3) confirmation of the vote cast to be given to the investor. We were told that this can be done in a manner which would allow last minute reconciliation, using market deadlines, and avoid the need for blocking. In markets where the system has been deployed, votes are transmitted in real time from the investor to the issuer, providing the issuer with earlier sight of voting outcomes.

The decision was taken by the relevant authorities and EB not to include this as a market-wide solution at the time of migrating to a new regime.

3. Conclusions

We understand that EB has engaged with the market (Issuers, Registrars, Custodians, Voting service providers) since the migration last year with the objective of having an end-to-end view of the voting process. They have informed us that the engagement with the Investor Forum and the Working Group has been very valuable in identifying areas of focus. In addition, the Irish Market Committee (a market governance structure established by EB) has been proactively engaging with all key market constituencies on the operation of the Irish Issuer CSD since its migration in March 2021 on various areas, including voting.

One tangible outcome of the project has been the identification of the source of the unnecessary blocking flags. EB and investors have engaged extensively with the voting service provider to ensure that this was rectified. In itself, this should result in a higher voting turnout for the majority of meetings in 2022, but the complexity of the system, together with differing degrees of familiarity and understanding across the user base, means that the potential for errors remains high.

This project has helped increase familiarity with how the intermediated issuer CSD model works. There are lessons for all parties on communication, especially in awareness raising and appropriate escalation throughout the voting chain.

EB's March Newsletter "Ireland - Voting Services – Reminder" provided helpful clarification. An enhanced understanding of the issues by investors and throughout the voting chain should be beneficial.

Given the rapid pace of change, we are likely to see further innovation from both existing service providers and new providers to help resolve the outstanding issues in the current system. We have encouraged EB to work with all parties to ensure its own services evolve to meet the rising expectations of companies and end investors.

Maintaining the dialogue that has now been established will allow future issues to be addressed in a more timely way, and should help move the system to optimise the infrastructure and service provision for the benefit of all participants in the Irish market.



Annex 1

Irish issuer voting turnout

2021

	Company	ISE Ticker	ISE Market	LSE Ticker	LSE Market	% 2021 Turnout ⁴	% 2020 Turnout	% Turnout changes
1	RYANAIR HOLDINGS PLC ⁵	RY4C	Euronext Dublin	RYA	Main/Standard	9.04	69.02	-87%
2	HIBERNIA REIT PLC	HBRN	Euronext Dublin	HBRN	Main/Premium	22.01	68.31	-68%
3	GREAT WESTERN MINING CORPORATION PLC	8GW	Euronext Growth Dublin	GWMO	FTSE AIM-All Share	5.21	10.27	-49%
4	BANK OF IRELAND GP	BIRG	Euronext Dublin	BIRG	Main/Premium	39.32	70.64	-44%
5	CAIRN HOMES PLC	C5H	Euronext Dublin	CRN	Main/Standard	47.02	81.55	-42%
6	ORIGIN ENTERPRISES PLC	OIZ	Euronext Growth Dublin	OGN	AIM	44.60	75.97	-41%
7	IRISH CONTINENTAL GROUP PLC	IR5B	Euronext Dublin	ICGC	Main/Premium	46.61	78.25	-40%
8	KINGSPAN GROUP PLC	KRX	Euronext Dublin	KGP	Main/Premium	49.70	80.82	-39%
9	GREENCOAT RENEWABLES PLC	GRP	Euronext Growth Dublin	UKW	FTSE 250	34.01	54.97	-38%
10	DCC PLC			DCC	FTSE 100	55.64	86.15	-35%
11	DALATA HOTEL GROUP PLC	DHG	Euronext Dublin	DAL	Main/Standard	47.75	71.56	-33%
12	GRAFTON GROUP PLC			GFTU	FTSE 250	44.74	63.82	-30%
13	IRISH RESIDENTIAL PROPERTIES	IRES	Euronext Dublin	No	No	48.84	68.30	-28%
14	VR EDUCATION HOLD.	6VR	Euronext Growth Dublin	VRE	FTSE AIM-All Share	47.86	61.37	-22%
15	GLENVEAGH PROPERTIES PLC	GVR	Euronext Dublin	GLV	Main/Standard	57.45	69.20	-17%
16	GLANBIA PLC	GL9	Euronext Dublin	GLB	Main/Premium	58.86	69.98	-16%
17	SMURFIT KAPPA GROUP PLC	SK3	Euronext Dublin	SKG	FTSE 100	60.20	70.79	-15%
18	ENGAGE XR HOLDINGS PLC	EXR	Euronext Growth Dublin	EXR	FTSE AIM All-Share	47.86	55.92	-14%

⁴ Source: London Stock Exchange: <https://www.londonstockexchange.com/>

⁵ The lower turnout at Ryanair is primarily a consequence of the company restricting voting rights for Non-EU shareholders in order to comply with European Union rules on airline ownership.

19	FBD HOLDINGS PLC	EG7	Euronext Dublin	FBH	Main/Premium	73.46	84.66	-13%
20	AIB GROUP PLC	A5G	Euronext Dublin	AIBG	Main/Premium	79.32	90.72	-13%
21	PERMANENT TSB GROUP HOLDINGS PLC	ILOA	Euronext Dublin	ILOA	Main/Standard	76.04	84.68	-10%
22	HAMMERSON PLC	HMSO	Euronext Dublin	HMSO	FTSE 250	75.41	80.80	-7%
23	CRH PLC	CRG	Euronext Dublin	CRH	FTSE 100	67.62	69.92	-3%
24	KERRY GROUP PLC	KRZ	Euronext Dublin	KYGA	Main/Premium	62.18	63.59	-2%
25	GREENCORE GROUP PLC			GNC	FTSE 250	74.88	76.38	-2%
26	TESCO PLC	TCO	Euronext Dublin	TSCO	FTSE 100	74.00	75.06	-1%
27	EXPERIAN PLC			EXPN	FTSE 100	75.26	76.24	-1%
28	DIAGEO PLC	GUI1	Euronext Dublin	DGE	FTSE 100	74.98	75.61	-1%
29	ORMONDE MINING PLC	ORQ1	Euronext Growth Dublin	ORM	FTSE AIM All-Share	26.08	26.12	-0%
30	KENMARE RESOURCES PLC	KMR	Euronext Dublin	KMR	FTSE All-Share	72.56	71.09	2%
31	FD TECHNOLOGIES	GYQ	Euronext Growth Dublin	FDP	FTSE AIM UK 50 Index	80.75	75.61	7%
32	TULLOW OIL PLC	TQW	Euronext Dublin	TLW	FTSE 250	60.18	56.05	7%
33	HOSTELWORLD GROUP PLC	HSW	Euronext Dublin	HSW	FTSE All-Share	81.28	75.63	7%
34	MALIN CORPORATION PLC	MLC	Euronext Growth Dublin	No	No	56.57	52.60	8%
35	DATALEX PLC	DLE	Euronext Growth Dublin	OOPM		63.04	58.18	8%
36	BANK OF CYPRUS HOLDINGS PLC			BOCH	Main/Standard	46.36	41.11	13%
37	C&C GROUP PLC			CCR	FTSE 250	92.47	79.76	16%
38	FLUTTER ENTERTAINMENT PLC	FLTR	Euronext Dublin	FLTR	FTSE 100	47.53	38.82	22%
39	MOLTEN VENTURES PLC (formerly DRAPER ESPRIT PLC)	GRW	Euronext Dublin	GROW	FTSE AIM All-Share Financial Services	78.18	60.99	28%
40	YEW GROVE REIT PLC (EGM)	YEW	Euronext Dublin	YEW	AIM	46.81	23.16	102%
41	YEW GROVE REIT PLC (AGM)	YEW	Euronext Dublin	YEW	AIM	52.66	23.15	127%

List includes entities with available voting turnout data from 12th March 2021 which are listed on Euronext Dublin and Euronext Growth Dublin, plus Irish entities listed on the London Stock Exchange.



Annex 2

Project process

October 2021 – April 2022

A Working Group of nine institutional investors with a significant collective investment in Irish securities was convened in October 2021 under the auspices of the Investor Forum.

The objective of the Group was to understand the consequences of recent changes to the system of proxy voting for Irish companies, and to explore whether there were actions that could be taken to ensure that institutional investors were able to fully exercise their shareholder rights and fulfil their stewardship responsibilities in the 2022 voting season.

Research

Investors in the Group shared specific examples and data on their experiences and contacted their service providers to gather evidence on operational aspects of the new system.

Coordinated by the Investor Forum, the Group had conversations with the following stakeholders:

- a company secretary at an Irish issuer;
- a registrar;
- a voting service provider;
- four custodians;
- the central securities depository;
- a legal advisory body;
- an investor communications platform;
- a proxy solicitation agent; and
- UK and international institutional investors.

An initial research note was shared with institutional investors setting out the issues and concerns.

Engagement

In January 2022, the Investor Forum, on behalf of the Group, sent a letter and a 'Call to Action' note to the Irish Market Committee of Euroclear Bank (EB) to ensure that the Committee fully understood the perspectives of institutional investors in Irish equity markets, and asking for action to be taken to address the concerns.

The Irish Market Committee responded constructively to the Group's letter, and welcomed the dialogue. A follow up meeting with the Group was also held to provide further information. A mutual understanding of the issues was established, along with priorities for market clarification and development.

A further letter was sent to the Committee following the meeting to encourage EB to take steps to enhance the voting process for institutional investors by providing increased communication and guidance.

Intervention

In mid-January 2022, it was noted by investors in the Working Group that the blocking flag was appearing inconsistently against the Greencore plc AGM, scheduled to occur on Thursday 27th January 2022. We established with EB that the blocking was not required by them, as this was not a 'Tuesday meeting'. Sharing screenshots of the voting interface, we engaged with the relevant parties at a senior level and isolated the source of the share blocking flag. All stakeholders were focused on the live case study and committed to identifying what was required to unblock the position. As a result of this intervention, we were assured that changes had been made to the application of underlying rules to align with EB's rules.

However, and notwithstanding recognition of the issues, early evidence in the 2022 season suggested that the application of the rules was not being consistently and accurately applied. Blocking on notice, and subsequent, delayed, unblocking was occurring. Errors were also occurring in the data being passed through the chain of notification.

The Irish issuers were aware from investor feedback of the challenges, and that their shares were being blocked. The issuers engaged with the voting service provider through their own advisers.

EB actively engaged with the voting service provider to clarify, and re-clarify, the position. The issue was escalated at the highest level within Broadridge, and Product teams worked with Technology teams to implement a system fix.

Broadridge agreed to issue a client alert stating that *“Broadridge is aware of an intermittent issue with the blocking indicator that it applied on its platform for a small subset of ballots for Irish securities settling directly through Euroclear Bank”*.

Given the nature of the intermittent issue, Broadridge took action to alert clients that a list of six Irish proxy events were not in fact subject to share blocking, despite what might be seen on the ballots generated by Broadridge.

Broadridge has also committed to implement a defined fix (scheduled to be deployed in the week commencing 9th May).

We believe that the primary cause for the incorrect application of the blocking flag has been correctly identified and a solution implemented by Broadridge from mid-May 2022.

Clarification

The Group were pleased to note the clarifications that had been requested from EB were provided in the March Newsletter “Ireland - Voting Services – Reminder”. The Letter reminded clients of EB’s voting offering for Ireland, the rules for blocking of positions, beneficial owner details, and how to vote electronically per meeting resolution. Clients were requested to cascade the information in this Newsletter throughout the voting chain to clients and their underlying clients.

Monitoring

The Group will continue to monitor the systems and share experiences as the 2022 proxy season unfolds.