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LAPFF plans shareholder resolutions calling for governance reform at Ryanair

Resolutions at 2019 AGM will call for new, independent chairman and disclosure of chief executive succession after industrial disputes underline need for governance reform

The Local Authority Pension Fund Forum (LAPFF) intends to file shareholder resolutions at Ryanair's next annual general meeting recommending that the company replaces its chair, David Bonderman, and sets out succession plans for its chief executive Michael O'Leary.

LAPFF chair Cllr Ian Greenwood wrote to Michael Cawley, chair of Ryanair's nomination committee, on 12 October informing him of the Forum's intention to file the resolutions at Ryanair's AGM scheduled for 19 September 2019. LAPFF members jointly hold about 1% of Ryanair's shares.

The resolutions will call for the replacement of Mr Bonderman with a new, independent chair by the end of 2019 and the communication to shareholders of succession plans for Mr O'Leary as soon as is practical.

LAPFF recommended its members to vote against Mr Bonderman's re-election and Ryanair's annual report at the company's recent AGM. High combined abstentions and votes against Mr Bonderman (29.5%) and senior independent director Kyran McLaughlin (33.2%) showed other shareholders shared similar concerns.

At the AGM, Ryanair's Board assured shareholders it was listening to their concerns. But on the day of Ryanair's first-half results Mr O'Leary said Mr Bonderman intends to remain in place for one or two more years and that the company would set out succession plans for Mr O'Leary in the next two or three years. Shareholders have made it clear they expect action quicker than this.

Mr Bonderman has been chairman for 22 years and presides over a board that is not sufficiently independent. He is a director and shareholder of 1996 Air GP, which holds a stake in Ryanair. The Forum also believes Mr Bonderman has been unsuccessful in his oversight of employment issues at the company and ensuring customers receive adequate service during flight cancellations in summer 2018.

The Forum's concerns about Ryanair's industrial relations and corporate governance are intertwined. LAPFF believes more genuine independent representation on the board could have smoothed necessary changes to working conditions and helped avoid the strikes that have beset the company.

Ryanair's profit warning on 1 October showed industrial disputes affecting its financial performance. The profit warning confirmed LAPFF's view that poor employment practices and weak corporate governance are not sustainable in the long run. The Forum welcomed Ryanair's recent assurances that it is making some progress on

resolving its issues but governance problems remain. Ryanair needs a new chairman to lead change at the company and ensure its business model is sustainable.

In his letter to Mr Cawley, Cllr Ian Greenwood, LAPFF's chair, said:

“Since the AGM, it appears Ryanair faces a prolonged transition to a more stable employment model and improved industrial relations. As long-term shareholders, we believe that Ryanair can continue to grow and prosper, but also consider that this must involve change. We recognise the company has already improved the customer experience through ‘Always Getting Better’ and is in the process of increasing its attractiveness as an employer.

“However, Ryanair’s governance has not kept pace with these changes. We consider that more genuinely independent representation on the board could have ensured that these changes were achieved more smoothly. The recent votes on the re-election of both directors illustrated the view that there should be change in key board positions and that the company’s ongoing transition must be accompanied by serious corporate governance reform.

“Given the absence of a formal announcement of any board changes, it is our intention to file shareholder resolutions at the next AGM on 19 September 2019 calling for the appointment of a new, independent chair by the end of 2019 and the communication to shareholders of the board’s succession plans for the chief executive as soon as is practical.”

ENDS>

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About the Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF), founded in 1991, is a voluntary association of 79 public sector pension funds and five pools based in the UK with combined assets of approximately £230 billion. It exists to ‘promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.’ www.lapfforum.org. PIRC is the Research and Engagement partner to the Forum.

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