

Proposal for a Directive to facilitate the exercise of shareholders' voting rights

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Why facilitate the cross-border exercise of shareholders' rights?

- **Shareholders play a key role in corporate governance**

- Boards are accountable to shareholders who exercise control through vote
 - ➡ voting process must be simple, effective and efficient
- General Meetings have extensive powers
- On-going dialogue between board and shareholders must be promoted

Why facilitate the cross-border exercise of shareholders' rights?

- **Non-resident shareholders at a disadvantage**
 - Listed EU companies' share capital: 30-35% held by non-resident shareholders in large markets and up to 70-80% in smaller markets
 - National provisions governing GMs do not take account of specific difficulties of non-resident shareholders.
 - Non-resident shareholders deterred by cost and complexity of voting

What has been done so far

- Recommendations of the High Level Group (November 2002)
- Commission Action Plan (May 2003)
- Public consultation on the Action Plan (May to September 2003)
- 1st public consultation on the initiative for the enhancement of shareholders' rights (Sept. to Dec. 2004) – Report published in April 2005
- 2nd public consultation (May to July 2005) – Report published on 27 Sept. 2005

Proposed key measures

- Abolish share blocking and related systems and replace with a record date system
- Introduce minimum standards that allow shareholders to obtain necessary information on general meetings (GMs) and to cast vote in time before meeting
- Facilitate proxy voting and voting in absentia

Access to the GM

- Complexity and cost of share blocking deter investors from voting altogether, in particular institutional investors
 - ➔ Abolition of share blocking and related systems (such as reconciliation requirements)
- Replacement by record date system
 - ➔ Record date to be determined by Member States (max. 30 days before GM)

The GM process

- **Timely access to complete information**
 - Minimum notice period: 30 calendar days
 - Documents to be available at the time of notice and to be posted on website
 - Documents to include full texts of resolutions and documents to be submitted to GM

The GM process

- **Simplified means to vote in absence**
 - Vote by correspondence (mail)
 - Simplified proxy system (no restrictions on appointment, electronic means)
 - Voting instructions to financial intermediary
- **Allow for use of modern technologies**
 - Possibility for issuers to offer participation and voting in GMs via electronic means (in particular internet)
 - But no obligation for issuers (in light of current costs and state of technology)

The GM process

- **Promote active GM participation**
 - Possibility to ask questions at a distance
 - Harmonise minimum thresholds to put items on the agenda and table resolutions
- **Provide post GM information**
 - Publication of results via the Internet
 - At the latest 15 days after meeting

Other matters

- Proposal concentrates on issues that are directly linked to the voting process
- Other, related matters might be dealt with at a later stage in an alternative instrument (e.g. recommendation), e.g.,
 - Transparency of stock lending agreements
 - Voting entitlement of DR holders
 - Language regime for GM documents

Questions?