European Commission

Shareholder Rights Directive: what is new?

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BASIC FACTS

- *Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement*
- *Entry in to force 10 June 2017*
- *Double transposition deadline :*
  - **10 June 2019 – basic deadline**
  - **24 months after the adoption of implementing acts by the Commission - for the Articles 3a, 3b and 3c**

BACKGROUND

- *Rationale : to bring about more long-term focus in corporate governance and address shortcomings*
- *Main shortcomings identified:*
  - **Short-termism in the investment universe**
  - **Insufficient oversight on directors' pay**
  - **Insufficient oversight of related party transactions**
  - **Interaction between companies and shareholders not effective in cross-border situations**

KEY ELEMENTS

FACILITATING INTERACTION BETWEEN COMPANIES AND SHAREHOLDERS

- *Right for companies to identify their shareholders (Article 3a)*
  - **Possibility for Member States to exclude from identifications shareholders holding no more than 0,5% of shares**
  - **Protection of personal data of shareholders**
- *Transmission of information between companies and shareholders (Article 3b)*
- *Facilitating exercise of shareholder rights (Article 3c)*
  - **Confirmation of votes**
- *Proportionality of costs and non-discrimination (Article 3d)*

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TRANSPARENCY OF INSTITUTIONAL INVESTORS, ASSET MANAGERS AND PROXY ADVISORS

- *Disclosure of the engagement policy (institutional investors and asset managers) (Article 3g)*
  - **Description of the engagement policy**
  - **Annual implementation of the policy**
- *Disclosure requirements for institutional investors (Article 3h)*
  - **Main elements of the investment strategy**
  - **Key information about the mandates**
- *Disclosure requirements for asset managers (Article 3i)*
  - **Key information about investment approach and execution of mandate**
- *Transparency of proxy advisors (Article 3j)*
  - **Report about code of conduct applied**
  - **Key information about the activities**

REMUNERATION AND RELATED PARTY TRANSACTIONS

- *Remuneration policy (Article 9a)*
  - **Content of the policy**
  - **Vote by shareholders**
- *Remuneration report (Article 9b)*
  - **Content of the report**
  - **Vote by the shareholders**
  - **Protection of personal data**
- *Related party transactions (Article 9c)*
  - **Public announcement**
  - **Approval rules**
  - **Optional fairness report**

NEXT STEPS

IMPLEMENTING ACTS

- *Areas: shareholder identification (Art. 3a), transmission of information (Art. 3b) and facilitating exercise of shareholder rights (Art. 3c)*
- *Objective: specify minimum requirements to ensure uniform implementation and avoid emergence of diverging standards*
- *Scope:*
  - **Formats to be used by intermediaries and companies**
  - **Types of information**
  - **Deadlines**
  - **Security and interoperability features**
- *Timing: by 10 September 2018*

NEW EXPERT GROUP ON TECHNICAL ASPECTS OF CORPORATE GOVERNANCE

- *Tasks of the expert group:*
  - **To assist the Commission with its work on technical aspects of corporate governance, including the use of modern information and communication technologies in corporate governance**
- *A call for application for the expert group is open until 31 July on the Commission webpage:*
  - **http://ec.europa.eu/transparency/regexpert/index.cfm?do=calls.calls_for_app**
  - **Title - Call for applications for the selection of members of the Expert Group on technical aspects of corporate governance processes**

GUIDELINES ON THE PRESENTATION OF THE REMUNERATION REPORT

- *Non-binding guidance*
  - **To be adopted by the Commission (art. 9b)**
  - **To foster more standardised and comparable presentation**

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QUESTIONS & ANSWERS

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