



New Shareholder Rights Directive and its implementation

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*THE NEW EU SHAREHOLDER RIGHTS
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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**
 - **Special deadline 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 to exclude holders of no more than 0,5% of shares**
 - **Protection of personal data of shareholders**
- *Transmission of information between companies and shareholders (Article 3b)*
- *Obligation to facilitate the exercise of shareholder rights (Art 3c)*
 - **Arrangements to enable shareholders to exercise rights or exercise of rights by the intermediary on behalf of shareholders**
 - **Confirmation of votes**
- *Proportionality of costs, transparency and non-discrimination (Article 3d)*

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**

DIRECTORS' REMUNERATION

Remuneration policy (Article 9a)

- *Content of the policy*
 - **Contribution to business strategy, long-term interests and sustainability of the company**
- *Shareholder vote on the policy in the general meeting*
 - **Binding or advisory vote**

Remuneration report (Article 9b)

- *Content of the report*
 - **All benefits of all kind on individual basis**
 - **Evolution of remuneration in comparison to the performance of the company and to the average remuneration of employees**
- *Shareholder vote on the report*
- *Protection of personal data of directors*

RELATED PARTY TRANSACTIONS

- *Public announcement of material related party transactions*
 - **Optional fairness report**
- *Approval of material related party transactions by the shareholders or by the board*
- *Large flexibility for Member States:*
 - **Material transactions to be defined by Member States**
 - **Exemption of transactions concluded in the ordinary course of business and on normal market terms as well as several possibilities of exemption for Member States**

NEXT STEPS

COMMISSION IMPLEMENTING ACTS

- *Scope:*
 - **Shareholder identification (art. 3a),**
 - **Transmission of information (art. 3b)**
 - **Facilitating exercise of shareholder rights (art. 3c)**
- *Deadline for adoption: before 10 September 2018*
- *Content:*
 - **Formats to be used by intermediaries and companies**
 - **Types of information**
 - **Deadlines**
 - **Security and interoperability features**

OBJECTIVES OF THE IMPLEMENTING ACTS

- *To ensure minimum standardisation in order to prevent diverging implementation resulting in incompatible national standards*
- *To ensure interoperability in order to increase the efficiency and effectiveness of cross-border operations*
- *To keep up with market and supervisory developments*
- *To encourage the use of modern technologies*
- *To take into account the relevant market developments, and in particular existing self-regulatory initiatives, such as Market Standards for General Meetings and Market Standards for Corporate Action Processing*

GUIDELINES ON THE PRESENTATION OF THE REMUNERATION REPORT

- *Guidelines to be adopted by the Commission*
- *No deadline specified*
- *Non-binding guidelines*
- *To specify the standardised presentation of the information in the remuneration report*

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**
- *More information in the Register of Commission expert group and other similar entities:*
 - **<http://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupDetail&groupID=3545&NewSearch=1&NewSearch=1Title> - Call for applications for the selection of members of the Expert Group on technical aspects of corporate governance processes**
- *Better finance representative is one of experts*

QUESTIONS & ANSWERS