Brussels, 29 April 2020

To:
Commissioner Didier REYNDERS,
Commissioner Helena DALLI,
Acting Director-General for Justice and Consumers Salla SAASTAMOINEN

Ref: EU Investors against any postponement of the implementation of the Shareholder Rights Directive II

I am writing to you on behalf of BETTER FINANCE, the European Federation of national member organisations **representing individual bond and shareholders,** investment fund investors, bank savers, pension fund participants, life insurance policy holders, borrowers and other financial services users **in more than 35 countries**, including most European Member States. Together with Asociata Utilizatorilor Romani de Servicii Financiare (AURSF), Associacao dos Investidores e Analistas Técnicos do Mercado de Capitais (ATM), Association pour l'amélioration de la retraite et de l'épargne (GAIPAR), Dansk Aktionærforening (DAF), Deutsche Schutzvereinigung für Wertpapierbesitz (DSW), Expert Corporate Governance Service (ECGS), Fédération des investisseurs individuels et des clubs d'investissement (F2iC), Interessenverband für Anleger (IVA), Malta Association of Small Shareholders (MASS), Osakesäästäjien Keskusliitto ry, Samtök sparifjáreigenda (ISA), Sdružení českých spotřebitelů (SCS), ShareAction, ShareSoc, UK Shareholders Association (UKSA), Vlaamse Federatie van Beleggers (VFB) and Vseslovensko združenje malih delničarjev (VZMD), BETTER FINANCE would like to warn about the risks from any delay on the implementation of the Shareholder Rights Directive II (SRD II).

We have learned that certain stakeholders are asking for a postponement of the SRD II Implementing Regulation. These stakeholders themselves however acknowledge that the current implementation efforts have been challenged even before the advent of the global COVD-19 crisis. The SRD II was already in place as some provisions entered into force on 10 June 2019, and even before that, since 2008, voluntary standards have existed and have been used as basis for the Implementing Regulation of the SRD II. This means that intermediaries already had sufficient time to move ahead with the implementation.

It is clear that intermediaries have not been proactive in facilitating voting and communication. At this stage, intermediaries should already have been prepared and ready to adapt to the new requirements, e.g. by establishing task forces sufficiently early to prepare coherent implementation documentation. And although the standardized format ISO 20022 that is supposed to form the basis for transmitting general meeting information between issuer and shareholder has been worked on for many years already it seems that less than 5 months before the deadline, the intermediaries are still at a very early stage of preparation. Therefore, it is clear that the pandemic is being used as an excuse to further delay the implementation of the SRD II.

They further claim that "run-the-institution" activities have gained full priority over "change the-institution" activities because of the COVID-19 crisis. But one of the main tasks of intermediaries is to intermediate the communication between issuer and investor. This is already part of their legal obligations and part of the demands of the clients also, especially during this time of pandemic. Therefore, this should already be part of their "run-activities" and the SRD II implementation does not represent a "change" of their main activities.

Any delay in implementing the second phase of SRD II, would cause more harm than good. One of the major problems that we are still facing today is that individual shareholders cannot vote cross-border[1]. Thus, considering the critical situation, the full implementation of STP processes is needed to ensure that shareholders are able to receive the AGM information and cast their votes on time. This becomes even more obvious in times of COVID-19 where deadlines related to the general meetings have been drastically shortened in certain Member States (e.g. in Germany there remain only 5 days between the distribution of the invitation to shareholders and the last day for shareholders to give notice of participation). Processing the information between issuer and shareholder, not only but even more so under these constraints, need to be fully STP-compliant to ensure the fastest possible exchange of information. **Non-implementation of such a system, would therefore further deteriorate the current situation for individual shareholders.**

In addition, institutional investors in most of the EU countries are already obliged to follow transparency and reporting obligations implemented by SRD II. If the second part of the SRD II implementation is postponed, it will further increase the misalignment with the provisions already in place, thus continuing to prevent the exercise of voting rights.

Last but not least, most of the measures needed to implement the SRD II already require the use of IT tools such as identification, secure online communications, online meetings (GAs). These are activities that financial institutions need to ensure (also during confinement) to guarantee the usual operational activities. Even if the IT staff and technology support personnel is now reduced to ensure market and business continuity during confinement, a delay is not justified. Especially as such a long postponement would mean that investors would have to wait another full general meeting period (during the year 2021) to be able to exercise their fundamental right, the voting right. This further blow to shareholder engagement would not bode well for the ESG priority of the EU, as this is about getting "Governance" right.

In terms of sustainable finance more broadly, a delay in the implementation of the SRD II may have detrimental effects on the ability of shareholders to influence investee entities towards

[1] See for example https://betterfinance.eu/wp-content/uploads/publications/FINAL_Barriers_to_Shareholder_Engagement.pdf

meeting the EU's ambition of aligning financial flows with the Paris Agreement, Agenda 2030 and the Council's commitment to achieve climate neutrality by 2050.

While the European Commission is rightly considering ways[2] in which the transparency requirements of the SRD II on both asset managers and proxy advisers could be improved or expanded to more granular duties under the Sustainable Finance Agenda[3] it is important to guarantee the rights of investors to exercise their rights in the lead-up to further revisions. The exercise of these rights is a key prerequisite for the allocation of capital towards sustainable companies.

In view of the above concerns, we strongly advice against postponing the implementation date of the SRD II Implementing Regulation in order to guarantee that the target of SRD II, namely facilitating the exercise of shareholders' rights across borders can finally be reached.

Kind regards,

Mikael Bak **DAF**	Jella Benner-Heinacher **DSW**	Jean Berton **GAIPARE**	Anthony E. Borg **MASS**	
Helen Gibbons **UKSA**	Ben Granjé **VFB**	Bolli Héðinsson **ISA**	Catherine Howarth **SHAREACTION**	Alin Iacob **AURSF**
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[2] https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy_e
[3] https://shareaction.org/wp-content/uploads/2019/11/Voting-Matters.pdf