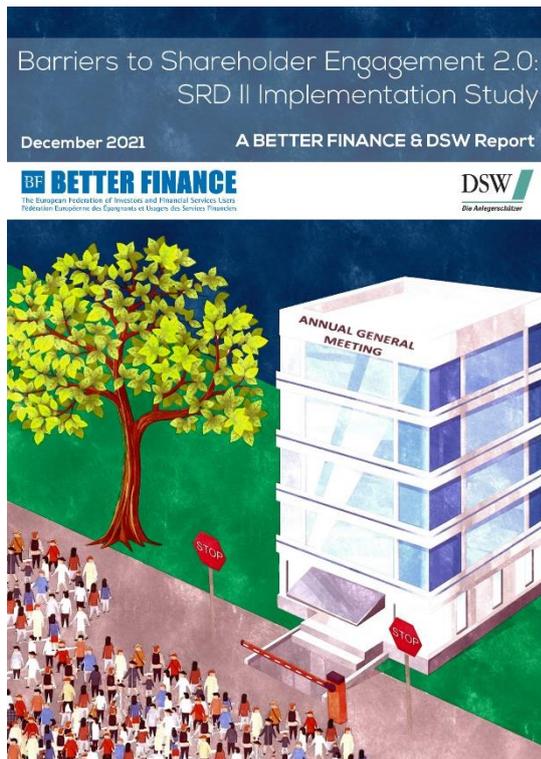


PRESS RELEASE

Shareholder Rights Directive II fails to deliver for European cross-border shareholders

To ensure sustainable development and a brighter future, shareholder engagement must be given a chance!



6 January 2022 - Despite the entry into force of the Shareholder Rights Directive II (SRD II) in September 2020, and the importance the European Union places on Shareholder Engagement and Corporate Governance – the set of rules and practices dictating a company's corporate strategy, risk management, environmental responsibility and ethical behaviour, as well as balancing the interests of the company's stakeholders through accountability, transparency, fairness and responsibility - the exercise of shareholder voting rights, especially across borders, continues to face substantial obstacles to this day.

Some of the main obstacles to shareholder engagement derive from the complex chains of intermediaries and the use of omnibus accounts – with intermediaries or nominees who hold shares for individual investors – rendering the exercise of shareholder rights more difficult and costly, thus

limiting shareholder engagement.

SRD II set out to ensure shareholders can exercise their fundamental rights - namely the right to participate in general meetings and exercise their voting rights - by removing these obstacles to shareholder engagement, especially cross-border within the European Union, and improving the transmission of information.

The 2021 general meeting season was the first full season with these new rules in effect, supposedly paving the way towards more shareholder engagement. Yet, a study by BETTER FINANCE and its member organisations looking at whether intermediaries were SRD II-ready and whether shareholders were able to fully exercise their rights by participating in, and voting at, general meetings across borders thanks to the new rules, revealed an alarming situation where, in the vast majority of cases, shareholders were not able to fully or partially exercise their fundamental rights at general meetings abroad. Besides not being able to vote, there were numerous instances of high costs being charged to them, in some cases up to 250 EUR per general meeting.

“If we want to make sure that companies behave ethically and sustainably, and ensure adequate corporate ESG compliance,” stresses Guillaume Prache, Managing Director of BETTER FINANCE, “then we must give shareholder engagement a chance, and this can only be attained if voting processes, both domestically and cross border, are simple and effective.

In the XXIst Century, it is about time that European citizens are enabled to exercise their voting rights (either by themselves or by giving a proxy – for example to independent investor associations) as co-owners of EU companies on their smart phones.”

BETTER FINANCE urges EU policymakers and supervisory authorities to improve the intermediated shareholder engagement process and proposes a series of recommendations to this end (see annex).

- ➔ Policy Recommendations in Annex below.
- ➔ Read the [“Barriers to Shareholder Engagement 2.0: SRD II Implementation Study” report](#).

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Annex: Policy Recommendations

In light of the research findings, BETTER FINANCE and DSW see significant potential to improve general meeting-related processes in order to make pivotal steps towards facilitating shareholder engagement and enhance corporate governance at European listed companies:

- Abolishing barriers to shareholder engagement.
- Tackling problems resulting from complex and fragmented voting chains and omnibus accounts.
- Simplifying the information and limiting it to the most necessary.
- Discarding the requirement to give advance notice for participation in a general meeting.
- Harmonising record dates.
- Harmonising documentation requirements for shareholders.
- Introducing an EU-wide definition of “shareholder” as soon as possible.
- Having financial intermediaries comply with the provisions and spirit of the Treaty of Rome and of the SRD II, in particular by not charging higher fees for cross-border voting within the EU than for domestic voting, unless duly justified; consider requiring that overall fees are not higher for cross-border voting within the EU than for domestic voting.
- Clarifying who is responsible for supervising general meeting processes and harmonising their supervision and regulatory oversight regime.
- Investigating the involvement of neo-brokers in the governance process and their compliance with SRD II.
- Embracing new technologies such as blockchain, to enable and foster direct communication between issuers and shareholders.