



**BETTER FINANCE
FOR ALL**

The European Federation of Financial Services Users
Fédération Européenne des Usagers des Services Financiers

BETTER FINANCE REQUESTS FOR BETTER SHAREHOLDERS RIGHTS

Brussels, 11 April 2014 - Better Finance generally strongly supports the Commission's proposals for amendments to the Shareholders Rights Directive regarding long-term Shareholder engagement.

The concrete Better Finance requests to further improve the European Commission's proposals are the following:

- **Cross border Voting**

We believe in more engagement of shareholders through the possibility to vote shares abroad without any obstacles or costs. Our Report "[Barriers to Shareholders Engagement](#)" revealed the major obstacles which still hinder the effective right to cross border voting. Better Finance therefore strongly supports the Commission's efforts to increase the efficiency of the chain of intermediaries. There is urgent need for action. Also, any existing restrictions to the right of the shareholder to appoint a personal proxy holder (e.g. the requirement to appoint a legal expert or another shareholder) need to be lifted.

- **Voting Fees**

We deem the Commission proposals to regulate the voting fees to be crucial: the Commission proposes not only a better disclosure of prices, fees and charges by intermediaries; but also for any difference in the charges levied between domestic and cross-border exercise of rights to be duly justified by intermediaries. Better Finance asks a free of charge, internet-based shareholder voting process throughout the whole EU. In the unfortunate case that any fees would still need to be borne by shareholders, these would indeed have to be proportional to the real cost. At the very least, the exercise of cross border voting rights within the EU should not cost more than within the national market. There should be no discrimination between home and foreign EU domiciled shares (and should such differences exist, they must be fully justified, as proposed by the European Commission).

In the 21st century, the cross-border voting process should be entirely digital, internet-based and open to non-bank competition as this is not a finance process. To this end, we believe the Commission should consider using digital registers not only for shareholder identification but especially to enable EU-wide free of cost voting by EU domiciled shareholders.

- **Shareholder identification**

Better Finance supports the proposal to improve shareholder identification by issuing companies. We however do not agree with the proposed approach by the Commission to require intermediaries to “offer” the service of shareholder identification to issuers. Issuers should have the right to require intermediaries to provide identification, and the Revised SRD should not provide a commercial opportunity for financial intermediaries. Moreover, we believe that shareholders should be equally entitled to initiate the identification process in order to be in an equal position to companies, and to preserve their rights vis-à-vis intermediaries. In any case, privacy rights of small shareholders should be preserved if they so wish by granting anonymous shareholding under a certain ownership threshold (e.g. 0.5%).

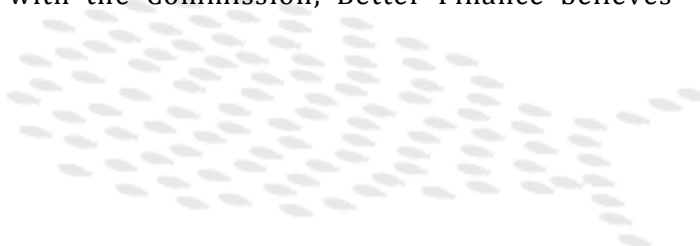
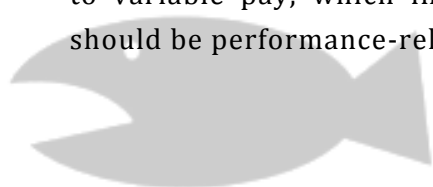
Another worrisome aspect of the Commission proposal is that nothing is said about the fees that will be charged by intermediaries except that they shall be “non-discriminatory and proportional”. We think it is necessary to clarify that shareholders should not pay any fees to the intermediaries for identification purposes.

Moreover, we believe that we should move towards a situation where the ownership of companies would be registered in real time by electronic means and be available to issuers and shareholders (at all times respecting the right to privacy for small shareholders). Such a system could be used free of charge to electronically execute EU wide votes by shareholders, as stated above.

Finally, Better Finance is in favour of the principle of equality which means that all information related to the shareholder given to the company should also be given to shareholders / shareholder associations to create a level playing field.

- **Say on Pay**

Directors’ pay is a key issue for shareholders. Therefore Better Finance supports the proposal by the Commission for shareholders to have the right to approve the remuneration policy and report; and concretely approve total, individual pay and ratios between fixed and variable pay of directors. This is especially important with respect to variable pay, which in agreement with the Commission, Better Finance believes should be performance-related.



Shareholders need clear and understandable information especially on the maximum possible pay in a best case scenario and a general pay cap. There should not be any reward for failure and a reasonable ratio should be maintained between the directors' pay, the next management levels and the peer group.

- **Party Related Transactions**

Better Finance welcomes the proposal to let shareholders vote on relevant related parties' transactions representing more than 5 % of the companies' assets or transactions (and excluding the related party shareholder from the vote). So far related parties transactions are a black-box for shareholders; we therefore support the requirement for an independent report confirming that transactions were fair and reasonable. We do not agree however with the exemptions from the independent report upon approval from shareholders, as this may leave room to circumvent companies' information duties.

- **Transparency**

Better Finance welcomes the proposals regarding transparency for institutional investors; but we deem it necessary for these not to be on a "comply or explain" basis but on mandatory terms; moreover, the conditions to meet this "comply or explain" requirement are not clear in the Commission proposal. Proxy advisors will also have to be much more transparent. But not-for-profit proxy advisory services rendered by shareholder associations have to be exempt from the constraints imposed on commercial for-profit proxy advisors, as the former – by essence - do not bear the risks of conflicts of interests of the latter.

- **Amendments to the AGM Agenda**

Certain EU Member States require very low thresholds to put forward items for discussion in AGMs: United Kingdom requires a minimum of 100 shareholders, each holding 100 pounds in shares; or even, in more progressive countries like Sweden, one shareholder holding one share can add an item for discussion in the AGM. Therefore, we propose to include the right of a shareholder holding at least one share to put forward issues for discussion in the AGM agenda.

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