

EU BRINGS MORE SUSTAINABILITY TO LISTED COMPANIES AND INVESTORS: THE REVISION OF THE EU SHAREHOLDERS' RIGHTS DIRECTIVE



CONTEXT AND BACKGROUND:

The financial crisis shed light on specific shortcomings regarding corporate governance of European listed companies. Shareholders supported managers in many short-term and highly risky initiatives, leading to suboptimal performances and more economic instability.

In order to promote better corporate governance, more transparency for investors and companies and long-term engagement from shareholders, in April 2017 the Council and the EP approved the revised [Directive on Shareholders' Rights](#). The Member States have now up to two years to implement the latter in their own country (deadline: around **June 2019**).

Greater involvement of shareholders is seen as one of the levers that can help improve the **financial AND non-financial performance** of companies in a long-term perspective. By fostering shareholders' engagement, the directive should therefore bring more sustainability to listed companies.



WHAT IS THE INITIATIVE ABOUT?

The revision of the Directive on Shareholders' Rights invites shareholders to be more engaged and take a longer-term perspective of their investment. To this end, it sets new requirements for **companies, institutional investors (II), asset managers (AM) and proxy advisors (PA)** depending on the subject matter.

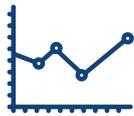
The legislation also encourages the disclosure of non-financial information on the company's strategy and activities and their link with directors' remuneration. This new legislation is therefore complementary to the Directive on Disclosure of Non-Financial Information, as it will give more weight to the information that companies under the scope of the directive will have to disclose on their social and environmental impact starting from 2018.



ANY QUESTIONS,
SUGGESTIONS,
REMARKS?

Contact
Lorena Sorrentino
at CSR Europe
ls@csreurope.org

CSR EUROPE
Rue Victor Oudart 7
1030 Brussels
Belgium
tel +32 2 541 1610



WHAT'S IN FOR YOUR COMPANY?

The directive targets four areas where the exercise of shareholders' rights should be facilitated:

Focus area (+ targeted groups)	Objectives	Measures
1. Directors' remuneration (Targeted group: Companies)	Your remuneration policy should be linked to the long-term interests and the sustainability performance of your company	<ul style="list-style-type: none"> Your shareholders will be given the right to vote regularly on directors' remunerations Your remuneration policy must be publicly disclosed Your remuneration policy will have to contribute to the strategy, long-term interests and sustainability of your company. Criteria for directors' remuneration shall be based on both financial and non-financial criteria, which include, where appropriate, Corporate Social Responsibility criteria.
2. Identification of shareholders (Targeted groups: II and AM)*	Your company should be able to clearly identify its shareholders through any intermediaries	<ul style="list-style-type: none"> Member states will set a threshold above which your shareholders' identity must be disclosed by the intermediaries
3. Transparency for institutional investors, asset managers and proxy advisors (Targeted groups: II, AM and PA)	Make institutional investors and asset managers more transparent in their approach to shareholder engagement	<ul style="list-style-type: none"> Through a 'comply or explain' approach, II and AM will have to develop and disclose a policy on shareholder engagement. Amongst other things, this should include how they monitor your company based on relevant non-financial performances, including environmental and social impacts II will also have to disclose information on how their arrangement with the AM incentivises the latter to make investment decisions based on the long-term financial and non-financial performance of your company. The AM will have to report to the II how their investment strategy comply with the arrangement and criteria mentioned above Proxy advisors will be subject to transparency requirements and a code of conduct, again through a 'comply or explain' approach
4. Transactions with related parties (Targeted group: Companies)	Avoid that related parties transactions negatively affect your company	<ul style="list-style-type: none"> Transactions between your company and related parties must be submitted to approval by the shareholders or board of directors



NEXT STEPS

The revised directive will soon be published in the EU's Official Journal and shall enter into force on the twentieth day following this publication. Member states will then have up to two years to incorporate the new provisions into domestic law, which means the directive should be fully implemented around **June 2019**.



KEY ACTORS



Commissioner Elżbieta Bieńkowska
- Internal market, Industry, Entrepreneurship and SMEs



Italian MEP Sergio Gaetano -
Rapporteur at the European Parliament



Italian MEP
Sergio Gaetano -
Rapporteur at the
European Parliament

"The measures agreed upon will help to steer investments towards a more long-term oriented approach and will ensure more transparency for listed companies and investors."