

Corporate governance: long-term shareholder engagement

2014/0121(COD) - 14/03/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 646 votes to 39, with 13 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement.

Parliaments position adopted at first reading following the ordinary legislative procedure amended the Commission proposal.

This proposed Directive establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares in relation to general meetings of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.

The amended text reinforced the specific requirements which apply to the following provisions:

Identification of shareholders: listed companies shall have the right to identify their shareholders in order to be able to communicate with them directly and to facilitate the exercise of shareholder rights and shareholder engagement, notably long-term. Member States shall ensure that the company is able to obtain information regarding shareholder identity from any intermediary in the chain that holds the information. They shall also ensure that companies and intermediaries do not store the personal data of shareholders transmitted to them for longer than 12 months after they have become aware that the person concerned has ceased to be a shareholder.

Transmission of information: the intermediaries are required to transmit information, without delay, from the company to the shareholder or to a third party nominated by the shareholder to enable the shareholder to exercise rights flowing from its shares.

Facilitation of the exercise of shareholder rights: Member States shall ensure that when votes are cast electronically an electronic confirmation of receipt of the votes is sent to the person that casts the vote. Member States may establish a deadline for requesting such confirmation. Such a deadline shall not be longer than three months from the date of the vote. When votes are cast electronically, an electronic confirmation of receipt of the votes is sent to the person that casts the vote.

Remuneration of Directors: companies shall establish a remuneration policy as regards directors and that shareholders have the right to vote on the remuneration policy at the general meeting. Member States shall ensure that the vote by the shareholders at the general meeting on the remuneration policy is binding. Companies shall pay remuneration to their directors only in accordance with a remuneration policy that has been approved by the general meeting.

Transparency of institutional investors, asset managers and proxy advisors: institutional investors and asset managers shall:

- publicly disclose a clear and reasoned explanation how they have incorporated investor engagement into their investment strategies or explain why they have chosen not to incorporate it;
- develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy.

Institutional investors shall publicly disclose how the main elements of their equity investment strategy are consistent with the profile and duration of their liabilities, in particular long-term liabilities, and how they contribute to the medium to long-term performance of their assets.

Asset managers shall:

- disclose information to the institutional investors on how they make investment decisions based on evaluation of medium to long-term performance of the investee company;
- supply information to institutional investors on potential conflicts of interests which have arisen in connection with engagements activities.

Member States shall ensure that proxy advisors publicly disclose reference to a code of conduct which they apply and report on the application of that code of conduct. They shall also ensure that, in order to adequately inform their clients about the accuracy and reliability of their activities, proxy advisors publicly disclose, on an annual basis at least, information in relation to the procedures put in place to ensure quality of the research, advice and voting recommendations and qualifications of the staff involved.