

PRESS RELEASE

PRESIDENCY AND PARLIAMENT AGREE ON REVIEW OF SHAREHOLDERS RIGHTS DIRECTIVE: LIMITED IMPROVEMENTS FOR SHAREHOLDERS

14 December 2016 - On 9 December 2016 the EU presidency and the EU Parliament agreed on the final version of the new Shareholders Rights Directive (SRD). Better Finance welcomes the completion of the new SRD which took years to finalise.

This final version provides limited improvements in shareholders rights, in particular in the critical areas of shareholder identification and of the exercise of cross-border voting rights.

Companies will be able to identify their shareholders and to obtain information on shareholder identity from any intermediary in the chain that holds the information. But Member States will decide that companies within their borders are only allowed to request identification with respect to shareholders holding more than a certain percentage of shares or voting rights which will not exceed 0,5%. If such a high threshold of 0,5% is set by Member States, only a very small minority of shareholders of EU companies will be identified. In addition this right is reserved to issuing companies and not to their co-owners (its shareholders). Better Finance asks that Member States set a threshold that is as low as possible and that the shareholders of the listed companies have access to the same information as easily as those companies do.

An important barrier to cross-border shareholder engagement within the EU will virtually remain in place despite Better Finance's efforts, since intermediaries will still be able to charge higher fees to shareholders wanting to exercise their cross-border voting rights, but admittedly subject to certain conditions: *"any differences in the charges levied between domestic and cross-border exercise of rights shall only be permitted where duly justified and shall reflect the variation in actual costs incurred for delivering the services"*. Better Finance asks that the EU Commission and the Member States effectively enforce this provision.

Furthermore, no action is really taken against nominee and omnibus accounts where the economic /beneficial owner of shares still does not get the voting rights, except perhaps for very big shareholders: those who own more than 0,5% of the company or over the threshold to be set by Member States. More generally, it remains doubtful that financial intermediaries will reveal the identity of the EU shareholders who are not resident of the same Member State as that of the issuer.

Finally, the new SRD does not recognize shareholder associations and their right to represent small shareholders in listed companies: this is a significant barrier to the engagement of small shareholders.

"It is doubtful that these new rules will encourage European individual shareholders - who are long term investors - to engage more with listed companies: a pity as this was precisely the stated aim of this review", said Guillaume Prache, managing director of Better Finance.

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