



To the Members of European Parliament

European Parliament
Brussels | Strasbourg

May 29, 2015

Investor Request to Support A Strong Compromise Text on Shareholder Rights Proposal - 2014/0121(COD)

Dear Member of the European Parliament,

In view of upcoming vote in Plenary on the report of MEP Mr. Sergio Cofferati, we are writing to urge you to ensure that the final text remains ambitious and strong, as it makes its way through the final stages of the European legislative process.

The European Sustainable Investment Forum (Eurosif) is the leading pan-European sustainable and responsible investment (SRI) membership organisation. Our direct and indirect network spans across over 500 Europe-based organisations alongside the responsible investment value chain. All together, these include a range of European asset managers representing over €8 trillion in total assets under management.

Eumedion represents the interests of institutional investors who have more than € 4 trillion assets under managements and who have investments in almost all European listed companies.

We both recognise the importance of this legislative proposal in the context of reinforcing long-term oriented investment and corporate practices, aligned with sustainable growth objectives and the European economic growth agenda. An ambitious text on shareholder rights is also in our view a critical component of the success of the Capital Markets Union, as it helps boost confidence on capital markets.

Active share-ownership, in the form of engagement or the exercise of voting rights, is for us a form of expression of interest in how a company will create long-term value, especially if it covers corporate governance as well as social and environmental aspects. Corporate Governance is material to the financial performance of a company and several studies point to the conclusion that companies with superior corporate governance performance tend to have a lower cost of capital.

We therefore see engagement as being essential to make better-informed mid- to long-term decisions and to mitigate investment risks that may result from corporate governance failures and excessive short-termism.

This Directive offers a framework to encourage more institutional investors to adopt long-term oriented active share-ownership practices and to facilitate the exercise their ownership rights.

We attach in particular strong importance to:

- **Ensuring that institutional investors and asset managers develop detailed and long-term oriented engagement and voting policies in all circumstances**, even when they outsource their investment management to a third party (Art.3f). We also welcome the fact that Art. 3f mentions the importance of engaging with companies on their non-financial performance, and social and environmental risks. We therefore support the text voted by the JURI Committee for Article 3f.



- **Preserving the “one share one vote principle”** (Art. 3e): while we fully support the idea of supporting long-term share-ownership and the spirit of the amendments voted by the JURI Committee (Art. 3e), we believe that granting additional voting rights to specific shareholders may be counterproductive, potentially resulting in undesirable concentration of power, and will not lead to greater engagement, a key objective of the Proposal. We are therefore not in favour of this Article.
- **Enforcing a robust “say-on pay” regime** (Art. 9a and 9b) by maintaining a binding AGM vote on the remuneration policy and a separate vote on the remuneration report. This would provide adequate checks and balances and better guarantees that the process used to establish the executive remuneration is prudent and balanced. These aspects in Article 9a and 9b should not be weakened and we support the text voted by JURI Committee on these specific aspects.
- **Strengthening shareholder protection against “unfair” material Related Party Transactions** (Art. 9c). We strongly support the Proposal to require shareholder approval for material related party transactions. An independent shareholders’ vote on significant related party transactions mitigates the risk that the interests of a related party may influence the decision-making of the Supervisory body of the company to the detriment of the (minority) shareholders and the risk that the related party transacts with the company on terms which are unduly favourable to the related party or disadvantageous to the company and its (minority) shareholders. It is essential that provisions in Art. 9c, are strengthened from that perspective. The use of independent directors or third party advisors will not be sufficient to achieve this and there are examples of independent directors agreeing to transactions which are not in the interests of minority shareholders. We therefore do not support these provisions in Article 9c. However, we have no issue with Art. 9c §4 stating that intra-group transactions of those conducted in the ordinary course of business under normal market terms are exempt of such approval.
- **Stressing the role of non-financial aspects** throughout the text as non-financial factors should be seen as a way to encourage forward-looking, long-term and integrated decisions that will support sustainable economic growth. To this effect, we support amendments voted by the JURI Committee linking engagement policies to environmental and social considerations and impacts (Art. 3f §1) and linking remuneration policies to these criteria (Art. 9a and 9b).

We would also like to stress that to fully meet the objectives of facilitating the exercise of voting rights, it is critical to address operational barriers and deficiencies to EU cross-border voting including the absence of common frameworks for voting practices or lack application of existing rules in some instances (e.g. blocking of shares). While this Proposal may not be the right vehicle to address all these issues, co-legislators need to keep this in mind.

We therefore encourage you to work towards a strong text, taking our remarks into account, and actively support its adoption.

Thank you for your attention. We remain at your disposal for any questions or requests.

Yours sincerely,

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