

In the context of the European Commission's ongoing consultation on the review of the Shareholder Rights Directive (SRD II), the European Confederation of Director Associations (ecoDa) has set out its views and key concerns regarding the Directive's effectiveness and future direction.

ecoDa's position can be structured around four key areas: an overall assessment of the Directive, topics the Commission should not address, areas requiring increased transparency, and priorities for simplification.

1. Overall Assessment of the Directive

ecoDa expressed uncertainty regarding the European Commission's objectives in the review of the Shareholder Rights Directive (SRD II). It questioned whether the Directive has effectively changed company behaviour and highlighted the difficulty of isolating its actual impact.

There is a perception that companies have become more stringent, but the causal link to the Directive remains unclear. While engagement between institutional investors and listed companies, including access to boards, has improved since the entry into force of SRD II, ecoDa argues that the assumption that regulation alone can drive meaningful engagement is flawed.

ecoDa advocates for deregulation and simplification, particularly in relation to remuneration policy requirements and related party transactions.

2. Topics the Commission should not tackle

Shareholder Identification :

ecoDa describes shareholder identification as a "Pandora's box" due to its legal and practical complexity. It questions whether meaningful improvements are realistically achievable.

Shareholder Definition :

ecoDa considers that revisiting the definition of shareholders is not realistic and should be avoided. Any attempt to redefine shareholders could affect shareholder rights in some Member States and create legal and constitutional consequences. It

also risks spillover effects into company law by treating intermediaries as shareholders.

Power of Attorney :

ecoDa considers that simplification in this area is feasible without additional EU-level intervention.

3. Topics for increased transparency

Proxy Advisors :

ecoDa calls for stronger dialogue with proxy advisors and a better understanding of their governance methodologies and principles. It supports increased transparency requirements and improved working methods.

Key concerns include :

- Lack of consistency in engagement between proxy advisors and companies
- Over-standardised governance templates that do not reflect national contexts
- Limited flexibility in applying corporate governance codes

Although SRD II requires asset managers to disclose engagement and voting policies, proxy advisors may overlook justified deviations due to rigid templates, thereby missing important contextual factors.

ecoDa supports :

- Greater disclosure of methodologies and local-market adjustments
- A clearer issuer fact-checking process
- A more coherent supervisory framework for cross-border activities

Institutional Investors and asset managers:

ecoDa supports greater transparency and insight into the engagement practices of institutional investors, which are still often overly formalistic. It is acknowledged that divergences in the strategies and incentives of institutional investors and asset managers, as well as the evolving market environment, limit the effectiveness of a uniform regulatory approach.

4. Topics for simplification

General Meeting Format :

ecoDa supports flexibility, suggesting that general meeting formats should be determined by companies' articles of association, allowing shareholders to decide the preferred format.

ecoDa endorses the development of remote and virtual general meetings as a means to improve accessibility, particularly for cross-border shareholders. However, it notes that actual shareholder engagement remains limited in some jurisdictions.

Further development of digital infrastructure and shareholder engagement practices is therefore needed.

Related Party Transactions :

ecoDa highlights significant divergence in national implementation across Member States. It argues that the EU framework adds an additional layer of regulation and complexity due to differing national interpretations (e.g. corporate benefit tests and liability regimes).

While recognising the policy rationale, ecoDa questions whether the current regulatory approach is appropriate and suggests simplification or deregulation.

Related party transactions remain relevant in principle, as they may reveal governance weaknesses, particularly in companies with controlling shareholders.

Most Member States already have established mechanisms (corporate benefit requirements, disqualification rules, liability frameworks) that address these risks ex ante and ex post. Limited evidence exists that SRD II provisions are being meaningfully used, suggesting they may add administrative complexity without clear added value.

Remuneration Policies :

ecoDa considers remuneration policies to be often overly broad and boilerplate, with limited impact on actual executive remuneration.

It recommends greater emphasis on transparent disclosure of remuneration rather than prescriptive policy frameworks.

The remuneration framework has been strengthened through legislation and national corporate governance codes, improving disclosure and governance expectations. An increase in remuneration committees has been observed, although not directly attributable to SRD II. Many companies have expanded the scope of these committees to include broader human resources matters without legislative intervention.

About ecoDa:

Transparency register : 37854527418-86

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 24 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.