

Targeted Consultation - Shareholder Rights Directives (SRDs)

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Browser	Google Chrome	Completion time	224 min. 38 sec.
		Operating system	Windows 10

About you/ your organisation

- 1 Please provide the name of your organisation (or if you are responding as a natural person, please indicate that. If you wish to provide your name, you are welcome to do so).
Deutsche Börse Group (Clearstream for Q10-Q66/ Institutional Shareholder Services - ISS for Q67-108)
- 2 Where are you / your organisation based?
Germany, Luxembourg
- 3 Where are your headquarters based?
EU
- 4 Which of the following best describes where you / your organisation are active?
Global
- 5 Which of the following best describes you / your organisation:
Intermediary (e.g. a central security depository, custodian bank, other credit institution, investment / brokerage firm)
- 8 If you represent a company, please indicate its size:
Large (over 250 or more employees)
- 9 If you are an institutional investor/ asset manager, please provide an average value for the assets that you hold/manage (please respond in millions of €):
"N/A"

General questions on the importance of and progress made as a result of the implementation of the SRDs

This part of the survey asks for high-level input concerning the importance for you of the issues addressed in the SRD1 and SRD2, and your view of how the conditions for shareholder rights have evolved in recent years.

- 10 Please indicate how important the following are in terms of needs and priorities for you/ your organisation. Please rate from 1-5 where 5 = Very important and 1 = Not important at all; or if you do not know, or if not relevant.
 - a Promoting shareholder engagement (equal treatment of shareholders)
2 (1 - 6)
 - b To ensure investors can be better prepared for the GM
2 (1 - 6)
 - c To improve investors' ability to participate in the GM
5 (1 - 6)
 - d To enable investors to better exercise voting rights in the GM
5 (1 - 6)
 - e Increasing transparency vis-à-vis shareholders (shareholder identification)
Don't know/Not relevant (1 - 6)

- f Facilitating the transmission of information across the investment chain
5 (1 - 6)
- g Facilitating the exercise of shareholder rights
5 (1 - 6)
- h Ensuring non-discrimination, proportionality and transparency of costs in services to facilitate the exercise of shareholder rights
5 (1 - 6)
- i Creating an enabling environment for cross-border investment in the EU
5 (1 - 6)
- j Creating an enabling environment for Third Country investment in the EU
5 (1 - 6)
- k Creating a level playing field for third-country intermediaries
5 (1 - 6)
- l Increasing transparency of proxy advisors
Don't know/Not relevant (1 - 6)
- m Providing a framework for the digitalisation of interactions across the investment chain
2 (1 - 6)
- n Other, please specify:
Don't know/Not relevant (1 - 6)

11 In your view, how much progress has been made in these areas since the deadline for full application of all SRDs provisions since September 2020? Please rate from 1-5 where 5 = Very significant progress and 1 = No progress at all; or if you do not know, or if not relevant.

- a Promoting shareholder engagement (equal treatment of shareholders)
Don't know/Not relevant (1 - 6)
- b To ensure investors can be better prepared for the GM
2 (1 - 6)
- c To improve investors' ability to participate in the GM
2 (1 - 6)
- d To enable investors to better exercise voting rights in the GM
2 (1 - 6)
- e Increasing transparency vis-à-vis shareholders (shareholder identification)
5 (1 - 6)
- f Facilitating the transmission of information across the investment chain
4 (1 - 6)
- g Facilitating the exercise of shareholder rights
Don't know/Not relevant (1 - 6)
- h Ensuring non-discrimination, proportionality and transparency of costs in services to facilitate the exercise of shareholder rights
Don't know/Not relevant (1 - 6)
- i Creating an enabling environment for cross-border investment in the EU
2 (1 - 6)
- j Creating an enabling environment for Third Country investment in the EU
Don't know/Not relevant (1 - 6)
- k Creating a level playing field for third-country intermediaries
Don't know/Not relevant (1 - 6)
- l Increasing transparency of proxy advisors
Don't know/Not relevant (1 - 6)

- m Providing a framework for the digitalisation of interactions across the investment chain
Don't know/Not relevant (1 - 6)
- n Other, please specify: We see a lot of improvements introduced by SRD1 & SRD2 which needs to be implemented first. The last question under section 11 is misleading, the digitalisation of interaction in the intermediary chain has been organized with ISO and SWIFT for years.
5 (1 - 6)

12 How consistent are the SRD1 and SRD2 with EU policies, requirements and regulations in related fields? Are there any, conflicts or tensions?

- a The General Data Protection Regulation 'GDPR'
Fully consistent (1 - 6)
- b The CSD Regulation
Don't know/Not relevant (1 - 6)
- c The insolvency Directive
Don't know/Not relevant (1 - 6)
- d The Transparency Directive
Don't know/Not relevant (1 - 6)
- e Regulation on a pilot regime for market infrastructures based on distributed ledger technology
Don't know/Not relevant (1 - 6)
- f Markets in financial instruments directives and Regulation (MiFID 1, 2 and MiFIR)
Don't know/Not relevant (1 - 6)
- g The regulation on key information documents for packaged retail and insurance-based investment products (the PRIIPs Regulation)
Don't know/Not relevant (1 - 6)
- h Other, please specify:
Don't know/Not relevant (1 - 6)

13 If you see any significant inconsistencies between the SRD1 / SRD2 and other EU policies or priorities, please briefly explain them in the text box below.

"N/A"

14 What do you consider to be the main achievement, improvement or positive impact of the SRD1 and SRD2 to date?

"We welcome the SRD1/SRD2 as it facilitated dialogue between issuers and investors. In general, standardization and harmonization of the general meeting and shareholder identification processes and messages has improved. The knowledge of shareholders' rights have increased among issuers. Relevant ISO 20022 messages are available as well as related SMPG Market Practices. Cross-border flows have been facilitated even though some local specifics remain. The transmission of information has been improved. SRD1 has initiated the introduction of record dates across all EU countries. SRD2 established a very efficient shareholder identification process across the chain of intermediaries."

15 What do you consider to be the main challenge or disappointment with the SRD1 and SRD2 and/or its implementation to date?

"SRD2: 1. SID: The implementation of the SRD directive has led to new challenges: in their national implementation, some Member States have extended the scope of assets beyond shares listed on a regulated market within the EEA. It is therefore difficult for a first intermediary from another jurisdiction to check whether a disclosure request is valid or not. Another complexity for first intermediaries is the "authentication" that the requests originate from the issuer, as issuers appointed 3rd parties to transmit the information via the SWIFT network. The authentication process for an ISIN is a check that must be performed manually based on authorization documents, signature checks and other documents. 2. CA: When transmitting information, the timeline of article 9 IR, which are not tailored to the requirements of national company law, create unnecessary additional efforts and avoidable costs. There is limited benefit for (retail) investors to receive the information about a mandatory action or partial information about an upcoming event several months before the Record-Date. A pre-requisite for an efficient shareholders rights execution is a binding and fully reliable information from the issuer to the intermediaries. Currently, the costs and reimbursement process is not harmonized and information like the invoice address of the issuer is not transmitted in a machine-readable format. The entire reimbursement process for intermediaries against the issuers is not automated. The post-trade process at intermediary level does not differ much between asset types or countries. SRD2 defined rules for a limited number of assets (tradable equities on a regulated market), resulting in a split process at all intermediaries for same countries and between European and non-European assets. 3. GM: There is no harmonized General Meeting process across Europe. Due to inconsistency between SRD II and national company law, issuers are often not ready for STP because of lack of regulatory framework."

16 Looking to the future, the next questions ask about changes that could be considered to improve specific provisions of the SRDs. How do you think the regulatory framework for shareholder rights in the EU should evolve in the future?

a

Business as usual, meaning that shareholder rights should be regulated at EU level based on the two SRD Directives, and the Commissions Implementing Regulation

Yes (1 - 3)

- b Increased harmonisation, meaning that the framework should be enhanced by a Regulation whose provisions would be directly applicable in the Member States

No (1 - 3)

"No, a regulation might be too restrictive and may not be aligned with national (corporate) laws."

General Meetings (Articles 4-14)

In this section you are invited to provide feedback on the SRD provisions on general meetings.

- 17 Please indicate how important the following are in terms of needs and priorities for you/ your organisation. Please rate from 1-5 where 5 = Very important and 1 = Not important at all; or if you do not know, or if not relevant.

- a Availability of access to information prior to the GM

5 (1 - 6)

- b Rights to put items on the agenda/ table draft proposals

Don't know/Not relevant (1 - 6)

- c Streamlined requirements for participating and voting

5 (1 - 6)

- d Electronic participation

5 (1 - 6)

- e Electronic voting

5 (1 - 6)

- f Ability to exercise the right to ask questions

Don't know/Not relevant (1 - 6)

- g Ease of proxy voting

5 (1 - 6)

- h Ease of appointment and notification of proxy holders

Don't know/Not relevant (1 - 6)

- i Ease of voting by correspondence

Don't know/Not relevant (1 - 6)

- j General removal of impediments to exercise of voting rights

4 (1 - 6)

- k Processes for- confirmation of receipt, recording and counting of the votes cast

Don't know/Not relevant (1 - 6)

-
- 18 In your view, how much progress has been made in these areas since the deadline for full application of all SRD2 provisions in September 2020? Please rate from 1-5 where 5 = Very significant progress and 1 = No progress at all; or if you do not know, or if not relevant.

- a Availability of access to information prior to the GM

Don't know/Not relevant (1 - 6)

- b Rights to put items on the agenda/ table draft proposals

Don't know/Not relevant (1 - 6)

- c Streamlined requirements for participating and voting

Don't know/Not relevant (1 - 6)

- d Electronic participation

Don't know/Not relevant (1 - 6)

- e Electronic voting

Don't know/Not relevant (1 - 6)

f Ability to exercise the right to ask questions

Don't know/Not relevant (1 - 6)

g Ease of proxy voting

Don't know/Not relevant (1 - 6)

h Ease of appointment and notification of proxy holders

Don't know/Not relevant (1 - 6)

i Ease of voting by correspondence

Don't know/Not relevant (1 - 6)

j General removal of impediments to exercise of voting rights

Don't know/Not relevant (1 - 6)

k Processes for- confirmation of receipt, recording and counting of the votes cast

Don't know/Not relevant (1 - 6)

19 Please indicate how often issuers in the market where you are active/hold shares/operate organise general meetings in the following formats

a Fully virtual (online) general meetings

Sometimes (1 - 6)

b Hybrid general meetings

Sometimes (1 - 6)

c Entirely physical general meetings

Sometimes (1 - 6)

20 If you wish to make any comments (for example on specific Member States/ markets), or refer to evidence, please do so here:

"We have observed that in certain national markets shareholders are not permitted to attend General Meetings, whether physically or virtually. Legal representatives can be designated to attend GMs in the place of shareholders."

21 Are you aware of any general meetings, where shareholders (or their agents) were not offered the possibility to attend in person (i.e. only fully virtual /electronic participation was offered)?

No

22 If you wish to make any comments, or refer to any evidence, please include here:

"No, only during COVID times which limited for 1,5 years and not related to SRD2."

23 To what extent are the following factors (in the table below) barriers to exercising of shareholder rights related to general meetings and to related corporate action processing?

a Specific national requirements (in particular, requirements of Powers of Attorney to exercise voting rights)

To some extent (1 - 5)

b Market practices require paper-based supports to prove entitlement to vote (Powers of Attorney, wet ink signatures, etc.)

To some extent (1 - 5)

c The fees charged to vote or participate in meetings are disproportionately high

To a small extent (1 - 5)

d The fees charged to vote or participate in meetings are non-transparent

Don't know/Not relevant (1 - 5)

e There are problems with the transmission of information when shareholders try to exercise their rights (delays or incomplete information)

To some extent (1 - 5)

f The length and complexity of chains of intermediaries (custody or investment chains) makes it difficult

To some extent (1 - 5)

No harmonised definition of shareholder (i.e. who is entitled to exercise the rights attached to shares) at EU level

- g **To some extent** (1 - 5)
- h Market actors have not adopted market standards (such as ISO 20022), which reduces shareholder engagement
To some extent (1 - 5)
- i Shareholders or their representatives are unable to participate on-line in general meetings
To some extent (1 - 5)
- j Lack of harmonisation of the evidence of entitlement needed to exercise shareholder rights across the Member States
Don't know/Not relevant (1 - 5)
- k Lack of harmonisation of the record date across Member States
To some extent (1 - 5)
- l The confirmation of the entitlement and the reconciliation obligation
Don't know/Not relevant (1 - 5)
- m The sequence of dates and deadlines
To some extent (1 - 5)
- n The communication between issuers and central securities depositories (CSDs) as regards timing, content and format
To a small extent (1 - 5)
- o Other, please specify
Don't know/Not relevant (1 - 5)

- 24 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:
"The intermediary chain has commonly been using ISO and SWIFT. The decision to use ISO 20022 or not doesn't influence shareholder engagement. The decisive factor is that the shareholder receives information. Institutional shareholders are usually connected to SWIFT and receive the ISO formats that are used in the market for a specific type of message. For shareholder identification it is ISO 20022, for general meeting it is 15022. The decision, which ISO-Format is used in the market, cannot be made by a legislator. Recently the ECB has installed a Task Force to discuss a ISO-20022-Strategy. It is a very complex market infrastructure issue."
- 25 What are your views on the effects of harmonising the evidence of entitlement requirements and of the record date for shareholders at EU level?
- a Would the harmonisation of the evidence of entitlement requirements be desirable?
Don't know (1 - 5)
- b Would the harmonisation of the evidence of entitlement ensure that shareholders are more able to exercise their voting rights and participate at general meetings?
Don't know (1 - 5)
- c Would the harmonisation of the record date be desirable?
Don't know (1 - 5)

Identification of shareholders (Article 3a)

In this section we ask you questions surrounding the identification of shareholders.

- 30 In your experience, how has the number of shareholder identification requests launched by issuers evolved since September 2020 (since the entry into application of SRD2 relevant implementing rules)?
Some increase
- 31 To what extent do you consider the following to be barriers to identification of shareholders (i.e. the implementation and application of Article 3a SRD2) in your country?
- a The transposing national law is not appropriate to ensure compliance with Art 3a: incorrect wording, incomplete transposition?
To some extent (1 - 5)
- b Existing national laws or administrative requirements hinder the application of Art 3a (such as paper-based support or powers of attorney)
To some extent (1 - 5)
- c The fees levied by financial intermediaries for the identification of shareholders in cross-border contexts (i.e. where the shareholder or listed company is in another Member State) are too high

Don't know/Not relevant (1 - 5)

- d The lack of transparency about financial intermediaries' fees to identify shareholders in cross-border contexts (where the shareholder or listed company is in another Member State)

Don't know/Not relevant (1 - 5)

- e The non-adoption of common EU-wide market standards

To some extent (1 - 5)

- f Partial or non-application of common EU market standards in some Member States

To some extent (1 - 5)

- g The lack of adequate technology available to market participants

To some extent (1 - 5)

- h Long/complex chains of intermediaries (investment or custody chains)

To a small extent (1 - 5)

- i The reliance on omnibus accounts in cross-border chains of intermediaries.

To some extent (1 - 5)

- j The lack of an EU-wide definition of shareholders (i.e. who is entitled to exercise the rights attaching to shares)

To a large extent (1 - 5)

- k The lack of a harmonised record date

To a small extent (1 - 5)

- l Non-compliance with (or too long) deadlines for intermediaries in the chain

To some extent (1 - 5)

-
- 32 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"We believe that the main barriers arise from domestic legislation and the definition of thresholds. We see no issues with Omnibus accounts and long custody chains. This is not a problem for our markets."

Definition of 'shareholder'

The identification, assignment to and exercise of shareholder rights depends strongly on who is defined as a 'shareholder' for such purposes. As per Article 2(b) of the SRD, this is left up to the Member States, meaning that the definition varies by country. Importantly, some Member States' legal systems recognise the beneficial owner of shares as the 'shareholder' whereas others recognise the legal owner as the shareholders. The next few questions ask about your experiences and views on the current approach, as well as on potential future changes.

-
- 33 Do you consider that more harmonisation in the definition of 'shareholder' is necessary?

No

-
- 37 Please provide any additional detail to explain why you consider the current flexible approach to the definition of 'shareholder' appropriate or problematic.

"The challenge is not the definition of shareholder, it's the national transposition of some countries who then defined additional assets to follow SRD2 processes."

-
- 38 How do you think the SRD provisions on the definition of 'shareholder' should evolve in the future.

- a 1. Business as usual The definition of shareholder should remain completely up to the Member States

No (1 - 3)

- b 2. List of definitions The European Commission should publish and keep updated a list of each Member State's definition of 'shareholder'

No (1 - 3)

- c 3. Discrete harmonisation While leaving it up to the Member States to formally define 'shareholder' in company law, the concept would be defined in a harmonised way for specific purposes associated with shareholder identification

Yes (1 - 3)

- d 4. – Full harmonisation 'Shareholder' would be defined throughout the EU as the beneficial owner of shares

Yes (1 - 3)

Transmission of information

In Chapter 1a, the SRD2 introduced several provisions addressing shareholder identification (Article 3a), the transmission of information in the investment chain (Article 3b), the exercise of shareholder rights (Article 3c) and costs imposed on shareholders (Article 3d). These are supported by provisions in the Implementing Regulation of the SRD2. This part of the survey asks about these aspects, both in terms of your views and experiences of the rules in force, and potential future changes.

- 39 Do you agree or disagree with the following statements on interactions in the investment chain related to key provisions of the SRD2?
- a Issuers are able to identify their shareholders when needed
Tend to agree (1 - 6)
 - b Information flows in the investment chain are smooth and efficient
Tend to agree (1 - 6)
 - c The content, format and timing of information provided to shareholders ahead of general meetings is in line with SRD2 requirements
Tend to agree (1 - 6)
 - d The content, format and timing of information provided to shareholders on corporate events other than general meetings is in line with SRD2 requirements
Strongly agree (1 - 6)
 - e Shareholders have the opportunity to participate in general meetings where they have the right to do so
Tend to agree (1 - 6)
 - f Shareholders have the opportunity to vote at general meetings where they have the right to do so
Tend to agree (1 - 6)
 - g Costs charged by intermediaries for shareholders to obtain information and exercise their rights are communicated transparently
Tend to agree (1 - 6)
 - h Costs charged by intermediaries for shareholders to obtain information and exercise their rights are proportionate to the costs incurred for delivering the service
Strongly agree (1 - 6)
 - i Costs charged by intermediaries for shareholders to obtain information and exercise their rights are non-discriminatory (between domestic and foreign shareholders)
Strongly agree (1 - 6)

Information exchanges related to general meetings

- 40 When it comes to general meetings, do you find that the information provided by issuers on the following items is complete?
- a Date and time of the general meeting
Mostly (1 - 6)
 - b Type of general meeting
Mostly (1 - 6)
 - c Location of the general meeting
Mostly (1 - 6)
 - d The record date- (the cut-off date used to determine which shareholders are entitled to a corporate dividend)
Mostly (1 - 6)
 - e How to participate (on-line, in person, via a proxy, via correspondence attendance)
Mostly (1 - 6)
 - f Where to find the required forms (for proxy voting, for voting by correspondence etc.)
Mostly (1 - 6)
 - g Where to find information on a website / a url
Mostly (1 - 6)
 - h How to vote (if not in person at the meeting)
Mostly (1 - 6)

i The deadline for voting remotely

Mostly (1 - 6)

j How to add items to the agenda

Mostly (1 - 6)

k Issuer deadline for modifying participation

Mostly (1 - 6)

41 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"Information is complete, but there is no structured process in the market that intermediaries receive information from issuers. This requires intermediaries to source meetings based on these paper forms/website information and this sourcing is then often outsourced to third parties. A major obstacle to the provision of information by the issuer and to STP processing is the possibility of only partial completion of Table 3 of the Implementing Regulation. In principle, all sections (A-F) should be fully completed."

42 Is the information on general meetings (e.g. meeting notices) and other corporate events between listed companies and shareholders provided on time, particularly in cross-border contexts? The implementing Regulation requires under Article 9(3) that the last intermediary transmit to the shareholder the information about the corporate event/general meeting without delay and no later than by the close of the same business day as it received the information (or if received after 16.00 during its business day, no later than by 10.00 of the next business day.)

a Domestic

Often (1 - 6)

b Cross border

Often (1 - 6)

43 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"In majority of cases as we are not acting as last intermediary."

44 Have you encountered any issues due to having to pay fees for transmission of information between listed companies and shareholders, particularly in cross-border contexts?

a Domestic

Never (1 - 6)

b Cross border

Never (1 - 6)

45 Please specify here, if relevant, which types of issue you have encountered, particularly as regards costs

"Never, we have not been requested to pay any specific fee. See also Q15."

46 Regarding the transmission of information specific to corporate events other than general meetings (i.e. distribution of profit, reorganisation of the issuer shares etc.), do shareholders receive all the information they need to exercise their rights and participate to the events?

a Domestic

Always (1 - 6)

b Cross border

Always (1 - 6)

47 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"Not all shareholders are interested in corporate information, transmitted under SDR1/SDR2."

Cross-border investment

48 A specific goal of the SRD2 is to facilitate cross-border investment, i.e. to make it easier for investors based in one Member State to hold shares in companies based in another Member State. In that context, do you agree or disagree with the following statements?

a Investing and exercising shareholder rights is just as easy cross-border in the EU as it is domestically

Tend to agree (1 - 7)

- b Investing and the exercise of shareholder rights specifically for retail investors is just as easy cross-border in the EU as it is domestically
Tend to agree (1 - 7)
- c Investing and exercising shareholder rights in the EU is just as easy for third Country (non-EU) investors as it is for EU investors
Tend to agree (1 - 7)

49 In your view, to what extent do the following issues act as barriers to cross-border investment in the EU?

- a The lack of a harmonised definition of 'shareholder'
Not at all (1 - 5)
- b Divergent rules (legislation) across Member States in terms of interactions in the investment chain (e.g. requirements for paper documents, power of attorney documents etc.)
To some extent (1 - 5)
- c Divergent practices and market standards in terms of interactions in the investment chain
To a limited extent (1 - 5)
- d Different thresholds for the right of issuers to request the identify of shareholders
Not at all (1 - 5)
- e The use of different formats and standards, particularly concerning digital solutions
Not at all (1 - 5)
- f Higher charges / fees for shareholders to obtain information and exercise their rights in a cross-border context
To a limited extent (1 - 5)
- g Difficulties for shareholders to obtain information and exercise their rights digitally / online in a cross-border context
To a limited extent (1 - 5)
- h Long and complex intermediary chains
Don't know (1 - 5)
- i Issues un-related to the SRD and SRD2 (e.g. lacking knowledge about foreign firms)
To a limited extent (1 - 5)

50 Please provide any further views on investment and the exercise of rights cross-border, and how this has been affected by the SRD and SRD2.

"The length of the intermediary chain should not be categorised as a barrier from any point of view. Nor does the intermediary chain involve any complexity. The opposite is the case. It is intermediary chains that make global share trading possible, because otherwise the shareholder would have to appear in person with his certificate in order to exercise his rights. Within the intermediary chain, communication takes place via ISO/SWIFT STP. There is therefore no friction loss."

Digitalisation of the investment chain

51 Do you consider that there is a need to increase the use of digital solutions to improve how information is communicated across the custody chain (e.g. block chain, API, mobile applications)?

Don't know

52 Considering the intermediaries with which you operate (or if a supervisory authority - come into contact with), what percentage do you estimate have fully adopted the ISO 20022 messaging standards to comply with the regulatory requirements (SRD2; Implementing Regulation)? Please give an estimate in percentage in the box below. Please ignore if you are unable to answer.

*Estimation in percentage (%):: **Shareholder Identification: 80%; Corporate Actions: 0%; General Meetings: 5%***

53 Do you think that the only way to comply with the requirements of the SRD2 and the Implementing Regulation relating to the transmission of information is the adoption of ISO 20022 by market participants?

No, there are other ways to comply (please explain)

54 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"We tend to agree for the Shareholder Disclosures and General meetings, however it is not mandatory for Corporate Actions. Also, saying ISO20022 is not sufficient as ISO20022 has different variants and subject to yearly maintenance. General Meetings: The Meeting Notification has a complex structure. The meeting instruction messages have many variations on how to report an electronic vote or instruction under different conditions. As

markets often have not yet considered the full functionality of ISO 20022, the event setup may not fully comply with an STP process and workarounds have to be accepted within the ISO message usage."

- 55 Would you support the introduction of a legal obligation to adopt the ISO 20022 messaging standards in the context of the transmission of information between intermediaries?

No

- 56 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"There are so many intermediaries either in Europe (small ones) or in Asia, US, etc. who may not have an interest in ISO20022. These parties will use Xact or other communication channels."

- 57 Has your organisation adopted a secure, machine-readable messaging standard for interactions in the investment chain?

Yes, the ISO 20022 messaging standard

Yes, a messaging standard other than ISO 20022 (please specify)

- 58 Please provide any other insight on your choice of messaging standard:

"We implemented ISO20022 for Shareholder Disclosures via SWIFT and GUI. Currently, the General meetings are transmitted in ISO15022; the ISO20022 is available to our participants via our provider. The ISO20022 between Clearstream and its participants is expected to be implemented next year. We also like to mention the Issuer Agent Interface initiatives."

Costs of communication/ interaction in the investment chain

- 59 Did your organisation take any action to comply with the provisions of SRD2 on interactions in the investment chain?

Significant action

- 62 How have compliance costs regarding interactions in the investment chain changed since the implementation of SRD2?

- a Annual cost for maintaining IT systems, upgrades, on-going training

Costs have increased a lot (> +30%) (1 - 5)

- b Annual costs for the identification of shareholders

Costs have increased a little (+10% to +30%) (1 - 5)

- c Annual costs to provide information to shareholders on corporate events

Costs have increased a lot (> +30%) (1 - 5)

- d Annual costs to facilitate the exercise of shareholder rights

Costs have increased a little (+10% to +30%) (1 - 5)

- 64 How have your organisation's charges / fees to shareholders changed since the application of the SRD2?

- a Provision of information on corporate events

No noticeable change (-10% to 10%) (1 - 5)

- b Participation in general meetings

No noticeable change (-10% to 10%) (1 - 5)

- c Voting at a general meeting

No noticeable change (-10% to 10%) (1 - 5)

Looking ahead - potential changes to the rules on interactions in the investment chain'

- 65 Overall, do you think that changes are needed to the EU-level legal provisions on interactions in the investment chain?

No changes are needed

- 66 Please express your view on whether and how the SRD provisions on interactions in the investment chain should evolve in the future.

- a 1. Business as usual: The SRD2 provisions on interactions in the investment chain would remain unchanged

No (1 - 3)

- b

2. Clarifications and guidance While leaving the rules unchanged, the European Commission could publish additional information and guidance to improve awareness, compliance and the consistency of application of the rules

Yes (1 - 3)

- c 3. Minor refinements Harmonisation could be increased through refinements such as standardising the threshold for issuers to request the identify of shareholders and the documentation required to demonstrate entitlement to vote at a general meeting

No (1 - 3)

- d 4. Harmonised, digital information flows To further facilitate interactions in the investment chain, reduce discrepancies between Member States and incentivise digitalisation, requirements could be standardised and the use of a common, interoperable standard mandated (e.g. ISO 20022)

Yes (1 - 3)

Yes, but ISO20022 is not the answer, as it's just a format and doesn't resolve the complexity of the fields to be used.

Facilitation of the exercise of voting rights (Article 3c)

- 67 In your country, is there a legal requirement or is it market practice to use paper documents with wet ink signatures in the communication between issuers and investors for the purpose of executing corporate events/participating to general meetings (i.e. proxy voting, choosing of options etc.)

- a Paper and wet signatures are:

No such requirement or market practice exists (1 - 4)

- 70 Do you have any experience with services provided by online brokerage platforms ('neo-brokers')?

No

- 72 If you answered yes to the previous question, do you consider that, in general, their services comply with the SRD2 requirements relating to the transmission of information and the facilitation of the exercise of shareholders rights (articles 3b and 3c SRD2)?

I don't know.

Non-discrimination, proportionality, and transparency of costs (article 3d)

In this section we ask about your experiences regarding non-discrimination, proportionality and transparency of costs when exercising shareholders' rights.

- 78 For services regarding interactions in the investment chain, the fees charged by intermediaries are...

- a Fully transparent in domestic situations

Don't know (1 - 6)

- b Fully transparency in cross-border situations

Don't know (1 - 6)

- c Non-discriminatory and proportionate in domestic situations

Don't know (1 - 6)

- d Non-discriminatory and proportionate in cross-border situations

Don't know (1 - 6)

- 83 Is there a significant difference between the fees levied for domestic services in comparison with cross-border services?

No

Third-country (non-EU) intermediaries (Article 3e)

In this section we ask you to provide some inputs regarding the appropriateness of the material scope of the SRDs in particular concerning third-country intermediaries (non-EU intermediaries which have neither their registered office nor their head office in the EU but provide services with respect to shares of EU companies listed in the EU)

- 86 Do you consider that the scope of application of SRD2 regarding third country intermediaries is appropriate with regard to:

- a Identification of shareholders

To a large extent (1 - 5)

- b Transmission of information
To a large extent (1 - 5)
- c Facilitation of shareholder rights
To a large extent (1 - 5)
- d Transparency of costs
To a large extent (1 - 5)

88 When third-country intermediaries are involved in the chain between participants registered in your MS, are any of the following issues more likely to arise as compared to involving only EU intermediaries?

- a Complications/delays/obstacles regarding the identification of shareholders by listed companies
Rarely (1 - 6)
- b Delays in the transmission of information
Rarely (1 - 6)
- c Non-complete information transmitted
Rarely (1 - 6)
- d Incorrect information transmitted
Rarely (1 - 6)
- e Non-transparent/ disproportionate fees levied
Don't know (1 - 6)
- f Other, please specify
Don't know (1 - 6)

89 Overall, do you consider that the inclusion of third-country intermediaries in the scope of the SRD2 obligations (related to shareholder identification, the transmission of information, the facilitation of exercise of shareholder rights and costs) has reduced the amount of interruptions in the flow of information across the chains of intermediaries?

Yes, to a small extent

92 Do you consider that intermediaries from non-EU countries operating in your MS are adequately supervised to ensure compliance with their obligations under SRD2 Chap 1a?

Don't know

Proxy advisors (Article 3j)

Article 3j of the SRD2 was introduced to increase the transparency of proxy advisors. It contains provisions on codes of conduct, information that must be disclosed concerning research, advice and voting recommendations, and conflicts of interest. This part of the survey asks about these aspects, both in terms of your views and experiences of the rules in force, and potential future changes.

94 Do you agree or disagree with the following statements on the implementation and effectiveness of the SRD2 provisions on proxy advisors?

- a The current provision on codes of conduct (Art. 3j(1)), which requires proxy advisors either to adhere to a code of conduct or explain why not, in both cases making the information publicly available, is appropriate
Strongly agree (1 - 6)
- b Proxy advisors' approach to codes of conduct is satisfactory
Strongly agree (1 - 6)
- c The current provision on annual disclosure by proxy advisors (Art. 3j(2)), which requires the publication of information on the preparation of research, advice and voting recommendations, is appropriate
Strongly agree (1 - 6)
- d Proxy advisors' approach to the disclosure of information is satisfactory
Strongly agree (1 - 6)
- e The current provision on conflicts of interest (Art. 3j(3), which requires the Member States to ensure proxy advisors identify and disclose actual or potential conflicts of interest, is appropriate
Strongly agree (1 - 6)

f Proxy advisors' approach to dealing with potential conflicts of interest is satisfactory

Strongly agree (1 - 6)

g Proxy advisors based in third countries are just as transparent as ones based in the EU

Strongly agree (1 - 6)

95 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"We agree with ESMA's conclusion in its 2023 report that "the design of the current regulatory framework is considered overall robust, and its application is seen to be gradually improving" and that, accordingly, "the present approach of 'monitored self-regulation' should be maintained. We also note that ESMA recognized the value of proportionality in that the code of conduct approach avoids creating unnecessary and costly barriers to entry for smaller providers and thus encourages a level regulatory playing field between large and small proxy advisors, while prioritizing transparency across the industry for the benefit of investors. The Best Practice Principles comprising the Code provide for universal principles that proxy research and advisory firms can apply across their operations globally. Our responses to Q94 are based on our experience as a signatory to, and founding member of, the Best Practice Principles Group."

96 Do you consider that how proxy advisors take into account sustainability or environmental, social and governance (ESG) criteria when making assessments (for example about an issuer) is satisfactory?

Yes, to a large extent

97 If you wish to make any comments explaining your views, or refer to evidence in response to the above question, please do so here:

"Proxy advisory firms provide investor clients with research, data and analysis based on the management and shareholder proposals before them, and to the extent relevant to the clients' proxy voting policies. Such proposals have historically included ESG-related matters, so the inclusion of ESG criteria in proxy research is not a new practice, though sustainability or environmental and social matters have become more salient issues among both investors and listed companies in recent years, appearing more regularly on the agenda of General Meetings and being raised by investor clients on a regular basis, including by way of investors' proxy voting policies. As an independent service provider, ISS continues to support its investor clients with research, data, analytics, and proxy vote recommendations based on their selected, and often self-designed, proxy voting policies. In addition, ISS offers investors a range of specialty voting policies, among which are the sustainability and socially responsible investment policies."

98 In your experience, how has the situation on proxy advisors evolved since the deadline for full application of all SRD2 provisions in September 2020?

a Investors are able to find out whether proxy advisors adhere to a code of conduct

Don't know (1 - 6)

b Investors are able to scrutinise proxy advisors' approaches to research, advice and voting recommendations

Don't know (1 - 6)

c Investors are able to find out about actual or potential conflicts of interest among proxy advisors

Don't know (1 - 6)

d The quality of advice by proxy advisors

Don't know (1 - 6)

e Other aspect(s), please specify:

Don't know (1 - 6)

99 For any aspects that you think have improved, please explain the changes and their implications.

"The BPP were established in 2013, and thus pre-date the application of SRD II; to the extent we have seen improvements in the market, it is difficult to ascertain definitively whether they are attributable exclusively to the application of SRD II provisions. As noted by the BPP OC, however, in its annual report, the providers subject to the Code are complying with the Code and continue to enhance their operations and compliance against the principles of service quality, conflicts of interest avoidance and management, and communications. ISS continues to comply with the Best Practice Principles (and guidance), which were updated in 2019 based on: (1) ESMA 2015 Follow-up Report on the Development of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis ("2015 ESMA Follow-Up Report"); (2) Requirements of the EU's Shareholder Rights Directive II ("SRD II"); and (3) Latest global stewardship codes."

107 Overall, do you think that changes are needed to the EU-level legal provisions on the transparency of proxy advisors?

No changes are needed

108 Please express your view on whether and how the regulatory framework for SRD provisions on the transparency of proxy advisors should evolve in the future.

a 1. Business as usualThe SRD2 provisions on the transparency of proxy advisors would remain unchanged

Yes (1 - 3)

- b 2. Strengthened code of conduct framework To give codes of conduct more teeth, required features of these could be made explicit (e.g. regarding an independent mechanism for monitoring compliance) and a mediator or enforcer of last resort could be appointed.
No (1 - 3)
- c 3. Strengthened transparency To strengthen the transparency of proxy advisors' behaviour, this measure would require them to disclose information sources, provide more detail on potential conflicts of interest, and provide more detail in terms of revenue sources. It would also establish a registration mechanism at EU level
No (1 - 3)

Closing questions and additional remarks

- 122 Would you like to make any other comments or observations regarding the SRD1, SRD2, Implementing Regulation or other aspects of the regulation of shareholder rights in the EU?
"We would be happy to engage further on the topic with the survey organizers and the Commission. We would also like to better understand why some areas of SRDs have been covered in the survey, but not others."
- 124 In the context of this study, may we contact you for a follow-up interview or additional questions regarding this Study?
Yes
- 125 If you have answered yes to the previous question, could you provide us with your contact details:
Name:: Pedro de Castro Santos
Email:: pedro.de.castro.santos@clearstream.com
Telephone number:: +352 621512028

Thank you for completing the survey - Many thanks for your cooperation.
