Dutch pension funds on the Shareholder Rights Directive review

The Dutch Federation of Pension Funds represents pension funds managing €1,700 billion in assets on behalf of 10 million participants. Our members are among the largest long-term institutional investors in Europe, committed to responsible share ownership and active engagement with investee companies across EU equity markets. By holding companies to account on environmental, social and governance matters, institutional investors contribute directly to the quality and sustainability of European businesses – reducing the risk of value destruction, promoting long-term thinking, and strengthening companies' social licence to operate.

We welcome the Commission's considerations to review of the Shareholder Rights Directive as part of its agenda to deepen capital markets and advance the Savings and Investments Union. A well-functioning shareholder rights framework is an essential complement to these ambitions. We strongly support the goal of integrating European financial markets, as this will help facilitate companies' access to funding and to channel European savings into productive long-term investment. When institutional investors can exercise their ownership rights consistently, reliably and cost-effectively across Member States, capital flows more freely, governance standards converge upward, and businesses are incentivised to create long-term value.

The SRD framework has delivered real progress both in terms of transparency of engagement policies and voting behaviour of pension funds, and the structured approach, as well as quality of company dialogue.

Nevertheless, significant operational barriers persist. These barriers largely stem from fragmented implementation of SRD2 and absence of enforceable standards. Pension funds navigate the shareholder rights frameworks of multiple national jurisdictions within the compressed timelines of the AGM season. The fragmentation of AGM logistics, the inconsistency of national rules on voting procedures, and the operational deficiencies of the cross-border voting chain create costs, generate uncertainty, and act as structural barriers to active, engaged, long-term ownership.

A review of the SRD should therefore work towards a framework that is simpler, more harmonised and enforceable. The current asset owner framework is adequate in terms of administrative burdens. Revisions should not add to that, and be proportionate, taking into account that smaller pension funds rely on their asset managers for the execution of their shareholder rights, thus depending to a greater extent on their information and voting policies.

We urge the Commission to use this review to remove the friction that discourages cross-border investment and undermines the shareholder engagement across the EU. We set out our positions below from the perspective of asset owners, sharing much of the analysis and recommendations of Eumedion, the Dutch corporate governance forum in which our members participate actively.

Our core recommendations are:

- Asset owner transparency provisions are good as is.
- Harmonise AGM logistics EU-wide: minimum convocation period, voting record dates, and intermediary cut-off dates, replacing the current patchwork of national rules that create operational obstacles for cross-border investors.
- Mandate automatic electronic vote confirmations and streamline powers of attorney by enabling electronic processing as the default across Member States.
- Strengthen shareholder rights at the AGM: improve the right to submit resolutions; introduce mandatory AGM votes on the sustainability report and on major transformative transactions; and clarify pre-meeting question rights.
- Make the binding vote on remuneration policy universal across Member States and introduce a supermajority threshold for its adoption.
- Improve minority shareholder protection in related-party transactions.
- Ensure proportionate, non-discriminatory intermediary costs for cross-border voting and improve the transparency of the proxy advisor framework.

2. Removing barriers to cross-border voting: the voting chain

2.1 The problem: fragmented logistics undermine reliable voting across borders

The most significant barriers that pension funds encounter in exercising shareholder rights are operational. They relate to timelines, the formats, the documentation requirements, and the information flows that govern voting process. They are a direct consequence of the lack of harmonisation in AGM logistics across the EU, combined with the structural complexity of the intermediary chain.

Each intermediary in the chain of custodians and sub-custodians chain applies its own cut-off date by which it must receive a voting instruction to pass it on in time. Because these cut-off dates, the effective deadline for an institutional investor to submit a voting instruction is frequently ten to fifteen days before the AGM itself. In markets where the convocation period of the AGM is as short as twenty-one days, as permitted under Article 5 of the current SRD, this leaves as few as six to ten days between the publication of AGM materials and the deadline for submitting voting instructions. That is not sufficient time for institutional investors to analyse proposals, engage with companies on contested items, consider proxy advisor recommendations, and issue instructions through the chain. The result is uninformed voting or missed votes.

Errors in the voting chain compound this problem. We are aware of documented cases where voting instructions were incorrectly processed: votes intended as support were recorded as opposition, or instructions were rejected without clear legal basis. Vote confirmation is not consistently provided, leaving investors without certainty about whether their votes counted. The current system reduces investor confidence in the integrity of the voting process.

Powers of attorney create a further layer of friction. Many Member States require hard-copy, often notarised or legalised documentation to authorise a proxy holder to vote on an investor's behalf. These requirements vary by market and sometimes by company, require manual processing within tight timelines, and impose disproportionate administrative burdens.

Diverging record dates, the date on which share ownership is assessed for the purpose of voting entitlement, add further complexity. Inconsistent record dates across Member States increase operational risk and the likelihood of error.

Finally, the cost structure of the cross-border voting process remains opaque and, in many markets, discriminatory. Intermediaries continue to charge materially higher fees for cross-border services than for domestic ones, even though the actual cost differential, if any, does not justify the price difference. This poses a financial disincentive to the cross-border exercise of shareholder rights.

2.2 What we propose

The Commission should use the SRD2 review to introduce harmonisation of the core operational parameters of the voting process. Inconsistency here serves no legitimate purpose and imposes real costs on cross-border investors. We propose:

1. **A longer minimum convocation period**. We support a minimum of 42 days, which is standard in the Netherlands and aligns with major international markets including the United States. A uniform convocation period would give time for well-considered and researched votes.
2. **Harmonised voting record dates** would reduce operational complexity for international investors and intermediaries, decrease the risk of error, and make the entitlement framework more predictable.
3. **Enforceable limits on voting cut-off dates** would give investors adequate time to analyse proposals and engage with companies before their voting deadline.
4. **Mandatory automatic electronic vote confirmations**. Implementation of the vote confirmation obligation has been incomplete and inconsistent. It should therefore be more specific and be effectively enforced. Vote confirmations should be automatic (e.g. not upon request) and reach the investor in sufficient time to allow corrective action before the meeting if an error occurs.
5. **Electronically processable powers of attorney** as a default, replacing national and company-specific requirements for hard-copy, notarised, or legalised documentation. They should remain valid for multiple years.
6. **Preventing discriminatory fees** for cross-border voting services. Article 3d(2) has been ineffective in practice. We support a clearer prohibition on unjustified price discrimination, with supervisory guidance on what constitutes a justifiable cost.
7. **Full transparency on voting outcomes,** including votes against and abstentions, is essential for investors to assess shareholder sentiment, identify emerging governance concerns, and plan their engagement. Therefore, the Member State option to allow companies to limit disclosure of voting results should be deleted.

3. Strengthening the AGM as a governance instrument

3.1 The right to submit resolutions

There are substantial differences across Member States in the types of resolutions shareholders may submit, which is a significant obstacle to effective shareholder engagement. We support maximum harmonisation of the right to submit resolutions for a vote at the general meeting. Shareholders should be able to submit resolutions on any matter of legitimate concern to shareholders, including advisory resolutions on strategy,

sustainability, and governance. In our view, the maximum capital threshold for submitting resolutions should be reduced to 1% of issued capital.

3.2 The right to ask questions before the meeting

A related issue concerns the right of shareholders to ask questions and receive answers from company management. A perception persists – reinforced by the way in which many companies structure their AGM processes – that questions may only be asked and answered during the general meeting itself. This is highly limiting for proxy-voting investors: they have already cast their votes and cannot use this information to change them. The SRD should clarify that shareholders have the right to submit questions on AGM documents in advance and that companies must provide substantive answers before the meeting or, at the latest, during it.

3.3 AGM format: hybrid as the default

The COVID-19 pandemic forced a rapid and widespread shift to virtual-only AGMs. There are limitations in terms of accountability, as virtual-only formats can restrict shareholder participation, limit the spontaneity of questions and responses, and reduce the deliberative quality of the meeting. We believe that physical or hybrid AGMs should be the default format under the SRD, and that virtual-only AGMs should be permitted only in exceptional circumstances, where the physical safety of participants cannot be guaranteed.

For extraordinary general meetings, greater flexibility may be warranted depending on the nature of the agenda. Where a virtual-only format is used, it should replicate the conditions of a physical meeting as closely as possible, including live audio-visual access, real-time participation, and live voting. The choice between in-person and virtual attendance should, in a hybrid format, be left to each shareholder.

Rules on AGM format are currently left largely to Member States, creating an uneven landscape across the EU. Common minimum standards would ensure that the rights of shareholders are not inadvertently eroded by a drift toward virtual formats.

3.4 An AGM vote on the sustainability report

The Corporate Sustainability Reporting Directive (CSRD) disclosure is directly material to the interests of institutional investors and their beneficiaries. Engagement on sustainability with investee companies is therefore a core part of active ownership.

We support the introduction of an annual advisory AGM vote on the CSRD sustainability report, structured analogously to the existing advisory vote on the remuneration report. This would create a channel for structured dialogue on sustainability between boards and shareholders, without displacing the authority of the board to determine the sustainability strategy.

Shareholders currently have few options for expressing concern about a company's sustainability direction other than voting against the discharge of the board, which is a rather blunt instrument. An advisory sustainability report vote would provide a more

calibrated and constructive mechanism. It also strengthens the accountability framework the CSRD is designed to create.

3.5 A mandatory shareholder vote on major transformative transactions

Major acquisitions, mergers, significant disposals, or other transactions that fundamentally alter the economic substance of a company represent some of the most consequential decisions that a board can take. Empirical evidence shows that many large acquisitions destroy value for acquirer shareholders.

We support the introduction of a mandatory EU-wide shareholder vote on major transformative transactions. Requiring shareholder approval would provide a meaningful check, strengthen the board's negotiating position, and align EU practice with that of jurisdictions such as the United Kingdom, where mandatory shareholder approval for major acquisitions has a well-established track record. Shareholders in acquirer companies deserve the same protection that the Takeover Bids Directive provides to shareholders in target companies.

4. Say on pay: binding votes and meaningful accountability

The SRD's *say on pay* has had a demonstrable positive impact. Where the framework is well established, it has prompted companies to consult shareholders proactively and to moderate proposals likely to face resistance. Despite this progress, weaknesses in the current framework limit its effectiveness.

The most significant is the Member State option to make the vote on the remuneration policy advisory rather than binding. We support a binding vote on the remuneration policy across all Member States. That ensures shareholder support for the renumeration framework, without allowing shareholders to dictate the level of individual directors' pay.

We also support the introduction of a supermajority threshold for the adoption of remuneration policies. It better reflects the significance of the remuneration policy as a governance instrument and make it more difficult for controversial proposals to pass.

Companies in some markets continue unchanged after a negative advisory vote, providing only minimal explanation in the following report. To improve accountability, companies that fails to secure sufficient support could be required to submit a revised report or remuneration policy within a specified period, providing a substantive response.

Binding guidelines on the content of remuneration reports would improve comparability and enable more effective analysis by investors. Formats currently vary widely, making it difficult to assess whether remuneration outcomes are genuinely linked to performance and consistent with the stated policy.

5. Protecting minority shareholders

5.1 Related-party transactions

The SRD II framework for related-party transactions was a significant step forward in addressing a historically under-regulated area of corporate governance risk. The requirement to publicly announce material transactions with related parties, and to

obtain approval from the general meeting or the administrative or supervisory body, has improved procedures and board awareness in many Member States. However, real-world cases in the EU have demonstrated that related-party transactions can go undisclosed for years, that external auditors do not have access to information, and that procedurally compliant approval processes can mask the absence of genuine independent scrutiny.

More uniform minimum standards for transparency and approval would improve investor confidence in the consistency of related-party transaction governance across the EU. In particular, we support the introduction of a majority-of-minority approval requirement for strategically significant, controller-driven transactions.

We also support earlier and more detailed disclosure requirements for related-party transactions, so shareholders have adequate information in time to engage meaningfully. Disclosure at the time of conclusion, as currently required, is often too late to allow shareholders to influence the outcome. The independence of the assessment of fairness and reasonableness – currently a Member State option – should be strengthened and made mandatory.

5.2 Multiple-vote share structures

The proliferation of multiple-vote share (MVS) structures in European listed markets is a challenge for the protection of minority shareholders. MVS structures – in which controlling shareholders hold shares with disproportionate voting rights – can limit the ability of other shareholders to hold management accountable through the AGM process. The 2024 Directive on MVS structures provides safeguards where MVS structures are admitted to trading on multilateral trading facilities. However, outside the scope of that Directive, Member States may still permit MVS structures without equivalent protection. There is no justification for this discrepancy. Minimum protections should be in place for all MVS structures.

6. Shareholder identification

The ability of companies to identify their shareholders, and of shareholders to identify themselves, is a basic prerequisite for effective engagement. The current framework falls short on both counts. Several Member States apply an identification threshold, meaning companies cannot identify a large proportion of their shareholder base. This option should be replaced with a right to identify all shareholders. Separately, the identification obligation applies only to EU intermediaries, leaving gaps wherever non-EU custodians are present in the chain. The Commission should, in our view, address this gap.

7. Asset owner transparency

The existing transparency requirements for institutional investors have had a genuinely positive effect. Pension funds have embedded active ownership into their investment processes, and public reporting on engagement and voting has become standard practice. We do not support expanding these obligations, and we are opposed to any legislative prescription over how engagement should be carried out. More reporting is not the same as better stewardship. Greater standardisation of format and minimum content for engagement and voting reports could improve comparability without requiring additional disclosure. There should still be space for different approaches though.

Finally, any review should take proportionality as a starting point, thus respecting the differences in capacity between larger and smaller institutional investors.

We do not see a need for an EU stewardship code. It risks producing a lowest-common-denominator standard that would represent a step backwards for markets where stewardship is already well developed, and risks conflicting with existing national codes, creating double reporting obligations. Should the Commission chose to pursue this route, any code should function as a high-level principles framework that complements rather than displaces national codes, accommodates the two-tier asset owner and asset manager structure, aligns with international frameworks such as the UN PRI, and introduces no mandatory reporting beyond what existing legislation already requires.

8. Proxy Advisors: Transparency and Quality

Proxy advisor research has improved since SRD II, particularly following the adoption of the Best Practice Principles. We value this research and recognise its role in enabling cost-efficient analysis across diversified portfolios. Nonetheless, improvements remain possible. Not all major proxy advisors share draft reports with issuers for factual verification before publication. And not all advisors inform clients when engagement with a company leads to a revision of an initial recommendation.

We support additional transparency requirements on issuer dialogue and recommendation revisions. Issuers should be able to access relevant sections of proxy assessments concerning their own AGM free of charge. Next, where proxy advisors provide ESG advisory services to issuers, robust conflicts-of-interest policies and disclosure are essential. We do not support EU-centralised supervision of proxy advisors. The existing self-regulatory framework is more proportionate.

Summary of our recommendations

AGM logistics and the voting chain

- Introduce maximum harmonisation of the minimum convocation period at a meaningful level (at least 42 days).
- Harmonise voting record dates, as close as possible to the AGM.
- Establish enforceable maximum limits on intermediary cut-off dates.
- Require automatic electronic vote confirmations, with enforceable standards.
- Harmonise powers of attorney rules to enable electronic processing as the default.
- Prevent unjustified price discrimination for cross-border voting services.
- Delete the Member State option that limits disclosure of voting results.

Shareholder rights at the AGM

- Harmonise the right to submit shareholder resolutions, including advisory resolutions, and reduce the maximum threshold to 1% of issued capital.
- Clarify that shareholders have the right to submit questions in advance of the meeting and must receive substantive answers before or during the AGM.
- Establish hybrid AGM as the default format; restrict virtual-only AGMs to genuine crisis situations.
- Introduce an annual advisory AGM vote on the CSRD sustainability report.

- Introduce a mandatory shareholder vote on major transformative transactions.

Executive remuneration
- Delete the Member State option to make the remuneration policy vote advisory; make the binding vote universal.
- Introduce a supermajority threshold for adoption of remuneration policies.
- Strengthen the practical consequences of a negative vote on the remuneration report.
- Introduce guidelines for the content and presentation of remuneration reports.

Minority shareholder protection
- Introduce a majority-of-minority approval requirement for strategically significant, controller-driven related-party transactions.
- Strengthen the independence requirements for the fairness assessment of related-party transactions and make the assessment mandatory.
- Harmonise minority shareholder protections in companies with MVS structures outside the scope of the MVS Directive.

Shareholder identification and engagement
- Introduce a universal right to identify all shareholders.
- Address the gap in shareholder identification obligations for non-EU intermediaries.

Asset owner transparency
- Leave room for different shareholder engagement approaches.
- Minimum information and format requirements could aid comparability.
- A European stewardship code should not replace national codes.

Proxy Advisors
- Require proxy advisors to share relevant info with the issuer, free of charge.
- Strengthen disclosure requirements for proxy advisors regarding conflicts of interest, dialogue with issuers, and circumstances in which recommendations are revised.
- Address conflicts of interest arising from proxy advisors providing ESG advisory services to issuers.