

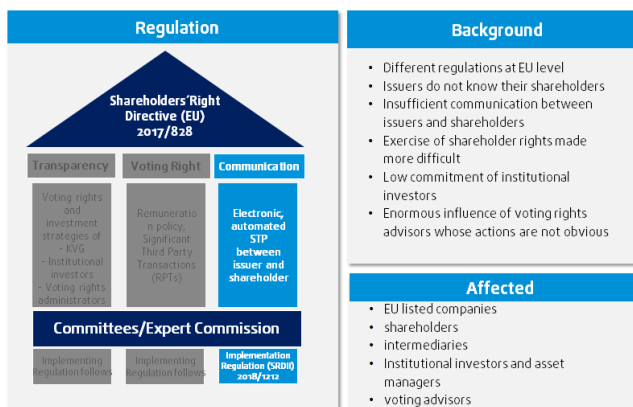


# Shareholders' Rights Directive - Strengthening the shareholders' rights

Transparency requirements and objectives of Directive 2007/36 / EC on the exercise of certain rights of shareholders in listed companies

## What is the goal of the Shareholders' Rights Directive?

The Shareholder Rights Directive pursues the overall objective of strengthening and expanding the shareholder's direct participation rights. The prerequisite for an efficient participation of the shareholder is an automated, as far as possible electronic bilateral communication between issuers (eg invitation to the AGM, communication of capital measures, etc.), and the shareholder (participation in the AGM, communication of decisions of capital measures).



The shareholders' participation rights will be extended by the obligation to pass a resolution at the Annual General Meeting (AGM) on the remuneration policy to be published for the Executive Board and Supervisory Board, the annual remuneration report and the material Related Party Transactions (RPTs).

In the future if the shareholder participates only indirectly via an institutional investor (insurance or retirement provision) or an

investment management company, they are obliged to publish information on their investment strategies and their participation policy. If these companies or shareholders transfer their voting rights to a voting manager, they are obliged to submit to a code of conduct based on the principle of "comply or explain" and to grant greater transparency in methodology and working methods.

## Strategic challenges for custodians

With the requirement of an automated, straight-through process (STP) as automated as possible, the expansion of the circle of relevant actors on the one hand and the volume of required data on the other require new processes and thus new responsibilities. This analysis must be done across all business units and areas of the bank.

Closely linked to this is the analysis of whether this is possible with the existing system landscape, or whether new technologically communication channels (internal and external) need to be created. Of critical importance is the time factor and the processing speed of the information in accordance with the very tight compliance information deadlines in communication with the shareholder. For this reason, a parallel digitalization of communication with the issuer, the shareholders, the institutional investors, the capital collection agencies and the voting rights administrators is necessary.

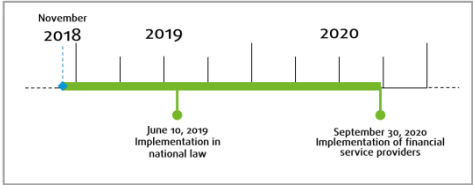
And finally, the expansion of implementation at EU level necessitates an analysis of the extent to which there are effects on communication channels within Europe. It is to be expected that, analogous to the implementation of regulation (EU) 2018/1212, the essential aspects will be gradually concretized by regulation and provided with timelines for implementation in the coming years.

## Content and Timelines of the EU Implementing Regulation 2018/1212 on the Shareholders' Rights Directive

	<b>Identification of shareholders</b>	<ul style="list-style-type: none"> <li>In order to facilitate direct communication between the issuer and the shareholder, it is necessary that the issuers know their shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>Therefore, all EU-based companies will have the right to request information about their shareholders from intermediaries..</li> </ul>
	<b>Transmission of information</b>	<ul style="list-style-type: none"> <li>Intermediaries are obliged to comply in a timely and standardized manner with identification requests from issuers or an appointed third party or to forward these in a timely manner to subsequent intermediaries.</li> </ul>	<ul style="list-style-type: none"> <li>Intermediaries must ensure that all relevant information is provided to the shareholder in a timely manner so that the resulting rights can be exercised in a timely manner.</li> </ul>
	<b>Exercise of shareholder rights</b>	<ul style="list-style-type: none"> <li>Intermediaries must take precautions so that shareholders themselves or a third party appointed by them can exercise their rights.</li> </ul>	<ul style="list-style-type: none"> <li>At the shareholder's request, confirmation must be provided that his or her name has been effectively recorded and counted.</li> </ul>

In a first step, the implementing regulation will set out minimum requirements for uniform formats with regard to the identification of shareholders, the transmission of information to shareholders and the facilitation of the

exercise of shareholder rights. Communication between issuers, custodians and other interested parties should, as far as possible, take place in electronic and machine-readable form in order to enable inter-European interoperability and fully automated settlement. The Regulation must be transposed into national law by 10 June 2019 at the latest and will become legally binding throughout the EU from 3 September 2020.



### Operational challenges of the implementing regulation

In the Annex to the Implementing Regulation, the substantive and formal requirements for information at least required for communication between the issuer and the shareholder (e.g. AGM process) are specifically defined down to the field level. The challenge within the bank will be to aggregate the necessary data from the various internal systems and to identify possible missing information and to obtain it from external sources. The legislator quite deliberately leaves market participants to define their own standards for data transmission and deadlines. It merely requires that they are based on an ISO standard or similar industry standards. Since these must be coordinated across the EU, the complexity and thus the effort to create a uniform standard increase. This complicates holistic strategic planning. In addition, for the central actors (issuer and shareholder) who do not have the appropriate infrastructure, electronic communication platforms need to be created and linked to enable a consistent bilateral STP from the issuer to the shareholder along the securities depository chain.

## Why the NEXGEN Business Consultants?

### Analysis and inventory

Based on many years of experience in regulatory requirements and in-depth knowledge, we have developed an analysis methodology that enables us to efficiently meet new requirements and optimize our products. In addition, we have a wide range of expertise in European reporting requirements and in-depth settlement and product experience.

### Project management and controlling

We place our customers at the center of our activities and processes through our efficient, fast and solution-oriented action. Here we pay attention to the professionalism and consistency in project implementation. Successfully completed projects and targeted further education (certification) are our basis for structured and transparent control and successful completion of projects.

### High quality and sustainability

Today's and tomorrow's market developments require sustainable expertise, continuous readiness to change as well as professional sales and service from all concerned. For this reason, we strive to achieve the highest level of service quality and therefore sustainable customer satisfaction based on our management system and the quality standards it contains.

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