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**INFORMATION NOTE**

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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council  
Subject: Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement  
- Outcome of the European Parliament's first reading  
(Strasbourg, 13 to 16 March 2017)

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In accordance with the provisions of Article 294 of the TFEU and the joint declaration on practical arrangements for the codecision procedure <sup>1</sup>, a number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this dossier at first reading, thereby avoiding the need for second reading and conciliation.

In this context, the rapporteur, Mr Sergio COFFERATI (S&D, IT) presented one compromise amendment (amendment 32) to the proposal for Directive, on behalf of the Committee on Legal Affairs. This amendment had been agreed during the informal contacts referred to above.

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<sup>1</sup> OJ C 145, 30.6.2007, p.5

## II. VOTE

When it voted on 14 March 2017, the plenary adopted this amendment (amendment 32) to the proposal for a Directive.

The Commission proposal as thus amended and the legislative resolution constitute the Parliament's first-reading position<sup>2</sup>, it reflects what had been previously agreed between the institutions. The Council should therefore be in a position to approve the Parliament's position.

The act would then be adopted in the wording which corresponds to the Parliament's position.

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<sup>2</sup> The text of the amendment adopted and the European Parliament's legislative resolution are set out in the Annex. The amendment is presented in the form of a consolidated text, where changes to the Commission's proposal are highlighted in ***bold and italics***. The symbol "█" indicates deleted text.

**Long-term shareholder engagement and corporate governance statement \*\*\*I**

**European Parliament legislative resolution of 14 March 2017 on the proposal for a directive of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement and Directive 2013/34/EU as regards certain elements of the corporate governance statement (COM(2014)0213 – C7-0147/2014 – 2014/0121(COD))**

**(Ordinary legislative procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2014)0213),
  - having regard to Article 294(2) and Articles 50 and 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0147/2014),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Economic and Social Committee of 9 July 2014<sup>3</sup>,
  - having regard to the provisional agreement approved by the responsible committee under Rule 69f(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 16 December 2016 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
  - having regard to Rule 59 of its Rules of Procedure,
  - having regard to the report of the Committee on Legal Affairs and the opinion of the Committee on Economic and Monetary Affairs (A8-0158/2015),
1. Adopts its position at first reading hereinafter set out<sup>4</sup>;

<sup>3</sup> OJ C 451, 16.12.2014, p. 87.

<sup>4</sup> This position replaces the amendments adopted on 8 July 2015 (Texts adopted, P8\_TA(2015)0257).

2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

**Position of the European Parliament adopted at first reading on 14 March 2017 with a view to  
the adoption of Directive (EU) 2017/... of the European Parliament and of the Council  
amending Directive 2007/36/EC as regards the encouragement of long-term shareholder  
engagement**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 50 and 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>5</sup>,

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Acting in accordance with the ordinary legislative procedure<sup>6</sup>,

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<sup>5</sup> OJ C 451, 16.12.2014, p. 187.

<sup>6</sup> Position of the European Parliament of 14 March 2017.

Whereas:

- (1) Directive 2007/36/EC of the European Parliament and of the Council<sup>7</sup> establishes requirements in relation to the exercise of certain shareholder rights *attached* to voting shares in relation to general meetings of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.
- (2) The financial crisis has revealed that shareholders in many cases supported managers' excessive short-term risk taking. Moreover, there is clear evidence that the current level of "monitoring" of investee companies and engagement by institutional investors and asset managers is *often* inadequate *and focuses too much on short-term returns*, which may lead to suboptimal corporate governance and performance.
- (3) In its *communication of 12 December 2012 entitled* "Action Plan: European company law and corporate governance - a modern legal framework for more engaged shareholders and sustainable companies", the Commission announced a number of actions in the area of corporate governance, in particular to encourage long-term shareholder engagement and to enhance transparency between companies and investors.

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<sup>7</sup> Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies (OJ L 184, 14.7.2007, p. 17).

- (4) *Shares of listed companies are often held through complex chains of intermediaries which render the exercise of shareholder rights more difficult and may act as an obstacle to shareholder engagement. Companies are often unable to identify their shareholders. The identification of shareholders is a prerequisite to direct communication between the shareholders and the company and therefore essential to facilitating the exercise of shareholder rights and shareholder engagement. This is particularly relevant in cross-border situations and when using electronic means. Listed companies should therefore have the right to identify their shareholders in order to be able to communicate with them directly. Intermediaries should be required, upon the request of the company, to communicate to the company the information regarding shareholder identity. However, Member States should be allowed to exclude from the identification requirement shareholders holding only a small number of shares.*

- (5) *In order to achieve that objective, a certain level of information on shareholder identity needs to be transmitted to the company. That information should include at least the name and contact details of the shareholder and, where the shareholder is a legal person, its registration number or, if not available, a unique identifier, such as the Legal Entity Identifier (LEI code), and the number of shares held by the shareholder as well as, if requested by the company, the categories or classes of shares held and their date of acquisition. The transmission of less information would be insufficient to allow the company to identify its shareholders in order to communicate with them.*
- (6) *Under this Directive, the personal data of shareholders should be processed to enable the company to identify its existing shareholders in order to communicate directly with them, with a view to facilitating the exercise of shareholder rights and shareholder engagement with the company. This is without prejudice to Member State law providing for processing of the personal data of shareholders for other purposes, such as to enable shareholders to cooperate with each other.*

(7) *In order to enable the company to communicate directly with its existing shareholders with a view to facilitating the exercise of shareholder rights and shareholder engagement, the company and the intermediaries should be allowed to store personal data relating to the shareholders for as long as they remain shareholders. However, companies and intermediaries are often not aware that a person has ceased to be a shareholder unless they have been informed by the person or have obtained that information through a new shareholder identification exercise, which often takes place only once a year in relation to the annual general meeting or other important events such as takeover bids or mergers. Companies and intermediaries should therefore be allowed to store personal data until the date on which they have become aware of the fact that a person has ceased to be a shareholder and for a maximum period of 12 months after becoming aware of that fact. This is without prejudice to the fact that the company or intermediary may need to store the personal data of persons who have ceased to be shareholders for other purposes, such as ensuring adequate records for the purposes of keeping track of succession in title of the shares of a company, maintaining necessary records in respect of general meetings, including in relation to the validity of its resolutions, fulfilling by the company of its obligations in respect of the payment of dividends or interests relating to shares or any other sums to be paid to former shareholders.*

- (8) The effective exercise of shareholder rights depends to a large extent on the efficiency of the chain of intermediaries maintaining securities accounts *on behalf of shareholders or of other persons*, especially in a cross-border context. *In the chain of intermediaries, especially when the chain involves many intermediaries, information is not always passed from the company to its shareholders and shareholders' votes are not always correctly transmitted to the company.* This Directive aims to improve the transmission of information along the *chain of intermediaries* to facilitate the exercise of shareholder rights.
- (9) In view of their important role, intermediaries should be obliged to facilitate the exercise of rights by *shareholders, whether shareholders* exercise those rights *themselves* or nominate a third person to do so. When *shareholders do* not want to exercise the rights *themselves* and *have* nominated the intermediary to do so, the latter should █ exercise those rights upon the explicit authorisation and instruction of the *shareholders* and for *their* benefit.
- (10) *It is important to ensure that shareholders who engage with an investee company by voting know whether their votes have been correctly taken into account. Confirmation of receipt of votes should be provided in the case of electronic voting. In addition, each shareholder who casts a vote in a general meeting should at least have the possibility to verify after the general meeting whether the vote has been validly recorded and counted by the company.*

- (11) In order to promote equity investment throughout the Union and to *facilitate* the exercise of rights related to shares, this Directive should *establish a high degree of transparency with regard to charges, including prices and fees, for the services provided by intermediaries. Discrimination between the charges levied for the exercise of shareholder rights domestically and on a cross-border basis is a deterrent to cross-border investment and the efficient functioning of the internal market and should be prohibited. Any differences between the charges levied for domestic and cross-border exercise of shareholder rights should be allowed only if they are duly justified and reflect the variation in actual costs incurred for delivering the services by intermediaries.*
- (12) *The chain of intermediaries may include intermediaries that have neither their registered office nor their head office in the Union. Nevertheless, the activities carried out by third-country intermediaries could have effects on the long-term sustainability of Union companies and on corporate governance in the Union. Moreover, in order to achieve the objectives pursued by this Directive, it is necessary to ensure that information is transmitted throughout the chain of intermediaries. If third-country intermediaries were not subject to this Directive and did not have the same obligations relating to the transmission of information as Union intermediaries, the flow of information would risk being interrupted. Third-country intermediaries which provide services with respect to shares of companies that have their registered office in the Union and the shares of which are admitted to trading on a regulated market situated or operating within the Union should therefore be subject to the rules on shareholder identification, transmission of information, facilitation of shareholder rights, and transparency and non-discrimination of costs to ensure the effective application of the provisions on shares held via such intermediaries.*

- (13) *This Directive is without prejudice to national law regulating the holding and ownership of securities and arrangements maintaining the integrity of securities and does not affect the beneficial owners or other persons who are not the shareholders under the applicable national law.*
- (14) Effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model of listed companies, which depends on checks and balances between the different organs and different stakeholders. *Greater involvement of shareholders in corporate governance is one of the levers that can help improve the financial and non-financial performance of companies, including as regards environmental, social and governance factors, in particular as referred to in the Principles for Responsible Investment, supported by the United Nations. In addition, greater involvement of all stakeholders, in particular employees, in corporate governance is an important factor in ensuring a more long-term approach by listed companies that needs to be encouraged and taken into consideration.*

- (15) Institutional investors and asset managers are *often* important shareholders of listed companies in the Union and can therefore play an important role in the corporate governance of those companies, but also more generally with regard to their strategy and long-term performance. However, the experience of the last years has shown that institutional investors and asset managers often do not engage with companies in which they hold shares and evidence shows that capital markets *often* exert pressure on companies to perform in the short term, which may *jeopardise the long-term financial and non-financial performance of companies and may, among other negative consequences,* lead to a suboptimal level of investments, for example in research and development, to the detriment *of the* long-term performance of both the companies and the investors.
- (16) Institutional investors and asset managers are often not transparent about *their* investment strategies, their engagement policy and the implementation thereof. Public disclosure of such information could have a positive impact on investor awareness, enable ultimate beneficiaries such as future pensioners optimise investment decisions, facilitate the dialogue between companies and their shareholders, encourage shareholder engagement and strengthen *their* accountability to *stakeholders and* civil society.

- (17) Institutional investors and asset managers should therefore *be more transparent as regards their approach to shareholder engagement. They should either develop and publicly disclose* a policy on shareholder engagement *or explain why they have chosen not to do so. The policy on shareholder engagement should describe* how *institutional investors and asset managers* integrate shareholder engagement in their investment strategy, *which different engagement activities they choose to carry out and how they do so. The* engagement policy should *also* include policies to manage actual or potential conflicts of interests, *in particular situations in which the institutional investors or asset managers or their affiliated undertakings have significant business relationships with the investee company.* The *engagement policy or the explanation* should be publicly *available online.*
- (18) *Institutional investors and asset managers should publicly disclose information about the implementation of their engagement policy and in particular how they have exercised their voting rights. However, with a view to reducing the possible administrative burden, investors should be able to decide not to publish every vote cast if the vote is considered to be insignificant due to the subject matter of the vote or to the size of the holding in the company. Such insignificant votes may include votes cast on purely procedural matters or votes cast in companies where the investor has a very minor stake compared to the investor's holdings in other investee companies. Investors should set their own criteria regarding which votes are insignificant on the basis of the subject matter of the vote or the size of the holding in the company, and apply them consistently.*

(19) ***A medium to long-term approach is a key enabler of responsible stewardship of assets.***

The institutional investors should ***therefore*** disclose to the public, annually, information explaining how the ***main elements*** of their equity investment strategy are ***consistent with the profile and duration*** of their liabilities and how those elements contribute to the medium to long-term performance of their assets. Where they make use of asset managers, either through discretionary mandates involving the management of assets on an individual basis or through pooled funds, ***institutional investors*** should disclose to the public ***certain key elements*** of the arrangement with the asset manager, ***in particular how it incentivises the asset manager to align its investment strategy and decisions with the profile and duration of the liabilities of the institutional investor, in particular long-term liabilities, how it evaluates the asset managers' performance, including its remuneration, how it monitors portfolio turnover costs incurred by the asset manager and how it incentivises the asset manager to engage in the best medium to long-term interest of the institutional investor.*** This would contribute to a proper alignment of interests between the final beneficiaries of institutional investors, the asset managers and the investee companies and potentially to the development of longer-term investment strategies and longer-term relationships with investee companies involving shareholder engagement.

- (20) Asset managers should *give information to the institutional investor that is sufficient to allow the latter to assess whether and how the manager acts in the best long-term interests of the investor and whether the asset manager pursues a strategy that provides for efficient shareholder engagement. In principle, the relationship between the asset manager and the institutional investor is a matter for bilateral contractual arrangements. However, although big institutional investors may be able to request detailed reporting from the asset manager, especially if the assets are managed on the basis of a discretionary mandate, for smaller and less sophisticated institutional investors it is crucial to set a minimum set of legal requirements, so that they can properly assess, and hold to account, the asset manager. Therefore, asset managers should* be required to disclose to institutional investors how their investment strategy and the implementation thereof *contribute* to the medium to long-term performance of the assets of the institutional investor *or of the fund. That disclosure should cover reporting on the key material medium to long-term risks associated with the portfolio investments, including corporate governance matters and other medium to long-term risks. That information is key to allowing the institutional investor to assess whether the asset manager carries out a medium to long-term analysis of the equity and the portfolio which is a key enabler of efficient shareholder engagement. As those medium to long-term risks will impact the returns of the investors, more effective integration of those matters into investment processes may be crucial for institutional investors.*

(21) Moreover, *asset managers* should disclose *to institutional investors the composition, turnover and turnover costs of their portfolio as well as their policy on securities lending.* *The level of portfolio turnover is a significant indicator of whether an asset manager's processes are fully aligned with the identified strategy and interests of the institutional investor and indicates whether the asset manager holds equities for a period of time that enables it to engage with the company in an effective way. High portfolio turnover may be an indicator of a lack of conviction in investment decisions and momentum-following behaviour, neither of which is likely to be in the institutional investor's best long-term interests, especially as an increase in turnover raises the costs faced by the investor and can influence systemic risk. On the other hand, unexpectedly low turnover may signal inattention to risk management or a drift towards a more passive investment approach. Securities lending can cause controversy in the area of shareholder engagement under which the investors' shares are in effect sold, subject to a buyback right. Sold shares have to be recalled for engagement purposes, including voting at the general meeting. It is therefore important that the asset manager reports on its policy on securities lending and how it is applied to fulfil its engagement activities, particularly at the time of the general meeting of the investee company.*

- (22) *The asset manager should also inform the institutional investor whether and, if so, how the asset manager makes investment decisions on the basis of an evaluation of the medium to long-term performance of the investee company, including its non-financial performance. Such information is particularly useful to indicate whether the asset manager adopts a long-term oriented and active approach to asset management and takes social, environmental and governance matters into account.*
- (23) *The asset manager should provide proper information to the institutional investor on whether and, if so, which conflicts of interests have arisen in connection with engagement activities and how the asset manager has dealt with them. For example, conflicts of interests may prevent the asset manager from voting or from engaging at all. All such situations should be disclosed to the institutional investor.*
- (24) *Member States should be allowed to provide that where the assets of an institutional investor are not managed on an individual basis but are pooled together with assets of other investors and managed via a fund, information should also be provided to other investors at least upon request, in order to allow that all the other investors of the same fund are able to receive that information if they so wish.*

- (25) *Many institutional investors and asset managers use the services of proxy advisors who provide research, advice and recommendations on how to vote in general meetings of listed companies. While proxy advisors play an important role in corporate governance by contributing to reducing the costs of the analysis related to company information, they may also have an important influence on the voting behaviour of investors. In particular, investors with highly diversified portfolios and many foreign shareholdings rely more on proxy recommendations.*
- (26) *In view of their importance, proxy advisors should be subject to transparency requirements. Member States should ensure that proxy advisors that are subject to a code of conduct effectively report on their application of that code. They should also disclose certain key information relating to the preparation of their research, advice and voting recommendations and any actual or potential conflicts of interests or business relationships that may influence the preparation of the research, advice and voting recommendations. That information should remain publicly available for a period of at least three years in order to allow institutional investors to choose the services of proxy advisors taking into account their performance in the past.*
- (27) *Third-country proxy advisors which have neither their registered office nor their head office in the Union may provide analysis with respect to Union companies. In order to ensure a level playing field between Union and third-country proxy advisors, this Directive should also apply to third-country proxy advisors which carry out their activities through an establishment in the Union, regardless of the form of that establishment.*

- (28) *Directors contribute to the long-term success of the company. The form and structure of directors' remuneration are matters primarily falling within the competence of the company, its relevant boards, shareholders and, where applicable, employee representatives. It is therefore important to respect the diversity of corporate governance systems within the Union, which reflect different Member States' views about the roles of companies and of bodies responsible for the determination of the remuneration policy and of the remuneration of individual directors.* Since remuneration is one of the key instruments for companies to align their interests and those of their directors and in view of the crucial role of directors in companies, it is important that the remuneration policy of companies is determined in an appropriate manner *by competent bodies within the company* and *that* shareholders [ ] have the possibility to *express their views regarding* the remuneration policy of the company.
- (29) In order to ensure that shareholders have an effective say on remuneration policy, they should be granted the right to *hold a binding or advisory vote on* the remuneration policy, on the basis of a clear, understandable and comprehensive overview of the company's remuneration policy. *The remuneration policy* should *contribute to* the business strategy, [ ] long-term interests *and sustainability* of the company and should *not be linked entirely or mainly to short-term objectives. Directors' performance should be assessed using both financial and non-financial performance criteria, including, where appropriate, environmental, social and governance factors. The remuneration policy should describe the different components of directors' pay and the range of their relative proportions. It can be designed as a frame within which the pay of directors is to be held.* The [ ] remuneration policy should be publicly disclosed without delay *after the vote by the shareholders at the general meeting.*

- (30) *In exceptional circumstances, companies may need to derogate from certain rules in the remuneration policy such as criteria for fixed or variable remuneration. Therefore, Member States should be able to allow companies to apply such temporary derogation to the applicable remuneration policy if they specify in their remuneration policy how it would be applied in certain exceptional circumstances. Exceptional circumstances should only cover situations where the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or assure its viability. The remuneration report should include information on remuneration awarded under such exceptional circumstances.*
- (31) To ensure that the implementation of the remuneration policy is in line with that **█** policy, shareholders should be granted the right to vote on the company's remuneration report. In order to ensure corporate **transparency, and** accountability of the directors, the remuneration report should be clear and understandable and should provide a comprehensive overview of the remuneration of individual directors during the most recent financial year. Where the shareholders vote against the remuneration report, the company should explain, in the following remuneration report, how the vote of the shareholders was taken into account. *However, for small and medium-sized companies, Member States should be able to provide, as an alternative to the vote on the remuneration report, for the remuneration report to be submitted to shareholders only for discussion in the annual general meeting as a separate item of the agenda. If a Member State uses this possibility, the company should explain, in the following remuneration report, in what manner the discussion at the general meeting was taken into account.*

- (32) In order to provide shareholders with easy access to the remuneration report, *and to enable potential investors and stakeholders to be informed of directors' remuneration*, the remuneration report should be *published on the company's website. This should be without prejudice to the possibility of Member States to also require the publication of the report by other means, for example as part of the corporate governance statement or management report.*
- (33) *The disclosure of individual directors' remuneration and the publication of the remuneration report are intended to provide increased corporate transparency and increased accountability of directors, as well as better shareholder oversight over directors' remuneration. This creates a necessary prerequisite for the exercise of shareholder rights and shareholder engagement in relation to remuneration. In particular, the disclosure of such information to shareholders is necessary to enable them to assess directors' remuneration and to express their views on the modalities and level of directors' pay as well as on the link between pay and performance of each individual director, in order to remedy potential situations in which the amount of remuneration of a director is not justified on the basis of his or her individual performance and the performance of the company. Publication of the remuneration report is necessary in order to enable not only shareholders, but also potential investors and stakeholders to assess directors' remuneration, to what extent that remuneration is linked to the performance of the company and how the company implements its remuneration policy in practice. The disclosure and publication of anonymised remuneration reports would not allow the achievement of those objectives.*

- (34) *In order to increase corporate transparency, and the accountability of directors, and to enable shareholders, potential investors and stakeholders to obtain a full and reliable picture of the remuneration of each director, it is of particular importance that every element and total amount of remuneration are disclosed.*
- (35) *In particular, in order to prevent the circumvention of the requirements laid down by this Directive by the company, to avoid any conflicts of interests and to ensure loyalty of the directors to the company, it is necessary to provide for the disclosure and the publication of the remuneration awarded or due to individual directors not only from the company itself, but also from any undertaking belonging to the same group. If remuneration awarded or due to individual directors by undertakings belonging to the same group as the company were excluded from the remuneration report, there would be a risk that companies try to circumvent the requirements laid down by this Directive by providing directors with hidden remuneration via a controlled undertaking. In such a case, shareholders would not have a full and reliable picture of the remuneration granted to the directors by the company and the objectives pursued by this Directive would not be achieved.*

- (36) *In order to provide a complete overview of the directors' remuneration, the remuneration report should also disclose, where applicable, the amount of remuneration granted on the basis of the family situation of individual directors. The remuneration report should therefore also cover, where applicable, remuneration components such as family or child allowance. However, because personal data which refer to the family situation of individual directors or special categories of personal data within the meaning of Regulation (EU) 2016/679 of the European Parliament and of the Council<sup>8</sup> are particularly sensitive and require specific protection, the report should disclose only the amount of the remuneration and not the ground on which it was granted.*
- (37) *Under this Directive, personal data included in the remuneration report should be processed for the purposes of increasing corporate transparency as regards directors' remuneration with the view to enhancing directors' accountability and shareholder oversight over directors' remuneration. This is without prejudice to Member State law providing for the processing of the personal data of directors for other purposes.*

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<sup>8</sup> *Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).*

- (38) *It is essential to assess the remuneration and the performance of directors not only annually but also over an appropriate time period to enable shareholders, potential investors and stakeholders to assess properly whether the remuneration rewards long-term performance and to measure the middle-to long-term evolution in directors' performance and remuneration, in particular in relation to company performance. In many cases, it is possible only after several years to evaluate whether the remuneration granted was in line with the long-term interests of the company. In particular the granting of long-term incentives may cover periods of up to seven to ten years and may be combined with deferral periods of several years.*
- (39) *It is also important to be able to assess the remuneration of a director over the entire period of his or her directorship on a particular company's board. In the Union, directors remain on a company board for a period of six years on average, although in some Member States that period exceeds eight years.*

- (40) *In order to limit interference with the directors' rights to privacy and to the protection of their personal data, public disclosure by companies of directors' personal data included in the remuneration report should be limited to 10 years. That period is also consistent with other periods laid down by Union law related to the public disclosure of corporate governance documents. For example, under Article 4 of Directive 2004/109/EC of the European Parliament and the Council<sup>9</sup>, the management report and the corporate governance statements must remain publicly available as part of the annual financial report for at least 10 years. There is a clear interest in having various types of corporate governance reports, including the remuneration report, available for 10 years, so as to provide the overall state of a company to shareholders and stakeholders.*

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Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (OJ L 390, 31.12.2004, p. 38).

(41) *At the end of the 10-year period, the company should remove any personal data from the remuneration report or cease to publicly disclose the remuneration report as a whole. Following this period access to such personal data could be necessary for other purposes, such as exercise of legal actions. The provisions on remuneration should be without prejudice to the full exercise of fundamental rights guaranteed by the Treaties, in particular Article 153(5) of the Treaty on the Functioning of the European Union, general principles of national contract and labour law, Union and national law regarding involvement and the general responsibilities of the administrative, management and supervisory bodies of the company concerned, and the rights, where applicable, of the social partners to conclude and enforce collective agreements, in accordance with national law and customs. The provisions on remuneration should also, where applicable, be without prejudice to national law on the representation of employees in the administrative, management or supervisory body.*

- (42) Transactions with related parties may cause prejudice to companies and their shareholders, as they may give the related party the opportunity to appropriate value belonging to the company. Thus, adequate safeguards for the protection of *companies' and* shareholders' interests are of importance. For this reason Member States should ensure that *material* related party transactions [ ] are submitted to *approval* by the shareholders *or by the administrative or supervisory body according to procedures that prevent the related party from taking advantage of its position and provide adequate protection for the interests of the company and of the shareholders who are not a related party, including minority shareholders.*
- (43) Where the related party transaction involves a *director or a* shareholder, this *director or* shareholder should *not take part in the approval or the vote. However, Member States should have the possibility to allow the shareholder who is a related party to take part in the vote provided that national law foresees appropriate safeguards in relation to the voting process to protect the interests of companies and of the shareholders who are not a related party, including minority shareholders, such as for example a higher majority threshold for the approval of transactions.*

- (44) ***Companies** should publicly announce **material** transactions **no later than** at the time of the conclusion of the transaction, *identifying the related party, the date and the value of the transaction and any other information that is necessary to assess the fairness of the transaction. Public disclosure of such transaction, for example on company's website or by easily available means, is needed in order to allow shareholders, creditors, employees and other interested parties to be informed of potential impacts that such transactions may have on the value of the company. The precise identification of the related party is necessary to better assess the risks implied by the transaction and to enable challenges to the transaction, including by means of legal action.**
- (45) *This Directive sets up transparency requirements for companies, institutional investors, asset managers and proxy advisors. Those transparency requirements are not intended to require companies, institutional investors, asset managers and proxy advisors to disclose to the public certain specific pieces of information the disclosure of which would be seriously prejudicial to their business position or, where they are not undertakings with a commercial purpose, to the interest of their members or beneficiaries. Such non-disclosure should not undermine the objectives of the disclosure requirements laid down in this Directive.*

- (46) In order to ensure uniform conditions for the implementation of the provisions on shareholder identification, transmission of information ***and*** facilitation of the exercise of shareholder rights ***[ ]***, implementing powers should be conferred on the Commission. ***Those*** powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>10</sup>.
- (47) *In particular, the Commission implementing acts should specify the minimum standardisation requirements as regards formats to be used and deadlines to be complied with. Empowering the Commission to adopt implementing acts allows those requirements to be kept up to date with market and supervisory developments and to prevent diverging implementation of the provisions across Member States. Such diverging implementation could result in the adoption of incompatible national standards, increasing the risks and costs of cross-border operations and thus jeopardising their effectiveness and efficiency and resulting in additional burdens for intermediaries.*

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<sup>10</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (48) *In exercising its implementing powers in accordance with this Directive, the Commission should take into account the relevant market developments and, in particular, existing self-regulatory initiatives such as, for example, Market Standards for Corporate Actions Processing and Market Standards for General Meetings, and should encourage the use of modern technologies in communication between companies and their shareholders, including through intermediaries and, where appropriate, other market participants.*
- (49) *In order to ensure a more comparable and consistent presentation of the remuneration report, the Commission should adopt guidelines to specify its standardised presentation. Existing Member State practices as regards the presentation of the information included in the remuneration report are very different and, as a result, they provide an uneven level of transparency and protection for shareholders and investors. The result of the divergence of practices is that shareholders and investors are, in particular in the case of cross-border investments, subject to difficulties and costs when they want to understand and monitor the implementation of the remuneration policy and engage with the company on that specific issue. The Commission should consult Member States, as appropriate, before adopting its guidelines.*
- (50) In order to ensure that the requirements set out in this Directive or the measures implementing this Directive are applied in practice, any infringement of those requirements should be subject to penalties. To that end, penalties should be sufficiently dissuasive and proportionate.

- (51) Since the objectives of this Directive cannot be sufficiently achieved by the Member States in view of the international nature of the Union equity market and action by Member States alone is likely to result in different sets of rules, which may undermine or create new obstacles to the functioning of the internal market, but can rather, by reason of their scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Directive does not go beyond what is necessary in order to achieve those objectives.
- (52) *This Directive should be applied in compliance with Union data protection law and the protection of privacy as enshrined in the Charter of Fundamental Rights of the European Union. Any processing of the personal data of natural persons under this Directive should be undertaken in accordance with Regulation (EU) 2016/679. In particular, data should be kept accurate and up to date, the data subject should be duly informed about the processing of personal data in accordance with this Directive and the data subject should have a right of rectification of incomplete or inaccurate data as well as right to erasure of personal data. Moreover, any transmission of information regarding shareholder identity to third-country intermediaries should comply with the requirements laid down in Regulation (EU) 2016/679.*

- (53) *Personal data under this Directive should be processed for the specific purposes set out in this Directive. The processing of those personal data for purposes other than the initial purposes for which they were collected should be in accordance with Regulation (EU) 2016/679.*
- (54) *This Directive is without prejudice to the provisions laid down in any sector-specific Union legislative act regulating specific types of company or specific types of entity, such as credit institutions, investments firms, asset managers, insurance companies and pension funds. The provisions of any sector-specific Union legislative act should be considered to be lex specialis in relation to this Directive and should prevail over this Directive to the extent that the requirements provided by this Directive contradict the requirements laid down in any sector-specific Union legislative act. However, the specific provisions of a sector-specific Union legislative act should not be interpreted in a way that undermines the effective application of this Directive or the achievement of its general aim. The mere existence of specific Union rules in a particular sector should not exclude the application of this Directive. Where this Directive provides for more specific provisions or adds requirements to the provisions laid down in any sector-specific Union legislative act, the provisions laid down by any sector-specific Union legislative act should be applied in conjunction with those of this Directive.*

- (55) *This Directive does not prevent Member States from adopting or maintaining in force more stringent provisions in the field covered by this Directive to further facilitate the exercise of shareholder rights, to encourage shareholder engagement and to protect the interests of minority shareholders, as well as to fulfil other purposes such as the safety and soundness of credit and financial institutions. Such provisions should not, however, hamper the effective application of this Directive or the achievement of its objectives, and should, in any event, comply with the rules laid down in the Treaties.*
- (56) In accordance with the Joint Political Declaration of Member States and the Commission of 28 September 2011 on explanatory documents<sup>11</sup>, Member States have undertaken to accompany, in justified cases, the notification of their transposition measures with one or more documents explaining the relationship between the components of a directive and the corresponding parts of national transposition instruments. With regard to this Directive, the legislator considers the transmission of such documents to be justified.
- (57) *The European Data Protection Supervisor was consulted in accordance with Article 28(2) of Regulation (EC) No 45/2001 of the European Parliament and of the Council<sup>12</sup> and delivered an opinion on 24 October 2014<sup>13</sup>,*

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<sup>11</sup> OJ C 369, 17.12.2011, p. 14.

<sup>12</sup> *Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).*

<sup>13</sup> OJ C 417, 21.11.2014, p. 8.

HAVE ADOPTED THIS DIRECTIVE:

Article 1

Amendments to Directive 2007/36/EC

Directive 2007/36/EC is amended as follows:

(1) Article 1 is amended as follows:

(a) paragraphs 1 and 2 are replaced by the following:

- “1. This Directive establishes requirements in relation to the exercise of certain shareholder rights attached to voting shares in relation to general meetings of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State. It also establishes *specific* requirements *in order to encourage shareholder engagement, in particular in the long term. Those specific requirements apply in relation to identification of shareholders, transmission of information, facilitation of exercise of shareholders rights, transparency of institutional investors, asset managers and proxy advisors, remuneration of directors and related party transactions.*
2. The Member State competent to regulate matters covered in this Directive shall be the Member State in which the company has its registered office, and references to the ‘applicable law’ are references to the law of that Member State.

*For the purpose of application of Chapter Ib, the competent Member State shall be defined as follows:*

- (a) *for institutional investors and asset managers, the home Member State as defined in any applicable sector-specific Union legislative act;*
- (b) *for proxy advisors, the Member State in which the proxy advisor has its registered office, or, where the proxy advisor does not have its registered office in a Member State, the Member State in which the proxy advisor has its head office, or, where the proxy advisor has neither its registered office nor its head office in a Member State, the Member State in which the proxy advisor has an establishment.”;*

(b) in paragraph 3, points (a) and (b) are replaced by the following:

“(a) undertakings for collective investment in transferable securities (UCITS)

*within the meaning of Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council\**;

(b) *collective investment undertakings within the meaning of point (a) of Article 4(1) of Directive 2011/61/EU of the European Parliament and of the Council\*\*;*

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\* Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (OJ L 302, 17.11.2009, p. 32).

\*\* Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (OJ L 174, 1.7.2011, p. 1).”;

(c) the following paragraph is inserted:

“3a. *The companies referred to in paragraph 3 shall not be exempted from the provisions laid down in Chapter Ib.*.”;

(d) the following *paragraphs are* added:

“5. *Chapter Ia shall apply to intermediaries in so far they provide services to shareholders or other intermediaries with respect to shares of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.*

6. Chapter Ib shall apply to:

(a) institutional investors, to *the extent that they invest directly or through an asset manager in shares traded on a regulated market;*

(b) asset managers, to the extent that they invest *in such shares* on behalf of [ ] investors; *and*

(c) *proxy advisors, to the extent that they provide services to shareholders with respect to shares of companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State.*

7. *The provisions of this Directive are without prejudice to the provisions laid down in any sector-specific Union legislative act regulating specific types of company or specific types of entity. Where this Directive provides for more specific rules or adds requirements compared to the provisions laid down by any sector-specific Union legislative act, those provisions shall be applied in conjunction with the provisions of this Directive.”.*

(2) Article 2 is amended as follows:

(a) point (a) is replaced by the following:

“(a) ‘regulated market’ means a regulated market as defined in point (21) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council\*;

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\* Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (OJ L 173, 12.6.2014, p. 349).”;

**(b)** the following points are added:

“(d) ‘intermediary’ means a person, *such as an investment firm as defined in point (1) of Article 4(1) of Directive 2014/65/EU, a credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council\* and a central securities depository as defined in point (1) of Article 2(1) of Regulation (EU) No 909/2014 of the European Parliament and of the Council\*\**, which provides services of safekeeping of shares, administration of shares or maintenance of securities accounts *on behalf of shareholders or other persons*;

- (e) ‘institutional investor’ means:
- (i) an undertaking carrying out activities of life assurance within the meaning of *points (a), (b) and (c)* of Article 2(3) of Directive **2009/138/EC** of the European Parliament and of the Council\*\*\*, and of reinsurance *as defined in point (7) of Article 13 of that Directive provided that those activities cover life-insurance obligations, and which is not excluded pursuant to that Directive;*
  - (ii) an institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 of the European Parliament and of the Council\*\*\*\* in accordance with Article 2 thereof, unless a Member State has chosen not to apply that Directive in whole or in parts to that institution in accordance with Article 5 of that Directive;

(f) ‘asset manager’ means an investment firm as defined in point (1) of Article 4(1) of Directive **2014/65/EU** that provides portfolio management services to **█** investors, an AIFM (alternative investment fund manager) as defined in point (b) of Article 4(1) of Directive **2011/61/EU** that does not fulfil the conditions for an exemption in accordance with Article 3 of that Directive or a management company as defined in point (b) of Article 2(1) of Directive **2009/65/EC**, or an investment company that is authorised in accordance with Directive **2009/65/EC** provided that it has not designated a management company authorised under that Directive for its management;

**█**

(g) ‘proxy advisor’ means a legal person that *analyses*, on a professional *and commercial* basis, *the corporate disclosure and, where relevant, other information of listed companies with a view to informing investors' voting decisions by providing research, advice or voting recommendations* **█** *that relate to* the exercise of **█** voting rights;

**█**

(h) ‘related party’ has the same meaning as in the international accounting standards adopted in accordance with Regulation (EC) No **1606/2002** of the European Parliament and of the Council\*\*\*\*\*;

- (i) ‘*director*’ means:
- (i) *any member of the administrative, management or supervisory bodies of a company;*
  - (ii) *where they are not members of the administrative, management or supervisory bodies of a company, the chief executive officer and, if such function exists in a company, the deputy chief executive officer;*
  - (iii) *where so determined by a Member State, other persons who perform functions similar to those performed under point (i) or (ii);*

- (j) '*information regarding shareholder identity*' means *information allowing the identity of a shareholder to be established, including at least the following information:*
- (i) *name and contact details (including full address and, where available, e-mail address) of the shareholder, and, where it is a legal person, its registration number, or, if it is not available, its unique identifier, such as legal entity identifier;*
  - (ii) *the number of shares held; and*
  - (iii) *only insofar they are requested by the company, one or more of the following details: the categories or classes of those shares or the date from which the shares are held.*

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- \* *Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).*
  - \*\*. *Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (OJ L 257, 28.8.2014, p. 1).*
  - \*\*\* *Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (OJ L 335, 17.12.2009, p. 1).*
  - \*\*\*\* *Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) (OJ L 354, 23.12.2016, p. 37).*
  - \*\*\*\*\* *Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).".*

(3) The following Chapters are inserted:

“CHAPTER Ia

IDENTIFICATION OF SHAREHOLDERS, TRANSMISSION OF INFORMATION AND FACILITATION OF EXERCISE OF SHAREHOLDER RIGHTS

*Article 3a*

*Identification of shareholders*

1. Member States shall ensure that [ ] companies have *the right to identify* their shareholders. *Member States may provide for companies having a registered office on their territory to be only allowed to request the identification of shareholders holding more than a certain percentage of shares or voting rights. Such a percentage shall not exceed 0,5 %.*
2. Member States shall ensure that, on the request of the company [ ] or *of a third party nominated by the company, the intermediaries communicate* without [ ] delay to the company the *information regarding shareholder identity*.

3. Where there is more than one intermediary in a **chain of intermediaries**, **Member States shall ensure that** the request of the company, **or of a third party nominated by the company, is transmitted between intermediaries without delay and that the information regarding shareholder identity is transmitted directly to the company or to a third party nominated by the company without delay by the intermediary who holds the requested information.** **Member States shall ensure that the company is able to obtain information regarding shareholder identity from any intermediary in the chain that holds the information.**

**Member States may provide for the company to be allowed to request the central securities depository or another intermediary or service provider to collect the information regarding shareholder identity, including from the intermediaries in the chain of intermediaries and to transmit the information to the company.**

**Member States may additionally provide that, at the request of the company, or of a third party nominated by the company, the intermediary is to communicate to the company without delay the details of the next intermediary in the chain of intermediaries.**

4. *The personal data of shareholders shall be processed pursuant to this Article in order to enable the company to identify its existing shareholders in order to communicate with them directly with the view to facilitating the exercise of shareholder rights and shareholder engagement with the company.*

*Without prejudice to any longer storage period laid down by any sector-specific Union legislative act, Member States shall ensure that companies and intermediaries do not store the personal data of shareholders transmitted to them in accordance with this Article for the purpose specified in this Article for longer than 12 months after they have become aware that the person concerned has ceased to be a shareholder.*

*Member States may provide by law for processing of the personal data of shareholders for other purposes.*

5. *Member States shall ensure that legal persons have the right of rectification of incomplete or inaccurate information regarding their shareholder identity.*
6. Member States shall ensure that an intermediary that discloses *information regarding shareholder identity in accordance with the rules laid down in this Article* is not considered to be in breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision.

7. *By ... [24 months after the date of entry into force of the amending directive], Member States shall provide the European Supervisory Authority (European Securities and Markets Authority) (ESMA), established by Regulation (EU) No 1095/2010 of the European Parliament and of the Council\* with information on whether they have limited shareholder identification to shareholders holding more than a certain percentage of the shares or voting rights in accordance with paragraph 1 and, if so, the applicable percentage. ESMA shall publish that information on its website.*
8. *The Commission shall be empowered to adopt implementing acts to specify the minimum requirements to transmit the information laid down in paragraph 2 █ as regards the format of information to be transmitted, the format of the request, including their security and interoperability, and the deadlines to be complied with. Those implementing acts shall be adopted by ... [15 months after the date of entry into force of the amending directive] in accordance with the examination procedure referred to in Article 14a(2).*

*Article 3b*

*Transmission of information*

1. Member States shall ensure that *the intermediaries are required to transmit the following information, without delay, from the company* █ *to the shareholder* █ or to a third party nominated by the shareholder█ :
  - (a) the information *which the company is required to provide to the shareholder, to enable the shareholder to exercise rights* flowing from its shares, *and which* is directed to all shareholders in shares of that class; *or*
  - (b) *where the information referred to in point (a) is available to shareholders on the website of the company, a notice indicating where on the website that information can be found.*
2. Member States shall require companies to provide *intermediaries* in a standardised and timely manner with *the information referred to in point (a) of paragraph 1 or the notice referred to in point (b) of paragraph 1.*
3. *However, Member States shall not require that the information referred to in point (a) of paragraph 1 or the notice referred to in point (b) of paragraph 1 be transmitted or provided in accordance with paragraphs 1 and 2 where companies send that information or that notice directly to all their shareholders or to a third party* nominated by the shareholder.

4. Member States shall oblige *intermediaries* to transmit, *without delay*, to the company, in accordance with the instructions received from the shareholders, [ ] the information received from the shareholders related to the exercise of the rights flowing from their shares.
5. Where there is more than one intermediary in a [ ] chain *of intermediaries*, information referred to in paragraphs 1 and 4 shall be transmitted between intermediaries without [ ] delay, *unless the information can be directly transmitted by the intermediary to the company or to the shareholder or to a third party nominated by the shareholder.*
6. *The* Commission shall be empowered to adopt implementing acts to specify the *minimum* requirements to transmit information laid down in paragraphs 1 to 5 of this Article [ ] as regards the [ ] types and format of information to be transmitted, *including their security and interoperability, and the deadlines to be complied with.* Those implementing acts shall be adopted by ... *[15 months after the date of entry into force of the amending directive]* in accordance with the examination procedure referred to in Article 14a(2).

*Article 3c*

*Facilitation of the exercise of shareholder rights*

1. Member States shall ensure that the *intermediaries facilitate* the exercise of the rights by the shareholder, including the right to participate and vote in general meetings, which shall comprise at least *one* of the following:
  - (a) the intermediary makes the necessary arrangements for the shareholder or a third *party* nominated by the shareholder to be able to exercise themselves the rights;
  - (b) the intermediary exercises the rights flowing from the shares upon the explicit authorisation and instruction of the shareholder and for the shareholder's benefit.

2. Member States shall ensure that *when votes are cast electronically an electronic confirmation of receipt of the votes is sent to the person that casts the vote.*

*Member States shall ensure that after the general meeting the shareholder or a third party nominated by the shareholder can obtain, at least upon request, confirmation that their votes have been validly recorded and counted by the company, unless that information is already available to them. Member States may establish a deadline for requesting such confirmation. Such a deadline shall not be longer than three months from the date of the vote.*

Where the intermediary *receives confirmation as referred to in the first or second subparagraph*, it shall transmit *it without delay* to the shareholder *or a third party nominated by the shareholder*. Where there is more than one intermediary in the [ ] chain of intermediaries the confirmation shall be transmitted between intermediaries without [ ] delay, *unless the confirmation can be directly transmitted to the shareholder or a third party nominated by the shareholder*.

3. *The* Commission shall be empowered to adopt implementing acts to specify the *minimum* requirements to facilitate the exercise of shareholder rights laid down in paragraphs 1 and 2 of this Article [ ] as regards the *types* of the facilitation, the *format of the electronic confirmation of receipt of the votes, the format for the transmission of the confirmation that the votes have been validly recorded and counted through the chain of intermediaries, including their security and interoperability*, and the deadlines to be complied with. Those implementing acts shall be adopted *by ... [15 months after the date of entry into force of the amending Directive]* in accordance with the examination procedure referred to in Article 14a(2).

*Article 3d*

***Non-discrimination, proportionality and transparency of costs***

1. Member States shall *require* intermediaries to *disclose publicly any applicable charges* for *services* provided for under this Chapter █ separately for each service █ .
2. Member States shall ensure that any charges levied by an intermediary on shareholders, companies and other intermediaries shall be non-discriminatory and *proportionate in relation to the actual costs incurred for delivering the services*. Any differences *between* the charges levied between domestic and cross-border exercise of rights shall *be permitted only where* duly justified *and where they reflect the variation in actual costs incurred for delivering the services*.
3. *Member States may prohibit intermediaries from charging fees for the services provided for under this Chapter.*

*Article 3e*

*Third country intermediaries*

*This Chapter also applies to intermediaries which have neither their registered office nor their head office in the Union when they provide services referred to in Article 1(5).*

*Article 3f*

*Information on implementation*

1. *Competent authorities shall inform the Commission of substantial practical difficulties in enforcement of the provisions of this Chapter or non-compliance with the provisions of this Chapter by Union or third-country intermediaries.*
2. *The Commission shall, in close cooperation with ESMA and the European Supervisory Authority (European Banking Authority) (EBA), established by Regulation (EU) No 1093/2010 of the European Parliament and of the Council\*\*, submit a report to the European Parliament and to the Council on the implementation of this Chapter, including its effectiveness, difficulties in practical application and enforcement, while taking into account relevant market developments at the Union and international level. The report shall also address the appropriateness of the scope of application of this Chapter in relation to third-country intermediaries. The Commission shall publish the report by ... [six years after the date of entry into force of the amending directive].*

## CHAPTER Ib

### TRANSPARENCY OF INSTITUTIONAL INVESTORS, ASSET MANAGERS AND PROXY ADVISORS

#### *Article 3g*

##### *Engagement policy*

1. Member States shall ensure that institutional investors and asset managers *either comply with the requirements set out in points (a) and (b) or publicly disclose a clear and reasoned explanation why they have chosen not to comply with one or more of those requirements.*
  - (a) *Institutional investors and asset managers shall develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy. The policy shall describe how they monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, conduct dialogues with investee companies, exercise voting rights and other rights attached to shares, cooperate with other shareholders, communicate with relevant stakeholders of the investee companies and manage actual and potential conflicts of interests in relation to their engagement.*

- (b) *Institutional investors and asset managers shall, on an annual basis, publicly disclose how their engagement policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors. They shall publicly disclose how they have cast votes in the general meetings of companies in which they hold shares. Such disclosure may exclude votes that are insignificant due to the subject matter of the vote or the size of the holding in the company.*
2. *The information referred to in paragraph 1 shall be available free of charge on the institutional investor's or asset manager's website. Member States may provide for the information to be published, free of charge, by other means that are easily accessible on-line.*

Where an asset manager *implements the engagement policy, including voting*, on behalf of an institutional investor, the institutional investor shall make a reference as to where such voting information has been published by the asset manager.

3. *Conflicts of interests rules applicable to institutional investors and asset managers, including Article 14 of Directive 2011/61/EU, point (b) of Article 12(1) and point (d) of 14(1) of Directive 2009/65/EC and the relevant implementing rules, and Article 23 of Directive 2014/65/EU shall also apply with regard to engagement activities.*

*Article 3h*

*Investment strategy of institutional investors and arrangements with asset managers*

1. Member States shall ensure that institutional investors **publicly disclose** [ ] how **the main elements of** their equity investment strategy **are consistent** with the profile and duration of their liabilities, **in particular long-term liabilities**, and how **they contribute** to the medium to long-term performance of their assets [ ].
2. **Member States shall ensure that where** an asset manager invests on behalf of an institutional investor, whether on a discretionary client-by-client basis or through a collective investment undertaking, the institutional investor **publicly discloses the following information regarding its arrangement with the asset manager** [ ]:
  - (a) **how the arrangement with the asset manager** incentivises the asset manager to align its investment strategy and decisions with the profile and duration of **the liabilities of the institutional investor, in particular long-term liabilities**;
  - (b) **how that arrangement** incentivises the asset manager to make investment decisions based on **assessments about** medium to long-term **financial and non-financial** performance **of the investee company** and to engage with **investee** companies **in order to improve their performance in the medium to long-term**;

- (c) *how the method and time horizon of the evaluation of the asset manager's performance [ ] and the remuneration for asset management services are in line with the profile and duration of the liabilities of the institutional investor, in particular long-term liabilities, and take absolute long-term performance into account;*
- (d) *how the institutional investor monitors portfolio turnover costs incurred by the asset manager and how it defines and monitors a targeted portfolio turnover or turnover range [ ] ;*
- (e) the duration of the arrangement with the asset manager.

Where the arrangement with the asset manager does not contain one or more of such elements [ ], the institutional investor shall give a clear and reasoned explanation why this is the case.

3. *The information referred to in paragraphs 1 and 2 of this Article shall be available, free of charge, on the institutional investor's website and shall be updated annually unless there is no material change. Member States may provide for that information to be available, free of charge, through other means that are easily accessible on-line.*

*Member States shall ensure that institutional investors regulated by Directive 2009/138/EC are allowed to include this information in their report on solvency and financial condition referred to in Article 51 of that Directive.*

*Article 3i*

*Transparency of asset managers*

1. Member States shall ensure that asset managers disclose, on *an annual* basis, to the institutional investor with which they have entered into the *arrangements* referred to in Article 3h [ ] how their investment strategy and implementation thereof complies with that arrangement and [ ] contributes to *the* medium to long-term performance of the assets of the institutional investor *or of the fund*. *Such disclosure shall include reporting on the key material medium to long-term risks associated with the investments, on portfolio composition, turnover and turnover costs, on the use of proxy advisors for the purpose of engagement activities and their policy on securities lending and how it is applied to fulfil its engagement activities if applicable, particularly at the time of the general meeting of the investee companies. Such disclosure shall also include information on whether and, if so, how, they make investment decisions based on evaluation of medium to long-term performance of the investee company, including non-financial performance, and on whether and, if so, which conflicts of interests have arisen in connection with engagements activities and how the asset managers have dealt with them.*

2. *Member States may provide for the information in paragraph 1 to be disclosed together with the annual report referred to in Article 68 of Directive 2009/65/EC or in Article 22 of Directive 2011/61/EU, or periodic communications referred to in Article 25(6) of Directive 2014/65/EU.*

*Where the information disclosed pursuant to paragraph 1 is already publicly available, the asset manager is not required to provide the information to the institutional investor directly.*

3. *Member States may where the asset manager does not manage the assets on a discretionary client-by-client basis, require that the information disclosed pursuant to paragraph 1 also be provided to other investors of the same fund at least upon request.*

*Article 3j*

*Transparency of proxy advisors*

1. Member States shall ensure that proxy advisors *publicly disclose reference to a code of conduct which they apply and report on the application of that code of conduct.*

*Where proxy advisors do not apply a code of conduct, they shall provide a clear and reasoned explanation why this is the case. Where proxy advisors apply a code of conduct but depart from any of its recommendations, they shall declare from which parts they depart, provide explanations for doing so and indicate, where appropriate, any alternative measures adopted.*

*Information referred to in this paragraph shall be made publicly available, free of charge, on the websites of proxy advisors and shall be updated on an annual basis.*

2. *Member States shall ensure that, in order to adequately inform their clients about the accuracy and reliability of their activities, proxy advisors publicly disclose* on an annual basis *at least* all of the following information in relation to the preparation of their *research, advice and* voting recommendations:
- (a) the essential features of the methodologies and models they apply;
  - (b) the main information sources they use;
  - (c) *the procedures put in place to ensure quality of the research, advice and voting recommendations and qualifications of the staff involved;*
  - (d) whether and, if so, how they take national market, legal, regulatory *and company-specific* conditions into account;
  - (e) *the essential features of the voting policies they apply for each market;*
  - (f) whether they have dialogues with the companies which are the object of their *research, advice or* voting recommendations *and with the stakeholders of the company*, and, if so, the extent and nature thereof;
  - 
  - (g) *the policy regarding the prevention and management of potential conflicts of interests.*

*The information referred to in this paragraph* shall be *made publicly available* on *the websites of proxy advisors* and shall remain available *free of charge* for at least three years from the date of publication. *The information does not need to be disclosed separately where it is available as part of the disclosure under paragraph 1.*

3. Member States shall ensure that proxy advisors identify and disclose without delay to their clients any actual or potential conflicts of interests or business relationships that may influence the preparation of ***their research, advice or*** voting recommendations and the actions they have undertaken to eliminate, mitigate ***or manage*** the actual or potential conflicts of interests.
4. ***This Article also applies to proxy advisors that have neither their registered office nor their head office in the Union which carry out their activities through an establishment located in the Union.***

### ***Article 3k***

#### ***Review***

1. ***The Commission shall submit a report to the European Parliament and to the Council on the implementation of Articles 3g, 3h and 3i, including the assessment of the need to require asset managers to publicly disclose certain information under Article 3i, taking into account relevant Union and international market developments. The report shall be published by ... [five years after the date of entry into force of the amending directive] and shall be accompanied, if appropriate, by legislative proposals.***

2. *The Commission shall, in close cooperation with ESMA, submit a report to the European Parliament and to the Council on the implementation of Article 3j, including the appropriateness of its scope of application and its effectiveness and the assessment of the need for establishing regulatory requirements for proxy advisors, taking into account relevant Union and international market developments. The report shall be published by ... [six years after the date of entry into force of the amending directive] and shall be accompanied, if appropriate, by legislative proposals.*
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- \* *Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).*
- \*\* *Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).".*

(4) The following articles are inserted:

*“Article 9a*

*Right to vote on the remuneration policy*

1. Member States shall ensure that ***companies establish a remuneration policy as regards directors and that*** shareholders have the right to vote on the remuneration policy ***at the general meeting.***
2. ***Member States shall ensure that the vote by the shareholders at the general meeting on the remuneration policy is binding.*** Companies shall pay remuneration to their directors only in accordance with a remuneration policy that has been approved by ***the general meeting.***

***Where no remuneration policy has been approved and the general meeting does not approve the proposed policy, the company may continue to pay remuneration to its directors in accordance with its existing practices and shall submit a revised policy for approval at the following general meeting.***

***Where an approved remuneration policy exists and the general meeting does not approve the proposed new policy, the company shall continue to pay remuneration to its directors in accordance with the existing approved policy and shall submit a revised policy for approval at the following general meeting.***

3. *However, Member States may provide for the vote at the general meeting on the remuneration policy to be advisory. In that case, companies shall pay remuneration to their directors only in accordance with a remuneration policy that has been submitted to such a vote at the general meeting. Where the general meeting rejects the proposed remuneration policy, the company shall submit a revised policy to a vote at the following general meeting.*
4. *Member States may allow companies, in exceptional circumstances, to temporarily derogate from the remuneration policy, provided that the policy includes the procedural conditions under which the derogation can be applied and specifies the elements of the policy from which a derogation is possible.*

*Exceptional circumstances as referred to in the first subparagraph shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability.*
5. *Member States shall ensure that companies submit the remuneration policy to a vote by the general meeting at every material change and in any case at least every four years.*

6. The remuneration policy shall ***contribute*** to the company's ***business strategy and*** long-term interests and sustainability ***and shall explain how it does so.*** It shall ***be*** clear ***and understandable and describe the different components*** of fixed and variable remuneration, including all ***bonuses and other*** benefits in whatever form, ***which can be awarded to directors and indicate their relative proportion.***

The remuneration policy █ shall explain how the pay and employment conditions of employees of the company were taken into account when establishing the ***remuneration*** policy █ .

*Where a company awards* variable remuneration, the remuneration policy shall ***set clear, comprehensive and varied criteria for the award of the variable remuneration.*** ***It shall*** indicate the financial and non-financial performance criteria, ***including, where appropriate, criteria relating to corporate social responsibility,*** and explain how they contribute to ***the objectives set out in the first subparagraph,*** █ and the methods to be applied to determine to which extent the performance criteria have been fulfilled. ***It shall specify information on any deferral periods*** █ ***and*** on the possibility ***for*** the company to reclaim variable remuneration.

*Where the company awards share-based remuneration, the policy shall specify vesting periods and where applicable retention of shares after vesting and explain how the share based remuneration contributes to the objectives set out in the first subparagraph.*

The remuneration policy shall indicate the *duration* of the contracts *or arrangements with* directors █ and the applicable notice periods, *the main characteristics of supplementary pension or early retirement schemes and the terms of the termination* and payments linked to termination █ .

The remuneration policy shall explain the decision-making process *followed for* its determination, *review and implementation, including, measures to avoid or manage conflicts of interests and, where applicable, the role of the remuneration committee or other committees concerned*. Where the policy is revised, it shall *describe and explain* all significant changes and how it takes into account the *votes and* views of shareholders on the policy and *reports since the most recent vote on the remuneration policy by the general meeting of shareholders*.

7. Member States shall ensure that after *the vote on the remuneration policy at the general meeting the policy together with the date and the results of the vote* is made public without delay *on the website of the company and remains publicly available, free of charge*, at least as long as it is applicable.

## *Article 9b*

### *Information to be provided in and right to vote on the remuneration report*

1. Member States shall ensure that the company draws up a clear and understandable remuneration report, providing a comprehensive overview of the remuneration, including all benefits in whatever form, *awarded or due during the most recent financial year* to individual directors, including to newly recruited and *to* former directors, in *accordance with the remuneration policy referred to in Article 9a*.

*Where applicable, the remuneration report shall contain* □ *the following information regarding each individual director's remuneration:*

- (a) the total remuneration split out by component, the relative proportion of fixed and variable remuneration, an explanation how the total remuneration *complies with the adopted remuneration policy, including how it contributes to the long-term performance of the company*, and information on how the performance criteria were applied;
- (b) the *annual* change of remuneration, □, of the *performance* of the company, and *of* average remuneration *on a full-time equivalent basis of* employees of the company other than directors over at least the *five* most recent financial years, *presented together in a manner which permits comparison*;

- (c) any remuneration from any undertaking belonging to the same group *as defined in point (11) of Article 2 of Directive 2013/34/EU of the European Parliament and of the Council\**;
  - (d) the number of shares and share options granted or offered, and the main conditions for the exercise of the rights including the exercise price and date and any change thereof;
  - (e) information on the use of the possibility to reclaim variable remuneration;
  - (f) information on *any deviations from the procedure for the implementation of the remuneration policy referred to in Article 9a(6) and on any derogations applied in accordance with Article 9a(4), including the explanation of the nature of the exceptional circumstances and the indication of the specific elements derogated from.*
2. Member States shall ensure that *companies do not include in the remuneration report special categories of personal data of individual directors within the meaning of Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council\*\* or personal data which refer to the family situation of individual directors.*

3. *Companies shall process the personal data of directors included in the remuneration report pursuant to this Article for the purpose of increasing corporate transparency as regards directors' remuneration with the view to enhancing directors' accountability and shareholder oversight over directors' remuneration.*

*Without prejudice to any longer period laid down by any sector-specific Union legislative act, Member States shall ensure that companies no longer make publicly available pursuant to paragraph 5 of this Article the personal data of directors included in the remuneration report in accordance with this Article after 10 years from the publication of the remuneration report.*

*Member States may provide by law for processing of the personal data of directors for other purposes.*

4. Member States shall ensure that *the annual general meeting has* the right to *hold an advisory* vote on the remuneration report of the most recent financial year [ ]. The company shall explain in the following remuneration report [ ] how the vote by the *general meeting* has been taken into account.

*However, for small and medium-sized companies as defined in Article 3(2) and (3) of Directive 2013/34/EU, Member States may provide, as an alternative to a vote, for the remuneration report of the most recent financial year to be submitted for discussion in the annual general meeting as a separate item of the agenda. The company shall explain in the following remuneration report how the discussion in the general meeting has been taken into account.*

5. *Without prejudice to Article 5(4), after the general meeting the companies shall make the remuneration report publicly available on their website, free of charge, for a period of 10 years, and may choose to keep it available for a longer period provided it no longer contains the personal data of directors. The statutory auditor or audit firm shall check that the information required by this Article has been provided.*

*Member States shall ensure that the directors of the company, acting within its field of competence assigned to them by national law, have collective responsibility for ensuring that the remuneration report is drawn up and published in accordance with the requirements of this Directive. Member States shall ensure that their laws, regulations and administrative provisions on liability, at least towards the company, apply to the directors of the company for breach of the duties referred to in this paragraph.*

6. *The* Commission shall, with a view to ensuring harmonisation in relation to this Article, adopt *guidelines* to specify the standardised presentation of the information laid down in paragraph 1. ■

## **Article 9c**

### ***Transparency and approval of related party transactions***

**1. Member States shall define material transactions for the purposes of this Article, taking into account:**

- (a) the influence that the information about the transaction may have on the economic decisions of shareholders of the company;**
- (b) the risk that the transaction creates for the company and its shareholders who are not a related party, including minority shareholders.**

***When defining material transactions Member States shall set one or more quantitative ratios based on the impact of the transaction on the financial position, revenues, assets, capitalisation, including equity, or turnover of the company or take into account the nature of transaction and the position of the related party.***

***Member States may adopt different materiality definitions for the application of paragraph 4 than those for the application of paragraphs 2 and 3 and may differentiate the definitions according to the company size.***

2. Member States shall ensure that companies *publicly announce material* transactions with related parties *at the latest* at the time of the conclusion of the transaction. *The announcement* [ ] shall contain *at least* information on the nature of the related party relationship, the name of the related party, the *date and the value* of the transaction and other information necessary to assess *whether or not* the transaction *is fair and reasonable from the perspective of the company and of the shareholders who are not a related party, including minority shareholders.*
3. Member States may provide for the public announcement referred to in *paragraph 2 to be accompanied by a report assessing whether or not the transaction is fair and reasonable from the perspective of the company and of the shareholders who are not a related party, including minority shareholders, and explaining the assumptions it is based upon together with the methods used.*

*The report shall be produced by one of the following:*

- (a) an independent third party;
- (b) *the administrative or supervisory body of the company;*
- (c) *the audit committee or any committee the majority of which is composed of independent directors.*

*Member States shall ensure that the related parties do not take part in the preparation of the report.*

4. Member States shall ensure that *material* transactions with related parties *are approved by the general meeting or by the administrative or supervisory body of the company according to procedures which prevent the related party from taking advantage of its position and provide adequate protection for the interests of the company and of the shareholders who are not a related party, including minority shareholders.*

*Member States may provide for shareholders in the general meeting to have the right to vote on material transactions with related parties which have been approved by the administrative or supervisory body of the company.*

Where the related party transaction involves *a director or* a shareholder, the *director or* shareholder shall *not take part in the approval or the* vote. ■

Member States may *allow the shareholder who is a related party to take part in the vote provided that national law ensures appropriate safeguards which apply before or during the voting process to protect the interests of the company and of the shareholders who are not a related party, including minority shareholders, by preventing the related party from approving the transaction despite the opposing opinion of the majority of the shareholders who are not a related party or despite the opposing opinion of the majority of the independent directors.*

5. *Paragraphs 2, 3 and 4 shall not apply to transactions entered into in the ordinary course of business and concluded on normal market terms. For such transactions the administrative or supervisory body of the company shall establish an internal procedure to periodically assess whether these conditions are fulfilled. The related parties shall not take part in that assessment.*

*However, Member States may provide for companies to apply the requirements in paragraph 2, 3 or 4 to transactions entered into in the ordinary course of business and concluded on normal market terms.*

6. Member States may exclude, *or may allow companies to exclude*, from the requirements in paragraphs 2, 3 and 4:
- (a) *transactions entered into between the company and its subsidiaries provided that they are wholly owned or that no other related party of the company has an interest in the subsidiary undertaking or that national law provides for adequate protection of interests of the company, of the subsidiary and of their shareholders who are not a related party, including minority shareholders in such transactions;*
  - (b) *clearly defined types of transactions for which national law requires approval by the general meeting, provided that fair treatment of all shareholders and the interests of the company and of the shareholders who are not a related party, including minority shareholders, are specifically addressed and adequately protected in such provisions of law;*
  - (c) *transactions regarding remuneration of directors, or certain elements of remuneration of directors, awarded or due in accordance with Article 9a;*
  - (d) *transactions entered into by credit institutions on the basis of measures, aiming at safeguarding their stability, adopted by the competent authority in charge of the prudential supervision within the meaning of Union law;*
  - (e) *transactions offered to all shareholders on the same terms where equal treatment of all shareholders and protection of the interests of the company is ensured.*

7. *Member States shall ensure that companies publicly announce material transactions concluded between the related party of the company and that company's subsidiary. Member States may also provide that the announcement is accompanied by a report assessing whether or not the transaction is fair and reasonable from the perspective of the company and of the shareholders who are not a related party, including minority shareholders and explaining the assumptions it is based upon together with the methods used. The exemptions provided in paragraph 5 and 6 shall also apply to the transactions specified in this paragraph.*
8. *Member States shall ensure that transactions with the same related party that have been concluded in any 12-month period or in the same financial year and have not been subject to the obligations listed in paragraphs 2, 3 or 4 are aggregated for the purposes of those paragraphs.*
9. *This Article is without prejudice to the rules on public disclosure of inside information as referred to in Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council\*\*\*.*

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- \*. *Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).*
  - \*\* *Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (OJ L 119, 4.5.2016, p. 1).*
  - \*\*\* *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173, 12.6.2014, p. 1).".*

(5) The following Chapter is inserted:

“CHAPTER IIa

IMPLEMENTING ACTS AND PENALTIES

*Article 14a*

*Committee procedure*

1. The Commission shall be assisted by the European Securities Committee established by Commission Decision 2001/528/EC\*. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011 of the European Parliament and of the Council\*\*.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

*Article 14b*

***Measures and penalties***

Member States shall lay down the rules on measures and penalties applicable to infringements of national provisions adopted pursuant to this Directive and shall take all measures necessary to ensure that they are implemented.

***The measures and*** penalties provided for shall be effective, proportionate and dissuasive. Member States shall, by ... [24 months after the date of entry into force of the amending directive], notify the Commission of those rules and of those implementing measures and shall notify it, without delay, of any subsequent amendment affecting them.

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\* Commission Decision 2001/528/EC of 6 June 2001 establishing the European Securities Committee (OJ L 191, 13.7.2001, p. 45).

\*\* Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).".

## Article 3

### Transposition

1. Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by ... [24 months after the date of entry into force of this Directive]. They shall immediately inform the Commission thereof.

When Member States adopt those measures, they shall contain a reference to this Directive or shall be accompanied by such reference on the occasion of their official publication. The methods of making such reference shall be laid down by Member States.

*Notwithstanding the first subparagraph, Member States shall, not later than 24 months after the adoption of the implementing acts referred to in Article 3a(8), Article 3b(6) and Article 3c(3) of Directive 2007/36/EC, bring into force the laws, regulations and administrative provisions necessary to comply with Articles 3a, 3b and 3c of that Directive.*

2. Member States shall communicate to the Commission the text of the main measures of national law which they adopt in the field covered by this Directive.

Article 4  
Entry into force

This Directive shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 5  
Addressees

This Directive is addressed to the Member States.

Done at ...,

*For the European Parliament*

*For the Council*

*The President*

*The President*