



## Give shareholders more say on directors' pay, urge Legal Affairs Committee MEPs

[07-05-2015 - 14:49]

**A draft law empowering shareholders to vote on directors' remuneration, so as to ensure proper transparency and tie their pay more closely to their performance, was backed by Legal Affairs Committee MEPs on Thursday. Some large companies should also be required to disclose, country by country, information on tax rulings, taxes paid and public subsidies received, adds the committee.**

"It is necessary to ensure more transparency in the activities of European companies. The adopted Report contains important measures in order to strengthen transparency with regard to engagement policies of institutional investors and asset managers, directors' remuneration in listed companies and tax strategy of large and listed companies. We look forward to start negotiations with the Council as soon as possible and I hope EPP, ALDE and ECR will not oppose measures that would support the fight against tax evasion and tax avoidance", said Sergio Gaetano Cofferati (S&D, IT), who is steering the legislation on shareholder rights and corporate governance statements through Parliament.

The draft law aims to improve transparency and foster shareholders' long-run commitment to companies, which should in turn improve their competitiveness and sustainability. The committee approved the amended rules by 13 votes to 10.

### Shareholder say on director's pay

A clause enabling shareholders to vote at least every three years on a company's remuneration policy for directors, was backed by the committee. The policy on director's remuneration should state clear criteria for awarding fixed and variable remuneration, including all bonuses and benefits, as well as the main contract terms, including details of supplementary pension or early retirement schemes, says the amended text. However, MEPs deleted a requirement that the remuneration policy state maximum remuneration.

The policy should also explain how the pay and employment conditions of employees are taken into account and how it contributes to the long-term interests of the company.

"Relevant stakeholders", in particular employees, should be entitled to express their views, via their representatives, on the remuneration policy, MEPs add.

### Country-by-country tax reporting requirement

To improve tax transparency, MEPs inserted a requirement for "large undertakings and public-interest entities" to publish information, country by country, on profit or loss before tax, taxes on profit or loss, and public subsidies received. Companies with more than 500 employees and a balance sheet total of €86 million or a net turnover of €100 million should also disclose information on tax rulings, say MEPs.

### Additional voting rights as a loyalty reward

To promote "long-term" shareholding, MEPs inserted provisions that would require member states to introduce specific mechanisms to reward long-term shareholders. These mechanisms should include one or more of the following: additional voting rights, tax incentives, loyalty dividends or loyalty shares, they say. It would be up to member states to

# Press release

define “long term”, but it should not mean less than two years.

## Next steps

The committee approved a mandate to start informal talks with the Council by 13 votes to 10, with a view to reaching a first-reading agreement.

## Note to editors

*The proposed revision of the shareholders' rights directive, presented by the Commission in April 2014 as part of a corporate governance package, includes provisions to ensure that listed companies can identify their shareholders and transparency rules for proxy advisors (who give voting recommendations), asset managers and institutional investors, such as pension funds and insurance companies. It also includes provisions to increase transparency and influence of shareholders on “related party” transactions (e.g. between a company and its management, directors, controlling shareholders or companies of the same group).*

*According to the European Commission, only 13 EU member states currently give shareholders “a say on pay”, either through a vote on directors' remuneration policy and/or report. Only 15 require disclosure of the remuneration policy and 11 require disclosure of individual directors' pay.*

*Procedure: co-decision (Ordinary Legislative Procedure)*

*In the Chair: Pavel Svoboda (EPP, CZ)*

## Further information:

- Committee on Legal Affairs: <http://www.europarl.europa.eu/committees/en/juri/home.html>
- Catch up via Video on Demand (VOD): <http://www.europarl.europa.eu/ep-live/en/committees/?legislature=8&start-date=07-05-2015&end-date=07-05-2015&committee=JURI>
- Procedure File: [http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2014/0121\(COD\)&l=en](http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2014/0121(COD)&l=en)
- European Commission: Company law and corporate governance  
: [http://ec.europa.eu/justice/civil/company-law/index\\_en.htm](http://ec.europa.eu/justice/civil/company-law/index_en.htm)
- Profile of rapporteur Sergio COFFERATI (S&D IT): [http://www.europarl.europa.eu/meps/en/96915/SERGIO+GAETANO\\_COFFERATI\\_home.html](http://www.europarl.europa.eu/meps/en/96915/SERGIO+GAETANO_COFFERATI_home.html)

## Contact

**Niina SALORANTA**

BXL: (+32) 2 28 31834

STR: (+33) 3 881 73472

PORT: (+32) 473 84 03 65

EMAIL: [lega-press@europarl.europa.eu](mailto:lega-press@europarl.europa.eu)

TWITTER: EP\_Legal