

European Commission, Rue de la Loi 200 /  
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Bruxelles/Brussel,  
Belgium

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Dear European Commission,

## Railpen response | Call for Evidence | Shareholder Rights Directive

### About Railpen

Railpen is the trading name of Railway Pension Investments Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). Railpen acts as the investment manager for the United Kingdom's railways pension schemes and is responsible for c. £34 billion (€39 billion) of assets on behalf of over 350,000 members. The Railways Pension Trustee Company Limited (the Trustee) is Railpen's only client, ensuring that all our activities are aligned with the interests of the schemes' members.

Sustainable Ownership is Railpen's approach to incorporating material governance and sustainability considerations into the investments it manages on behalf of members. Railpen's work is enabled by the Trustee's related investment belief: "Incorporating and acting upon climate risk and other environmental, social and governance (ESG) factors is a significant driver of investment outcomes and part of our fiduciary duty."

Railpen operates with a hybrid asset management model, with significant in-house asset management capabilities, ensuring that investment and stewardship decisions and activities are aligned to client needs. This means that we engage directly with companies, including many in the EU, vote most of our holdings directly and review companies' shareholder materials and communications ourselves. The EU is an important market for Railpen, with 11.6% of our assets held in Europe excluding the UK.

### Our position on shareholder rights

Strong shareholder rights are a fundamental enabler of long-term value creation and well-functioning capital markets. **SRD II's objective of strengthening investor engagement and supporting long-term corporate performance remains highly relevant and is strongly supported by Railpen.** Evidence shows that companies which engage constructively with their shareholders tend to perform better over time. Effective shareholder and voting rights help align corporate strategy with long-term value creation, reduce the risk of value-destructive behaviour, and support earlier identification and management of financial, operational and reputational risks – strengthening resilience, particularly during periods of stress. Well-governed companies are more attractive to long-term investors, supporting

deeper capital markets and a lower cost of capital.<sup>1</sup> Effective shareholder rights are not only a governance safeguard but an important input into economic growth. Strong shareholder rights frameworks help improve capital allocation, support productivity enhancing investment, and reinforce market confidence over the long term.

As a long-term asset owner, Railpen advances long-term value creation through company-level engagement and systemic stewardship – our approach to engaging with the broader market on economy-wide risks that affect long-term investment returns and cannot be managed by a company alone. This includes our leadership role in the \$4.5 trillion global [Investor Coalition for Equal Votes \(ICEV\)](#) and the multi-trillion [Governance for Growth Investor Campaign \(GGIC\)](#), which promote effective shareholder rights as a foundation for long-term competitiveness.

Railpen’s [Acting on Audit](#) report and programme of work further demonstrates the seriousness with which we take good corporate governance and its financial benefits for members. Given our extensive allocation to EU markets, our goals are therefore well aligned with the EU’s objectives of boosting the competitiveness of EU-listed companies by attracting long-term investment and reinforcing durable, well-governed growth. Railpen’s views are informed by our own stewardship experience and are broadly consistent with the views that we understand are being raised by other long-term institutional investors and investor groups, including the Institutional Investors Group on Climate Change (IIGCC) and the International Corporate Governance Network (ICGN).

Our response builds upon positions we have previously expressed in submissions to the FCA on reforms to the UK listing regime and its Primary Markets Effectiveness Review (June 2023 and March 2024), and to the Financial Reporting Council on proposed changes to the UK Corporate Governance Code (2023) and the UK Stewardship Code (2024).<sup>2</sup>

## Summary of Railpen’s response

**Railpen strongly supports the objectives and core framework of the Second Shareholder Rights Directive (SRD II) as a necessary foundation for the effective and consistent exercise of shareholder rights across EU markets, helping to attract long-term capital, strengthen market confidence, and support durable economic growth.** We consider the Directive broadly fit for purpose and an essential minimum standard for informed voting, meaningful engagement and investor oversight, particularly in cross-border contexts. In our view, a fundamental redesign of SRD II is not necessary. Instead, the priority should be targeted and proportionate reforms that improve consistency, enforcement and the practical exercise of shareholder rights.

In our experience, the effectiveness of **SRD II in practice is most often constrained by how it is implemented and enforced at national level**, rather than by deficiencies in the Directive itself. We continue to encounter late delivery of AGM materials, early custodian cut-off dates

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<sup>1</sup> See, for instance: Bajzik, Havranek, Irsova and Novak (2025): Does Shareholder Activism Create Value? A Meta-Analysis; Cufiat, Gine and Guadalupe (2012): The vote is cast: The effect of corporate governance on shareholder value; Hoepner, Oikonomou, Sautner, Starks & Zhou (2024): ESG Shareholder Engagement and Downside Risk; Cremers & Renneboog (2022): Shareholder Engagement on Environmental, Social, and Governance Performance.

<sup>2</sup> Railpen consultation responses to the FCA (Primary Markets Effectiveness Review, March 2024; UK Listing Regime Reforms, June 2023) and the Financial Reporting Council (UK Corporate Governance Code; UK Stewardship Code), available at:  
[https://www.railpen.com/media/h380xben/fca\\_listings\\_regime\\_june\\_2023.pdf](https://www.railpen.com/media/h380xben/fca_listings_regime_june_2023.pdf)  
<https://cdn-suk-railpencom-live-001.azureedge.net/media/media/dmsmjzfw/railpen-response-to-the-fca-primary-markets-effectiveness-review-march-2024.pdf>  
[https://media.frc.org.uk/documents/073\\_Railpen\\_Response\\_to\\_Corporate\\_Governance\\_Code\\_Consultation.pdf](https://media.frc.org.uk/documents/073_Railpen_Response_to_Corporate_Governance_Code_Consultation.pdf)  
[https://media.frc.org.uk/documents/120\\_Railpen\\_response\\_to\\_UK\\_Stewardship\\_Code\\_Consultation.pdf](https://media.frc.org.uk/documents/120_Railpen_response_to_UK_Stewardship_Code_Consultation.pdf)

and inconsistent vote confirmations. These frictions compress the time available for internal analysis and, in some cases, force Railpen to vote with incomplete information or not at all.

More broadly, **Railpen does not support virtual-only AGMs**. General meetings remain a core accountability mechanism and retaining an in-person element is important for effective board scrutiny and meaningful dialogue between boards and shareholders.

Similarly, in markets with unequal voting rights, greater transparency around voting outcomes is essential. **Railpen does not support dual-class share structures, except where a time-based sunset provision of seven years or less from IPO is in place. Where a company has dual-class share structures, we expect class-by-class vote disclosure** and standardised, granular reporting of AGM voting outcomes, including votes for, against and abstentions. This would improve transparency and allow both boards and investors to properly understand how different shareholder classes have voted, including the perspective of independent / unaffiliated shareholders.

We also experience **persistent regulatory inconsistency across Member States**. Divergent national interpretations of acting-in-concert rules continue to create legal uncertainty for investors, complicating collaborative engagement even where there is no intention to influence control. This uncertainty undermines confidence in the boundary between legitimate stewardship activity and regulated concerted action.

By contrast, **SRD II provisions relating to stewardship transparency, remuneration disclosure and related-party transactions are generally functioning well** and should be preserved. We support clear and meaningful remuneration disclosure as a prerequisite for assessing whether pay outcomes are aligned with long-term company performance and value creation in the interests of our members, and we reaffirm our support for SRD II's framework on say-on-pay and remuneration reporting.

Finally, inconsistent enforcement remains a significant barrier to the effective exercise of shareholder rights. Targeted reforms should focus on clearer supervisory responsibility, stronger cross-border coordination and more consistent application of acting-in-concert rules. Consistent with the views of other long-term investors, converting certain elements of SRD II into a Regulation could help reduce fragmentation arising from national transposition, promote harmonisation and support the objectives of the Savings and Investment Union.

## Detailed response

Below we provide our views on the three categories of challenges identified by the European Commission in its Call for Evidence. We highlight the impact on long-term asset owners, whose interests are purely aligned with the needs of the end saver, and provide our view on potential mitigation measures.

### 1) The identification of shareholders, the transmission of information and the exercise of shareholder rights

#### Transmission of proxy information

Timely, consistent and transparent transmission of information remains a significant challenge under SRD II. Cross-border voting continues to be complex and resource-intensive, involving coordination across custodians, sub-custodians, proxy providers and internal systems.

A central issue is the limited time available to review AGM materials, exacerbated by intermediaries imposing long time buffers and issuers publishing materials just before the legal deadline. We are sometimes required to submit voting instructions before research from proxy advisers or full documentation from companies is released. This undermines voting quality and thereby our stewardship effectiveness overall, particularly on complex items such as remuneration, climate transition plans and significant transactions.

Delays and inconsistencies in vote confirmations are also a problem. Information on rejected votes can arrive too late to resolve problems. This limits shareholder rights, especially with regards to cross-border voting.

Another barrier is share-blocking, where investors must register their votes by a registration date and those shares are blocked from being sold, creating a trade-off between voting and liquidity.

Member state regulators should examine long buffer times and intervene where early cut-offs impede shareholder rights. Harmonised timelines across member states would also help. Fully digital workflows would reduce errors, improve transparency and enable near real-time communication. Share blocking rules should be more flexible.

These problems don't just affect individual votes; at scale, they weaken investor oversight and lead to poorer capital allocation, with consequences for the long-term growth EU policymakers, companies and investors wish to see.

### **Class-by-class vote disclosure**

Another barrier to effective stewardship in the interests of everyday savers is dual class share structures (DCSS, or unequal votes). A report which pulled together existing academic evidence by the Railpen-founded and -led Investor Coalition for Equal Votes (ICEV) and Chronos Sustainability found that any potential benefits to DCSS decline only a few years after listing and firm value is depressed relative to comparable firms.<sup>3</sup>

The presence of DCSS also obfuscates voting outcomes in a way that's unhelpful to boards and shareholders. This is because firms usually just report the overall total percentage of votes cast in favour i.e. aggregating the results of the "enhanced weighted" shares – often held by insiders and management, so overwhelmingly cast in line with management – with those of lesser weighted shares held by unaffiliated / independent shareholders. Yet it is important for shareholders, stakeholders and indeed the company's board itself to understand the views – as represented by the way in which votes have been cast – of each of its shareholder bases.

Companies should be required to consistently disclose granular voting results by class, including "for", "against" and abstain for each resolution. The Commission could mandate that companies fill out a simple model disclosure table that companies could paste into AGM results.<sup>4</sup> Additionally, companies should be required to consistently publish AGM questions and answers so that all investors can see how the board is responding to important issues.

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<sup>3</sup> [ICEV](#).

<sup>4</sup> This could include e.g. proposal number and description, share class, the raw counts of For / Against / Withhold / Abstain, the percentage of votes cast, and turnout. Please note that in the interim, the Governance for Growth Investor Campaign (GGIC) will be working with the International Corporate Governance Network and others to provide guidance on class-by-class vote disclosure.

## **Collaborative engagement**

Collaborative engagement is an important and legitimate stewardship tool. It enables investors to address common concerns, enhance accountability and support companies to manage risk, especially on complex, long-term issues.

Currently, divergent interpretations of acting-in-concert rules hinder collaborative engagement in some member states. We agree with the IIGCC that, despite ESMA's 2014 whitelist, divergent national interpretations persist, with recent cases (including in Germany) showing that some regulators still treat good-faith joint engagement as evidence of concerted action. This inconsistency discourages participation in collaborative initiatives and weakens the EU's goal of creating an integrated capital markets union.

To support robust stewardship and resilient companies, the EU should clarify that collaboration on material ESG issues does not constitute acting in concert. Strengthening the whitelist to explicitly exempt good-faith sustainability engagement and ensure uniform interpretation would deliver much-needed regulatory certainty for investors and companies.

### **2) The transparency of institutional investors, asset managers and proxy advisers**

SRD II has materially improved stewardship by requiring institutional investors and asset managers to disclose their engagement policies, voting behaviour and voting rationale. These rules have strengthened internal governance among investors and increased transparency of stewardship practices.

However, gaps remain. Comparability across engagement and voting reports is limited without a consistent EU-level framework, prompting bespoke reporting requests from asset owners that increase administrative burden without necessarily improving clarity of outcomes. Although outside of the scope of this consultation, Railpen is strongly supportive of the UK Stewardship Code, which has raised stewardship standards domestically and internationally by encouraging outcomes-focused, decision-useful disclosure. The Code has been complemented by a voluntary, standardised vote reporting template led by industry, initially convened by the FCA and subsequently taken forward by Pensions UK. The template has helped improve the clarity, comparability and decision-usefulness of vote reporting for asset owners, supporting more effective stewardship oversight and engagement.<sup>5</sup>

For asset owners, the UK Stewardship Code provides a clear, proportionate “one-stop-shop” for understanding asset managers’ stewardship approaches and outcomes, enabling us to assess the quality, credibility and effectiveness of stewardship activity while allowing flexibility where departures from the Code are well-explained. The Commission could consider following the UK’s path in adopting a stewardship code. However, any EU stewardship code should minimise administrative burden by recognising equivalent existing codes and enabling interoperability, so that investors are not required to report the same information multiple times.

We also note that SRD II currently provides a carve-out for pension scheme operators with in-house asset management functions, recognising that the underlying schemes are already captured by the Directive in their capacity as Institutions for Occupational Retirement Provision (IORPs). This proportionate approach helps avoid duplicative requirements that do not improve stewardship outcomes. As the framework is reviewed, we would encourage the continuation of proportionate treatment for asset owner / asset manager hybrid organisations.

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<sup>5</sup> Please see [Vote Reporting Group | FCA](#) for further details. We note that the Group was co-chaired by a Railpen colleague.

### **3) The format of general meetings and the rights exercised by shareholders in connection with those meetings**

Annual General Meetings (and General Meetings) are a core mechanism for shareholders to exercise rights, hold boards to account and engage directly with company leadership. Ensuring meaningful participation, transparency and accountability across all meeting formats is critical to effective shareholder-issuer dialogue.

Harmonised thresholds for filing resolutions, straightforward agenda-submission processes, consistent AGM participation standards (including the option for in-person attendance), and reliable post-meeting transparency would strengthen accountability and stewardship.

By building trust and accountability, well-run general meetings support long-term investment and growth.

#### **Virtual-only AGMs**

Railpen is not supportive of virtual-only AGMs. AGMs provide an important mechanism for the board to be publicly accountable to their shareholders. Removing the in-person element of the meeting impairs the ability of investors to hold boards to account. The Railpen team regularly attends AGMs in person: they are an invaluable opportunity for us to speak directly to a range of board members and management, and to hear both from them and other shareholders (both institutional and retail) in turn. The ability for shareholders - once a year - to be in the same room as the board and other shareholders, is vital to building the trust necessary for long-term value creation.

We refer to best practice guidance from the International Corporate Governance Network (ICGN) when considering how to run a hybrid meeting that maximises genuine shareholder participation.<sup>6</sup> Although we recognise the benefits of a virtual element to meetings in allowing international shareholders to participate, hybrid meetings are sufficient for this purpose, without the negative impacts for shareholder voice presented by virtual-only AGMs.

#### **Agenda items at company meetings**

Procedures for adding agenda items vary significantly across Member States. A key obstacle is the lack of harmonised rights to file shareholder resolutions and add agenda items. Thresholds in some jurisdictions remain as high as 5%, effectively preventing most investors from using this core escalation tool. Several markets also do not recognise advisory resolutions, limiting shareholders' ability to signal concerns or encourage changes.

#### **Link between director pay and company performance**

Remuneration is a vital tool for both accountability and alignment of management incentives with the needs of long-term shareholders and their beneficiaries. SRD II has significantly improved remuneration transparency across the EU by requiring detailed disclosure of remuneration policy and outcomes and by introducing shareholder votes on pay, strengthening board accountability for pay-and-performance alignment. The framework is broadly functioning well and should not be fundamentally reformed.

However, alignment between pay and long-term performance remains uneven. Disclosure quality varies widely across Member States, with persistent gaps around performance metrics, particularly non-financial KPIs. Railpen often lacks sufficient after-the-event disclosure to assess whether pay outcomes genuinely reflect appropriate ambition and performance. These

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<sup>6</sup> <https://www.icgn.org/icgn-statement-post-covid-agm-practices-and-shareholder-rights>

shortcomings are most evident where sustainability metrics are introduced without a clear explanation of their relevance to strategy or long-term value creation.

For Railpen, robust remuneration disclosure is critical to assessing whether pay outcomes reflect genuine long-term performance, testing the credibility of incentive design, and informing our voting and engagement decisions. Where transparency is weak, our ability to hold boards to account for pay decisions is materially reduced.

The non-binding nature of many remuneration votes further weakens accountability, as significant shareholder dissent can be disregarded without meaningful response.

However, further standardisation of rules on pay and performance should not come at the expense of company-specific information that is essential for meaningful assessment and engagement. Improvements in practice are best driven through stewardship and dialogue, supported by clear expectations on transparency and board effectiveness.

Railpen does not support any weakening of pay disclosure or shareholder vote requirements. The progress delivered by SRD II on remuneration disclosure and engagement must be preserved.

## **Related Party Transactions and Significant Transactions**

SRD II improved how related-party transactions are handled by requiring companies to clearly identify these transactions, disclose them to shareholders and, in certain cases, seek shareholder approval before proceeding, increasing transparency and board awareness in many Member States. However, its impact remains uneven in practice, with inconsistent materiality thresholds and limited clarity around the identification of interested parties weakening effective application.

While EU law does not currently require shareholder approval for significant transactions, Railpen would support the introduction of such a right, given the importance of these decisions to long-term value creation and long-term economic growth and resilience. In this context, we opposed the UK's recent removal of the shareholder vote on significant transactions, which we viewed as a reduction in accountability and a weakening of shareholder rights that will damage economic growth more generally.<sup>7</sup>

## **Conclusion**

In conclusion, SRD II remains a vital foundation for effective cross-border shareholder rights and long-term stewardship. By enabling informed voting, meaningful engagement and investor oversight, the Directive supports well-governed companies, stronger capital markets and more sustainable long-term economic growth across the EU. The most pressing issues we observe relate to uneven implementation and weak enforcement – particularly around timely information flows, vote execution and confirmation, and regulatory inconsistency on collaborative engagement.

As part of strengthening shareholder rights in practice, Railpen does not support virtual-only AGMs; we do support class-by-class vote disclosures to improve transparency of voting outcomes, and we strongly support SRD II's rules intended to strengthen the link between director pay and company performance. While we do not encourage wholesale redesign of SRD, we do encourage the Commission to prioritise targeted, harmonising reforms that

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<sup>7</sup>Further details of our position, and the evidence base on how votes on related-party transactions and significant transactions can protect shareholder value can be found in our submission to the FCA here: [https://www.railpen.com/media/h380xben/fca\\_listings\\_regime\\_june\\_2023.pdf](https://www.railpen.com/media/h380xben/fca_listings_regime_june_2023.pdf).

preserve the Directive's strengths while reducing fragmentation, improving market practice and enabling investors to engage and vote with confidence.

Yours faithfully,

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