



# IMPLEMENTING SRD II

## COUNTRY BRIEF: ESTONIA

### KEY TAKEAWAYS

- The law that implements the Shareholder Rights Directive II was approved on Nov. 13, 2019 and took effect on Dec. 14, 2019.
- New say-on-pay votes are introduced, one on the remuneration policy and one on the remuneration report. Both of them are advisory.
- The first votes are expected in 2021.

EU DIRECTIVE  
2007/828/EC  
REGARDING THE  
ENCOURAGEMENT OF  
LONG-TERM  
SHAREHOLDER  
ENGAGEMENT (SRD II)

In response to the global financial crisis, the European Commission proposed a revision of the original 2007 Shareholder Rights Directive.

The [revised Shareholder Rights Directive II \("SRD II"\)](#), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance.

### KEY NEW REQUIREMENTS OF SRD II

The Directive is subdivided into three main chapters



#### VOTING CHAIN

- Companies should have access to the identity of shareholders without delay.
- Transmission of information that enables shareholders to exercise their rights should be made in electronic and machine-readable formats.
- Intermediaries are required to facilitate the exercise of shareholder rights including confirmation that shareholder votes have been accurately recorded and counted.



#### TRANSPARENCY

- Engagement policies of institutional investors and asset managers
- How shareholder engagement is integrated into investment strategy, including how voting rights were exercised
- Institutional investors' investment strategies and arrangements with asset managers
- Proxy advisors should disclose a reference to the code of conduct they apply and report on the application of that code



#### REMUNERATION & RPTs

- Shareholders will have the right to express their views on executive pay
- Separate votes on the remuneration report and remuneration policy
- The European Commission will provide non-binding guidance about the presentation of the remuneration report
- Rules on transparency and approval process of related-party transactions

## SHAREHOLDER RIGHTS DIRECTIVE II

In response to the 2008 global financial crisis, the European Commission proposed in April 2014 a revision of the original 2007 Shareholder Rights Directive in 2014. The revised Shareholder Rights Directive ("SRD II"), which took effect in June 2017, seeks to reinforce effective and long-term shareholder engagement and monitoring of company performance. Both elements were lacking during the crisis when many companies took on excessive risks in the pursuit of short-term returns. EU member states were called upon to amend their laws to comply with SRD II by June 10, 2019. As of Feb. 26, 2020, 20 EU member states had implemented SRD II into their local legislations.

## IMPLEMENTING SRD II INTO ESTONIAN LEGISLATION

An act amending the Securities Market Act and other acts that implements SRD II in Estonia was approved on Nov. 13, 2019.

The most important components of SRD II related to Estonian law are detailed below.

**Identification of Shareholders**

In line with the SRD II, issuers will be 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 percent. The Estonian regulator preserved this threshold.

**Transmission of Information**

Upon the request of the shareholders, the registrars are required to communicate information necessary to exercise their shareholder rights without delay. This amendment will take effect on Sep. 10, 2020.

**Facilitation of Shareholder Rights**

Upon request of the shareholders, the issuers are required to provide confirmation that their votes were recorded and counted. The shareholders have the right to request such confirmation within five working days after the general meeting. This amendment will take effect on Sep. 10, 2020.

**Transparency of Institutional Investors**

Institutional investors and assets managers are required to disclose their engagement policies on their website and provide a yearly overview about implementation of the engagement policy.

**Transparency of Proxy Advisors**

Proxy advisors are required to publish on their websites a code of conduct which they follow and report on the application of the code and update this information at least once a year. Upon partial or full non-compliance, the proxy advisors should publish the reasons for doing so on their website.

**Right to Vote on the Remuneration Policy and Report**

The remuneration policy should be submitted at the general meeting for shareholder approval and upon each substantial change thereof or at least every four years. An advisory vote on the remuneration policy is taken at the general meeting, unless otherwise stated in the articles of association.

The annual remuneration report for the last financial year should be submitted for shareholder approval at the general meeting as an annex to the annual report.

**Transparency on Related-Party Transactions**

Related-party transactions are not subject to approval by shareholders at the general meeting. They should be approved by the supervisory board.

**Effective Date**

Dec. 14, 2019

**GM Notice Period**

21 days

**Availability Remuneration Report**

21 days

**Policy Vote**

Advisory, unless articles of association provide for binding vote

**Report Vote**

Advisory

**RPT Vote**

No



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