



# IMPLEMENTING SRD II

## COUNTRY BRIEF: MALTA

### KEY TAKEAWAYS

- Definitions and listing rules were amended by the Malta Financial Service Authority to reflect the requirements of Shareholder Rights Directive II (MFSA Circular, July 1, 2019).
- New say-on-pay votes are introduced, a binding one on the remuneration policy and an advisory one on the remuneration report.

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 the exercise of shareholder 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 were recorded and counted accurately.



#### 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 shall 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 the 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 MALTESE LEGISLATION

The July 1, 2019 MFSA Circular that amends certain listing rules and definitions in connection with the implementation of the requirements of the SRD II in Malta, introduces binding general meeting votes on the remuneration policy and advisory votes on the remuneration report.

The most important components of SRD II transposed to the Maltese listing rules are detailed below.

**Identification of Shareholders**

The information that allows for the establishment of a shareholder’s identity should include, among other elements, the number of shares held, and if requested by the company, the categories or classes of the shares held, or the date from which the shares have been held.

**Transmission of Information**

Issuers shall provide intermediaries, in a standardized and timely manner, with the information required by the shareholder, to enable them to exercise the rights resulting from their shares. When such information is available on the issuer’s website, an indication regarding where the information is located should be provided to the intermediaries. If the issuers send the information or notice directly to all their shareholders, the aforementioned requirements do not apply.

**Facilitation of Shareholder Rights**

In case the votes are cast electronically, an electronic confirmation of receipt of the votes must be sent to the persons casting the votes. Issuers must also ensure that after the GM, the shareholders or third parties nominated by them can obtain confirmation that their votes were recorded and counted accurately by the company.

**Transparency of Institutional Investors**

No reference by the circular to the engagement policies of the institutional investors and asset managers.

**Transparency of Proxy Advisors**

No reference by the circular to the code of conduct that proxy advisors apply and to the respective reports on the application of such code.

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

The remuneration policy should be submitted at the general meeting for shareholder approval upon each material change thereof or at least every four years.

The AGM has the right of an advisory vote on the remuneration report for the most recent financial year.

**Transparency on Related-Party Transactions**

The board has authority over approval of the RPTs following the decision of the audit committee regarding whether to approve the transaction. If the RPT is not approved by the audit committee, but the board wants to proceed with the transaction, the company should obtain the approval of its shareholders either prior to the transaction being entered into or, if it is expressed to be conditional on such approval, prior to completion of the transaction.

**Effective Date**

July 1, 2019

**GM Notice Period**

Not specified by the circular

**Availability Remuneration Report**

Not specified by the circular

**Policy Vote**

Binding

**Report Vote**

Advisory

**RPT Vote**

GM vote required in case of a disagreement between the audit committee and the board



---

**We empower investors and companies to build  
for long-term and sustainable growth by providing  
high-quality data, analytics, and insight.**

**GET STARTED WITH ISS SOLUTIONS**

Email [sales@issgovernance.com](mailto:sales@issgovernance.com) or visit [issgovernance.com](http://issgovernance.com) for more information.

Founded in 1985, the Institutional Shareholder Services group of companies ("ISS") is the world's leading provider of corporate governance and responsible investment solutions alongside fund intelligence and services, events, and editorial content for institutional investors, globally. ISS' solutions include objective governance research and recommendations; responsible investment data, analytics, and research; end-to-end proxy voting and distribution solutions; turnkey securities class-action claims management (provided by Securities Class Action Services, LLC); reliable global governance data and modeling tools; asset management intelligence, portfolio execution and monitoring, fund services, and media. Clients rely on ISS' expertise to help them make informed investment decisions.

This document and all of the information contained in it, including without limitation all text, data, graphs, and charts (collectively, the "Information") is the property of Institutional Shareholder Services Inc. (ISS), its subsidiaries, or, in some cases third party suppliers.

The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product or other investment vehicle or any trading strategy, and ISS does not endorse, approve, or otherwise express any opinion regarding any issuer, securities, financial products or instruments or trading strategies.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

ISS MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY, AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by law, in no event shall ISS have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits), or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited.