



# IMPLEMENTING SRD II

## COUNTRY BRIEF: THE CZECH REPUBLIC

### KEY TAKEAWAYS

- The law that implements the Shareholder Rights Directive II was approved on July 24, 2019.
- New say-on-pay votes are introduced, one on the remuneration policy and one on the remuneration report, and will be binding.
- The first votes are expected in 2020.

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 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 CZECH LEGISLATION

The July 24, 2019 law that amended certain laws in connection with the promotion of the exercise of shareholders' rights that implements the SRD II in the Czech Republic introduces binding general meeting votes on remuneration policy and remuneration report. The law took effect on Oct. 1, 2019.

The most important components of SRD II transposed to Czech 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 Czech regulator did not set a specific threshold.

**Transmission of Information**

In order to enable shareholders to exercise rights deriving from their shares, the intermediaries are required to transmit information without delay in compliance with issuer deadlines and record dates and in electronic and machine-readable formats which allow for interoperability and straight-through processing (STP).

**Facilitation of Shareholder Rights**

The intermediaries are required to facilitate the exercise of shareholder rights. Voting instructions should be transmitted without delay in accordance with record dates and issuer deadlines. Vote confirmations and how shareholder votes were counted at the general meeting must be provided to shareholders.

**Transparency of Institutional Investors**

Institutional investors and assets managers are required to disclose their engagement policies annually.

**Transparency of Proxy Advisors**

Proxy advisors are required to publish annually on their websites a reference to a code of conduct which they apply and reports on the application of that 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 substantial change thereof or at least every four years.

The annual remuneration report should be submitted for shareholder approval at the general meeting which approves the financial statements for the accounting period for which the remuneration report is prepared.

**Transparency on Related-Party Transactions**

Related-party transactions are subject to approval by shareholders at the general meeting. This requirement does not apply to related-party transactions concluded in the ordinary course of business and under normal market conditions.

**Effective Date**

Oct. 1, 2019

**GM Notice Period**

30 days

**Availability Remuneration Report**

30 days

**Policy Vote**

Binding

**Report Vote**

Binding

**RPT Vote**

Yes



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