

SRDII: THEORY OF CHANGE

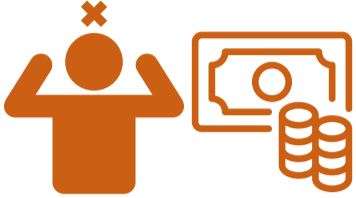
SRDII targets corporate-governance **FAILURES**:

IMPEDED DECISION MAKING



Deficiencies in engagement and control exercised by shareholders impede good decision-making by companies.

UNJUSTIFIED PAY



Excessive directors' pay not justified by performance has led to mistrust among investors.

SHORT-TERMISM



Capital markets often exert pressure on companies to perform in the short-term, which may jeopardise long-term performance.

LACK OF TRANSPARENCY



Investors are often not transparent about their investment strategies, or their engagement policy and its implementation.

SRDII 2019

To generate **ACTIONS**:

IDENTIFICATION



Identification of shareholders.

TRANSPARENCY



Transparency by investors, particularly on engagement policies and implementation.

Transparency and votes on related-party transactions.

FACILITATION



Improved transmission of information along the chain of intermediaries to facilitate the exercising of shareholder rights.

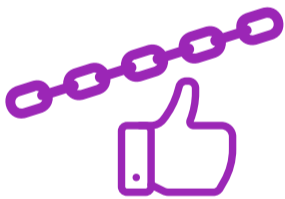
SAY ON PAY



Votes on remuneration policy and reports.

Resulting in **OUTCOMES**:

EFFICIENT CHAIN



Efficiency of the chain of intermediaries.

IMPROVED ENGAGEMENT



Better quality and quantity of long-term shareholder engagement.

LONG-TERM INVESTMENT



More long-term focus in investment strategies

ENGAGED SHAREHOLDERS



Increased exercising of shareholder rights.

HOLISTIC RETURNS



More effective integration of medium-to-long-term risks (including ESG matters) into investment processes.

Creating lasting **IMPACTS**:

SUSTAINABLE ECONOMIES



Long-term sustainability in the financial and non-financial performance of EU companies.

VALUE CREATION



Benefits to investors: improved returns, reduced downside risk and positive outcomes for beneficiaries.

What is SRDII?

An amendment to the European Union Shareholder Rights Directive, seeking long-term shareholder engagement with the ultimate benefit of increasing the sustainability of European companies. It aims to achieve this through a suite of diverse measures, including 'say-on-pay' votes on remuneration policies, reports on engagement activity and greater transparency throughout the investment chain.