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EU Commission

Geneva, 5 May 2026

**Call for evidence for an impact assessment:**
**Position statement by Ethos Services SA**

Established in 1997 by and for Swiss pension funds, the Ethos Foundation aims to enable them to invest sustainably and responsibly. The Ethos Foundation currently represents over 250 Swiss pension funds, insuring more than 2.3 million people in Switzerland and managing assets totalling over CHF 400 billion. European listed equities are an important part of the investment allocation. Our daily mission is to support our members on their journey to invest sustainably and responsibly by taking environmental, social and governance (ESG) criteria into account.

To this end, the Ethos Foundation established Ethos Services in 2000 to provide institutional investors with a range of services and products dedicated exclusively to socially responsible investment. These include proxy voting advice, engagement programmes, ESG research and ratings and sustainable investment solutions. In this role, we analyse hundreds of companies listed on European stock exchanges, provide voting recommendations to Swiss institutional investors and maintain contact with European issuers as part of our stewardship responsibilities. We are therefore directly affected by the SRD/SRD II regulations and have practical experience in applying them.

The SRD and SRD II are key European Union (EU) regulations designed to promote good corporate governance and stewardship, thereby supporting long-term value creation within a liberal economic framework. They have already brought significant progress towards effective governance and shareholder participation. Sound corporate governance is essential for building trust and, consequently, for a functioning liberal capitalist system. This includes a balanced system of checks and balances, with predictable and enforceable shareholder rights. Corporate governance must therefore be regulated with the utmost care. In doing so, the balance of power must not shift away from shareholders towards boards of directors.

From our perspective, a complete overhaul of the regulations is not necessary. However, against the backdrop of advancing digitalisation, and based on various practical observations and experiences, selective improvements and revisions are advisable. In our view, current challenges lie in operational issues concerning the transmission of votes, confirmation and general meeting practices. The focus should therefore be on removing the remaining obstacles to the exercise of cross-border shareholder rights, such as voting and stewardship, and harmonising existing rules across the member states. By doing so, the reform will foster the integration of the single economic area, the transition to a more sustainable economy, and digitalisation – all core goals of the EU.

**Specific observations and reform proposals:**

1. **Shareholders**

The definition of "shareholder" should not be the key focus for possible improvements of the SRD. Current challenges lie rather in operational issues in vote transmission, confirmation and general-meeting practices. The focus should therefore be on removing the remaining obstacles to the exercise of cross-border shareholder rights, e.g. voting and stewardship, and harmonising existing rules across the member states.

2. **Interaction between Companies, Shareholders, and Intermediaries**

In some EU Member States, physical powers of attorney or notarised certifications are required for the exercise of shareholder voting rights (e.g. Finland). Such processes do not correspond to best practice and are outdated. They should

therefore be standardised, simplified and, where possible, digitised across the chain of custodians and sub-custodians as well as across the EU.

Currently, investors do not always receive prompt confirmation or notifications of their vote at general meetings. This is due to burdensome or unclear power-of-attorney requirements (paper-based processes, notarisation). To date, there has been no continuous (i.e. spanning all intermediaries) and timely flow of information regarding the (electronic) exercise of shareholders' voting rights. This flow of information is crucial for maintaining confidence in the well-functioning of corporate governance. Therefore, digitising the voting chain is critical to address these inefficiencies as it reduces errors, improves transparency and provides near real-time vote confirmation.

The possibility of voting (in writing) up until shortly before a general meeting is currently not regulated uniformly and is, in some cases, unfriendly to shareholders. The relevant cut-off date for voting or the blocking of shares should be uniformly regulated across the EU and should be very close to the date of the general meeting.

### 3. Institutional Investors and Asset Managers

Shareholder stewardship is, and will remain, a key and effective tool for safeguarding the long-term value of companies. A healthy balance of power in corporate governance is of crucial importance. It lies at the heart of a well-functioning liberal and capitalist system. Attempts to shift this balance of power to the detriment of shareholders and in favour of boards of directors are therefore dangerous and harmful.

The engagement policy requirements enhance transparency and good stewardship practice. Yet, the success of shareholder engagement depends also on various other factors. Artificial intelligence (AI) tools are used to support the exercise of shareholder rights. This is legitimate to enhance the quality of analysis and improve processes. However, it is important to ensure that voting decisions are not taken automatically and systematically by using AI without human oversight.

Furthermore, transparency requirements for engagement divert resources away from effective engagement activities toward reporting processes. This limits the effectiveness of shareholder engagement and places a disproportionate burden on smaller engagement providers.

Stewardship practices are constantly evolving. Consequently, viewing stewardship solely from the perspective of shareholders is insufficient. Asset owners are increasingly investing across various asset classes and therefore wish to practise rigorous and consistent stewardship, not only with companies but also with other stakeholders on a thematic basis. To this end, the definition of stewardship must be broadened.

Also, investors are increasingly working together, particularly in relation to specific issues, e.g. sustainability and climate risks. In this regard, legal questions arise concerning joint action since divergent national interpretations of acting-in-concert rules persist. This significantly hinders the exercise of effective shareholder rights and the addressing of legitimate concerns. Thus, these need to be clarified and resolved insofar as collaborative engagement practices are not considered as acting-in-concert. In fact, investment and voting decisions always remain in the remit of the investor and should not be part of a collaborative initiative. Yet, pre-declared vote or voting recommendation should also not be seen as acting in concert but a way to escalate legitimate claims of engagement activities.

Should there be a need to introduce an EU-wide stewardship code, it should set out principle-based requirements in key areas as a minimum standard. This would allow countries with more advanced standards to maintain their requirements, whilst bringing less evolved jurisdictions up to this minimum standard. Furthermore, disclosure requirements should be sufficiently flexible to reflect stewardship activities across asset classes and evolving market practices and client expectations.

### 4. Proxy Advisors

In our view, SRD II provides an appropriate regulation of proxy advisors by requiring them to meet transparency requirements and be accountable. We especially underscore that proxy advisors have to remain independent of issuers. Any conflicts of interest must be disclosed. Proxy advisors are a cornerstone of shareholder engagement by providing investors with key information about the governance of issuers and reliable comparisons, highlighting best practices and allowing investors to vote in an informed manner. By applying systematic voting criteria on each agenda item of AGMs, proxy advisors foster continuous improvement of the issuers' governance by prompting them to apply best practices in corporate governance which are often the remit of soft regulation.

Proxy voting and shareholder engagement are closely intertwined and inseparable activities within shareholder stewardship, as consistency between the two is essential. They shall therefore not be considered as mutually conflicting.

In recent years, institutional investors have increasingly moved from an active towards a passive investment approach. As a result, they are universal owners of shares of numerous listed companies. Exercising the voting rights in a transparent and objective manner requires significant resources in particular when considering the heavy concentration of general meetings taking place within six months after the year-end. Proxy advisors play a key role in processing a large amount of information,

structuring the information, making sure this information is comparable and reliable. They help investors to fulfil their fiduciary duties.

The proxy advice market has been heavily consolidated in recent years due to significant economies of scale required to issue voting recommendations on numerous AGMs. The Ethos Foundation is one of the few remaining independent proxy advisors. The Foundation's status guarantees its independence and has until now preserved it from being acquired by the two large proxy firms (ISS and Glass Lewis). The current duopoly creates a potential concentration risk in the field.

Ethos would like to make the European Commission aware of the risks of unintended effects of a new regulation on proxy advisors. In fact, the recent regulation on ESG rating agencies has drastically increased the cost of delivering ESG ratings to European investors by creating a competitive disadvantage to smaller European players, leaving only the large US-based providers able to compete. While Ethos fully supports regulation that increases the independence of proxy advisors or ESG agencies from the issuers analysed, the risks of supervision and compliance costs will nonetheless reinforce the duopoly. Any new regulation should therefore aim to help the emergence of new actors giving investors an adequate choice of providers.

Furthermore, sustainability is, amongst other things, a key topic in shareholder engagement and proxy voting. The relevant research offers significant synergies. Therefore, proxy advisors shall be able to integrate ESG-relevant risk and opportunity factors into their offerings. Ultimately, investors make investment decisions independently, based on a wide range of information (e.g. internal and external research). In conclusion, excessive regulation and oversight of proxy advisors tend to put smaller providers at a disadvantage, without leading to improved quality or transparency. Such regulation favours larger US-based providers and undermines competition. From a European perspective, this is not desirable. Therefore, we consider the current regime to be adequate.

## 5. General Meetings of Shareholders

**Format of the general meeting**

The general meeting is a key element of corporate governance and shareholder scrutiny. It is often the only time of the year when shareholders can meet the company's management bodies, ask questions, put forward ideas and proposals, and speak openly to other shareholders. Shareholders must therefore have the opportunity to attend general meetings in person. The hybrid format is best practice and should be mandated across the EU. The exclusively virtual format should be reserved for cases of force majeure (pandemics, natural disasters, etc.) and be approved by shareholders.

**Right to add items to the agenda**

It is a fundamental right of shareholders to have an item added to the agenda of a general meeting. Practices in this regard vary greatly across EU jurisdictions, and there is a need to standardise and, in some cases, improve shareholders' rights. Therefore, we urge the Commission to implement a uniform EU-wide minimum requirement regarding the threshold for the right to add items to the agenda. The threshold should never exceed 0.5% of the share capital. This is the current level set in Swiss company law. In practice, this has not led to any abuse of the use of this right and it remains extremely rare to have such shareholder resolutions on the ballot.

Furthermore, there is legal uncertainty regarding the right to have items placed on the agenda. As practical cases show, boards of directors may refuse to place a formally correctly submitted item on the agenda. It is thereafter up to the shareholders to enforce their right through private law, which is prohibitively burdensome and against sound corporate governance. Therefore, the rejection of such shareholder requests should only be permitted in explicitly regulated exceptional cases.

**Executive pay and performance**

The structure of the remuneration system has a significant impact on the success of the company. It is therefore of central importance to shareholders. Firstly, the remuneration system can influence the risk appetite of senior executives and, indirectly, the company's strategic direction. Secondly, remuneration incurs costs and can have a significant impact on a company's results. Thirdly, an inappropriate remuneration system can damage the company's reputation and thus undermine shareholder confidence and employee motivation.

The link between remuneration and long-term value creation is crucial. Shareholders' rights regarding executive remuneration are an integral part of good corporate governance and are therefore essential for the board's accountability and the dialogue with shareholders. They have to be preserved and more standardised and best-practice-based disclosure and voting rules are desirable.

**Invitation to the general meeting**

In some EU member states, voting documents reach shareholders too late. This prevents shareholders from forming an informed opinion on the agenda items before the general meeting. Here too, there is already good, established practice

within the EU. An EU-wide, standardised regulation is therefore advisable. The documents for the general meeting must be made available to shareholders at least 40 days before the date of the general meeting.

**Minutes of the general meeting and voting results**

At present, the voting results of general meeting resolutions are recorded and published differently across the various jurisdictions of the EU member states. In this regard, there is a need for standardisation and improved transparency. Voting results should be fully counted and published in detail within a few days (number of votes in favour, against, and abstentions). The minutes should also reflect the key points of discussion (Q&A).

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**Summary (max. 4000 caracters)**

Sound corporate governance is essential to the functioning of liberal capitalism, resting on a balance of power between shareholders and boards of directors. The SRD and SRD II have represented meaningful progress, but targeted improvements remain necessary, without requiring a complete overhaul. In our view, current challenges lie in operational issues concerning the transmission of votes, confirmation and general meeting practices. The focus should therefore be on removing the remaining obstacles to the exercise of cross-border shareholder rights, such as voting and stewardship, and harmonising existing rules across the member states to improve the quality and comparability of the documents produced by issuers to their shareholders.

Key Reform Proposals

1. Power of attorney: Requirements for physical or notarised powers of attorney in certain member states are inconsistent with best practice. These should be standardised and digitalised across the EU.
2. Advance Voting: The lack of timely vote confirmation and paper-based processes create inefficiencies. Fully digital workflows would enable near real-time confirmation and greater transparency.
3. Voting Deadlines: The cut-off date for voting (or share blocking) must be harmonised across the EU and set as close as possible to the date of the general meeting.
4. Acting in Concert: Divergent national interpretations of acting-in-concert rules hinder collective shareholder action, particularly on issues such as climate risk. EU-level clarification is urgently needed.
5. Proxy Advisors: Independence from issuers is non-negotiable. Proxy advisors should be able to integrate ESG factors into their analysis. Excessive regulation disadvantages smaller providers and undermines competition which may further accelerate the current duopoly; the current regime is considered adequate.
6. Meeting Format: The general meeting is a cornerstone of shareholder oversight. The hybrid format (in-person + virtual) represents best practice. An exclusively virtual format should be reserved for force majeure situations (pandemics, natural disasters).
7. Right to Add Agenda Items: This fundamental shareholder right must be harmonised EU-wide, with a maximum threshold of 1% of share capital. Refusal to place a formally valid request on the agenda should only be permitted in explicitly defined exceptional cases.
8. Invitation to general meeting: Meeting documents must be made available to shareholders at least 40 days before the general meeting, ensuring sufficient time for informed decision-making.
9. Minutes and Voting Results: Results (votes for, against, abstentions) must be published in full detail within a few days of the general meeting, along with a summary of key discussions (Q&A).