

EBA/CP/2021/15

31 March 2021

Consultation Paper

Draft Regulatory Technical Standards

On disclosure of investment policy by investment firms under
Article 52 of Regulation (EU) 2019/2033 on the prudential
requirements of investment firms

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1. Responding to this consultation

The EBA invites comments on all proposals put forward in this paper and in particular on the specific questions summarised in 5.2.

Comments are most helpful if they:

- respond to the question stated;
- indicate the specific point to which a comment relates;
- contain a clear rationale;
- provide evidence to support the views expressed/ rationale proposed; and
- describe any alternative regulatory choices the EBA should consider.

Submission of responses

To submit your comments, click on the 'send your comments' button on the consultation page by 1 July 2021. Please note that comments submitted after this deadline, or submitted via other means may not be processed.

Publication of responses

Please clearly indicate in the consultation form if you wish your comments to be disclosed or to be treated as confidential. A confidential response may be requested from us in accordance with the EBA's rules on public access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the EBA's Board of Appeal and the European Ombudsman.

Data protection

The protection of individuals with regard to the processing of personal data by the EBA is based on Regulation (EU) 1725/2018 of the European Parliament and of the Council of 23 October 2018. Further information on data protection can be found under the Legal notice section of the EBA website.

2. Executive Summary

The EBA received a mandate under Article 52(3) of Regulation (EU) 2019/2033 (IFR) to develop in consultation with the European Securities and Markets Authority (ESMA) draft regulatory technical standards (RTS) to specify templates for investment policy disclosure of investment firms. IFR sets out in Article 52 a requirement for investment firms to disclose the following information: (1) proportion of voting rights attached to shares held, (2) voting behaviour, (3) use of proxy advisor firms and (4) voting guidelines.

The primary purpose of investment policy disclosure is to make public information on the influence of investment firms over the companies in which they hold directly or indirectly shares with voting rights attached.

Only investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) IFR (Class 2 investment firms) have to disclose information about their investment policy. Moreover, the IFR specifies two materiality thresholds for the application of the investment policy disclosure requirement. First, it applies only to investment firms with on- and off-balance sheet assets on average greater than EUR 100 million over the four-year period immediately preceding a given financial year. Second, only companies whose shares are admitted to trading on a regulated market and in which the proportion of voting rights exceeds 5 % of all voting rights issued by the company are considered relevant for disclosure.

This consultation paper puts forward the EBA proposal on draft RTS disclosure of investment policy by investment firms in accordance with Article 52 IFR.

The requirement of investment policy disclosure is fulfilled by the use of both templates and tables. Templates contain quantitative information while tables contain qualitative information.

The RTS includes two annexes. Annex I contains templates and tables for the purpose of the disclosure of information on investment policy by investment firms. Annex II contains detailed instructions, which provide legal references and guidance concerning specific positions for these templates and tables. Quantitative disclosures shall be accompanied by qualitative explanations and any other supplementary information that may be necessary in order for the users of that information to understand them, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.



3. Background and rationale

1. The Investment Firms Directive (IFD)¹ and the Investment Firms Regulation (IFR)² were published in the Official Journal of the European Union on 5 December 2019 and entered into force 20 days later. IFR will become directly applicable 18 months after its entry into force, on 26 June 2021. Member States have time until the same date to adopt and publish measures that transpose IFD. In IFR and IFD, a significant number of mandates has been given to the EBA.
2. IFR sets out in Article 52 the requirement for investment firms to disclose information on investment policy, including the following information: (1) proportion of voting rights attached to shares held, (2) voting behaviour, (3) use of proxy advisor firms and (4) voting guidelines. The same Article mandates the EBA to develop in consultation with the European Securities and Markets Authority (ESMA) draft regulatory technical standards (RTS) to specify templates for investment policy disclosure of investment firms. This information will be published on a yearly basis, along with the financial statements.
3. The objective of investment policy disclosure is to publicise information about the intended influence of investment firms on companies in which they hold shares. For instance, investment firms may adopt policies that promote better governance in the companies in which they have invested, or ensure that these companies are managed with a long-term perspective.
4. The Second Shareholders Rights Directive (SRD2)³ contains related disclosure requirements. Some requirements concern shareholders' rights and go beyond what is required under Article 52 of IFR. There are some similarities between SRD2 and IFR, notably, the rationale of both of them is based on promoting transparency on the policies by asset managers and investment firms in relation to their voting rights in listed companies. However, SRD2 focuses on shareholders' rights and firms' efficiency and is less prescriptive than IFR, as it requires only a global description of voting behaviour instead of a complete one. It also allows to disclose information on a comply-or-explain basis and to exclude non-significant votes. This option is not granted under IFR, which requires mandatory disclosure once thresholds are met.
5. During the development of this RTS, several policy choices have been considered. Regarding the list of economic sectors used in disclosure of proportion of voting rights, ESCO was selected. Another policy choice consisted in the definition of what should be considered as shares held

¹ Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (OJ L 314, 5.12.2019, p. 64).

² Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1).

³ Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (OJ L 132, 20.5.2017, p. 1).



indirectly by investment firms. It has been decided that shares held indirectly for the purpose of this RTS are shares held by subsidiaries or other undertakings of investment firms, where an investment firm exercises significant influence⁴, or control⁵ over these undertakings or where close links exist⁶, and those shares belonging to shareholders represented by the investment firm at the shareholders' meeting. Furthermore, a policy choice was made to request disclosure of information on resolutions put forward by shareholders in addition to those put forward by the administrative or management body, as part of the description of the investment firm's voting behaviour. A question has been added on whether resolutions put forward by the investment firm should also be considered. Another policy choice was to split proxy advisor firms into those that give voting recommendations and those that only execute voting instructions in use of proxy advisor firms' disclosure.

3.1 Scope

6. Pursuant to Articles 46(1) and 46(2) of IFR, only investment firms that do not meet the conditions for qualifying as small and non-interconnected investment firms set out in Article 12(1) IFR (Class 2 investment firms) have to disclose information about their investment policy.
7. The IFR specifies two materiality thresholds for the application of the investment policy disclosure requirement. First, it applies only to investment firms that do not meet the criteria set out in point (a) of Article 32(4) of IFD, namely to investment firms with on- and off-balance sheet assets on average greater than EUR 100 million over the four-year period immediately preceding a given financial year. Second, only companies whose shares are admitted to trading on a regulated market and in which the proportion of voting rights exceeds 5 % of all voting rights issued by the company are considered relevant for this disclosure.
8. Unless an exemption has been granted, IFR and IFD apply to investment firms on an individual and on a consolidated basis, which includes disclosure requirements in Part Six of IFR. Article 4(1) 11 of IFR defines a consolidated situation as the result of applying the requirements of IFR to an investment firm group as if the entities of the group formed together a single investment firm.
9. The scope of consolidation of an investment firm group is described in more detail in the RTS on prudential consolidation under Article 7(5) of IFR. Investment firms groups shall use this prudential scope to fulfil the disclosure requirements, and not the scope of accounting consolidation, which may be different.
10. Regarding frequency, and following Article 46(1) IFR, investment firms have to disclose this information on an annual basis and with the same date as they publish their annual financial statements.

⁴ As defined in Article 2(13) of Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

⁵ As defined in point (35) of Article 4(1) of the Capital Requirements Regulation (CRR).

⁶ As defined in point 4 of Article 3(1) of the Investment Firms Directive (IFD).



3.2 Investment policy disclosure requirements

11. In Pillar 3 disclosures, templates are developed to implement quantitative disclosure requirements, while tables implement disclosure requirements of qualitative information. Quantitative templates are mostly based on fixed formats. Tables, on the other hand, have a more flexible nature. Whereas the mandate for the EBA mentions templates only, it can be understood more generally to include tables as well.
12. The RTS includes two annexes. Annex I contains templates and tables for the purpose of the disclosure of information on investment policy by investment firms. Annex II contains detailed instructions, which provide legal references and guidance concerning specific positions for these templates and tables.
13. Article 52(1) of IFR lists two types of disclosure concerning investment policy of investment firms: point (a) requires to disclose the proportion of voting rights attached to shares held directly or indirectly, and points (b), (c) and (d) require to describe the firm's voting behaviour, use of proxy advisor firms and voting guidelines respectively. The first type of requirement is quantitative in nature and can be addressed by a template, while the second type calls for a written description in a table.
14. Paragraph 1(a) of Article 52 IFR requires the disclosure of the proportion of voting rights attached to shares held directly or indirectly, broken down by a Member State and sector, considering only relevant companies as set out in Article 52(2) IFR. Shares held directly means shares held by the firm on its own account or under its management on behalf of clients by virtue of discretionary portfolio management arrangements. Shares held indirectly means shares held by their subsidiaries or other undertakings, where the investment firm exercises significant influence or control over this undertaking or where close links exist. To fulfil the requirement from Paragraph 1(a), template IF IP1 (TEMPLATE ON PROPORTION OF VOTING RIGHTS) has been developed. It is of quantitative nature and includes a list of countries, which is further subdivided into sectors and companies. Each company is associated with the total proportion of voting rights held, which is over 5%. The list of economic sectors is given in the European Skills, Competences, Qualifications and Occupations framework (ESCO), which consists of 27 sectors. These sectors are mapped to NACE codes.
15. Paragraph 1(b) of Article 52 IFR requires three elements to be disclosed: a complete description of voting behaviour, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company, which the investment firm has approved. The objective is to determine if an investment firm is an active shareholder that generally uses its vote rights or not, and how it uses them. To fulfil the requirement from Paragraph 1(b), the following tables and templates have been developed:
- IF IP2.01 - TABLE ON THE DESCRIPTION OF VOTING BEHAVIOUR;
 - IF IP2.02 - TEMPLATE ON VOTING BEHAVIOUR;



- IF IP2.03 - TABLE ON EXPLANATION OF THE VOTES;
- IF IP2.04 - TEMPLATE ON VOTING BEHAVIOUR IN RESOLUTIONS BY THEME;
- IF IP2.05 - TEMPLATE ON THE RATIO OF APPROVED PROPOSALS.

16. Paragraph 1(c) of Article 52 IFR calls for an explanation of the use of proxy advisor firms. These firms may provide research, advice, or voting recommendations, or only execute voting instructions. There has been concern that links between proxy firms and undertakings or groups in which investment firms hold shares may create conflicts of interests. To fulfil the requirement from Paragraph 1(c), the following tables have been developed:

- IF IP3.01 - TABLE ON THE LIST OF PROXY ADVISOR FIRMS;
- IF IP3.02 - TABLE ON THE LINKS WITH PROXY ADVISOR FIRMS.

17. Finally, under paragraph 1(d) of Article 52 IFR, investment firms have to disclose all voting guidelines in the relevant scope, not only proxy voting guidelines. Voting guidelines can be extensive and may be decided on a case-by-case basis for certain items in a general meeting agenda. These guidelines may vary by geographical zone, theme of resolutions, and even company by company. To fulfil the requirement from Paragraph 1(d), table IF IP 4 (TABLE ON VOTING GUIDELINES) has been developed. The response to this disclosure requirement is formatted as a free text, in which an investment firm describes its voting guidelines. The RTS provides guidance on the main points that investment firms should include in the description of their voting guidelines. In addition, investment firms should include the link to non-confidential documents describing their voting guidelines.

18. Disclosure should not be misleading at the time it is published. Its content will not undergo an external audit like the financial statements, but should be subject to the same level of internal verification as that applicable to the management report included in the investment firm's financial report.

19. The templates and instructions provided in this draft RTS are detailed enough to enable the investment firms to provide information that is consistent and comparable across the industry and meaningful for the public. The level of detail is adjusted to avoid overburdening investment firms with this exercise, keeping in mind that small and non-interconnected firms are exempt from it.



4. Draft regulatory technical standards



COMMISSION DELEGATED REGULATION (EU) No .../..

of XXX

[...]

supplementing Regulation (EU) 2019/2033 of the European Parliament and of the Council with regard to regulatory technical standards for public disclosure of investment policy by investment firms

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014⁷ and in particular Article 52 thereof,

Whereas:

- (1) Regulation (EU) 2019/2033 of the European Parliament and of the Council requires investment firms other than small and non-interconnected investment firms to publicly disclose information on their investment policy, in order to provide transparency to their investors and the wider market participants on their influence over the companies in which they hold directly or indirectly shares to which voting rights are attached and on how they vote. The disclosure required includes information on the proportion of voting rights attached to the shares held directly or indirectly by the investment firms, their voting behaviour, explanation of votes and ratio of proposals put forward and approved, the use of proxy advisor firms and on their voting guidelines.
- (2) This Regulation, as mandated in Article 52 of Regulation (EU) 2019/2033 of the European Parliament and of the Council, aims at specifying templates for the required disclosure, in response to the need for consistent and comparable public information on public policy of investment firms.
- (3) While proportionate, the provisions of this Regulation aim at ensuring that the templates and tables used by investment firms for investment policy disclosures

⁷ OJ L 314, 5.12.2019, p. 1



convey sufficiently comprehensive and comparable information on their voting behaviour and how it influences their investee companies.

- (4) More specifically, this Regulation introduces a quantitative disclosure template on the proportion of voting rights attached to shares held by the investment firms directly, including shares held by the investment firms and under its management for the exercise of voting rights, and indirectly by their subsidiaries, or other undertakings where the investment firm exercises significant influence or control over this undertaking or where close links exist, including shares belonging to shareholders represented by investment firms at shareholders' meetings. This Regulation also defines tables and templates for the description of the voting behaviour of the investment firm, and of the proportion of general meetings' resolutions that the firm has approved or opposed, by topic, and including information on the departments or roles involved in deciding the voting position, validation process, or material changes in the rate of resolutions approved. In addition, it includes qualitative tables for the description of the use of proxy advisor firms and the links with those firms. Finally, it includes instructions on the information that investment firms shall disclose regarding their voting guidelines.
- (5) This Regulation is based on the draft regulatory technical standards submitted by the European Supervisory Authority (European Banking Authority) (EBA) to the Commission.
- (6) EBA has conducted an open public consultation on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/20105.

HAS ADOPTED THIS REGULATION:

Article 1

Disclosure principles

Information to be disclosed in accordance with this Regulation shall be subject to the following principles:

- (a) Disclosures shall be subject to the same level of internal verification as that applicable to the management report included in the investment firm's financial report.
- (b) Disclosures shall be clear. They shall be presented in a form that is understandable to users of information and communicated through an accessible medium. Important messages shall be highlighted and easy to find. Complex issues shall be explained in simple language. Related information shall be presented together.
- (c) Disclosures shall be meaningful and consistent over time to enable users of information to compare information across disclosure periods.



- (d) Quantitative disclosures shall be accompanied by qualitative explanations and any other supplementary information that may be necessary in order for the users of that information to understand them, noting in particular any significant change in any given disclosure compared to the information contained in the previous disclosures.

Article 2

General specifications

1. Where disclosing information in accordance with this Regulation, investment firms shall ensure that numeric values are submitted as facts. Quantitative data disclosed as ‘Percentage’ shall be expressed as per unit with a minimum precision equivalent to two decimals.
2. Where disclosing information in accordance with this Regulation, investment firms shall ensure that the data are associated with the following information:
 - (a) disclosure reference date and reference period;
 - (b) name and where relevant, identifier of the disclosing investment firm (Legal Entity Identifier (LEI));
 - (c) where relevant, accounting standard; and
 - (d) where relevant, scope of consolidation.

Article 3

Disclosure of proportion of voting rights

Investment firms shall disclose the information referred to in Article 52 (1), point (a), of Regulation (EU) 2019/2033 by using template IF IP1 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation.

Article 4

Disclosure of voting behaviour

Investment firms shall disclose the information referred to in Article 52 (1), point (b), of Regulation (EU) 2019/2033 as follows:

- (a) the information on the voting behaviour by using table IF IP2.01 and template IF IP2.02 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation;
- (b) the information on the explanation of the votes by using table IF IP2.03 and template IF IP2.04 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation;



- (c) the information on the ratio of proposals which the investment firm has approved by using template IF IP2.05 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation.

Article 5

Disclosure of explanation of the use of proxy advisor firms

Investment firms shall disclose the information referred to in Article 52 (1), point (c), of Regulation (EU) 2019/2033 as follows:

- (a) the information on the list of proxy advisor firms used by the investment firm by using table IF IP3.01 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation;
- (b) the information on the links with proxy advisor firms by using table IF IP3.02 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation.

Article 6

Disclosure of voting guidelines

Investment firms shall disclose the information referred to in Article 52 (1), point (d), of Regulation (EU) 2019/2033 by using template IF IP4 of Annex I to this Regulation and by following the instructions set out in Annex II to this Regulation.

Article 7

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Commission
The President

[For the Commission
On behalf of the President

[Position]

5. Accompanying documents

5.1 Draft cost-benefit analysis / impact assessment

20. Following Article 10 of Regulation (EU) No 1093/2010 (EBA Regulation), the EBA shall analyse the potential costs and benefits of draft regulatory technical standards. RTS developed by the EBA shall therefore be accompanied by an Impact Assessment (IA) that analyses ‘the potential related costs and benefits’.

21. This analysis presents the IA of the main policy options included in this Consultation Paper on the draft RTS on disclosure of investment policy by investment firms under Article 52 of Regulation (EU) 2019/2033 on the prudential requirements of investment firms, which the EBA is mandated to develop under Article 52(3) of Regulation (EU) 2019/2033 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (the ‘IFR’). The IA is high level and qualitative in nature.

A. Problem identification and background

22. Article 52 of the IFR sets out disclosure requirements on class 2 investment firms⁸, aimed at providing more transparency on the intended influence of investment firms on companies in which they hold shares. Information is to be disclosed on the following topics: (1) the proportion of voting rights attached to shares held, (2) voting behaviour, (3) use of proxy advisors and (4) voting guideline; all to be disclosed on an annual basis and alongside financial statements.

23. Article 52(3) of the same directive mandates the EBA to develop draft RTS and disclosure templates to specify on these disclosures.

B. Policy objectives

24. The draft proposed RTS and disclosure templates presented in this consultation paper reflect the EBA’s work on this mandate.

⁸ Further, application of the disclosure requirements is subject to two materiality thresholds: (1) applicable only to investment firms with on and off-balance sheet assets on average greater than EUR 100 million over the four-year period immediately preceding the given financial year; (2) only companies whose shares are admitted to trading on a regulated market and in which the proportion of voting rights exceeds 5 % of all voting rights issued by the company are considered relevant for disclosure. Class 2 investment firms are non-systemically relevant investment firms but which do not qualify as small and non-interconnected investment firms either (IFR and IFD applies fully).



C. Options considered, assessment of the options and the preferred option

25. Section C. presents the main policy options discussed and the decisions made during the development of the RTS and templates. Advantages and disadvantages, as well as potential costs and benefits of the policy options and the preferred options resulting from this analysis are assessed below.

Economic sectors in template IF IP1

Option 1a: Sector classification in template IF IP1 to follow ESCO.

Option 1b: Sector classification in template IF IP1 to follow any other classification system (GICS, ICB, etc.).

26. Article 52(1) IFR requires the disclosure of ‘the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector’. This information is to be included in the proposed template IF IP1. Several sector classifications exist that could be used, including the Global Industry Classification Standard (GICS, 11 sectors), the Industry Classification Benchmark (ICB, 10 industries) and the European Skills, Competences, Qualifications and Occupations framework (ESCO, 27 sectors). The last is closely related to the NACE code sector classification which is already used as part of the EBA’s supervisory reporting framework. In order to ensure maximum consistency between the supervisory reporting and disclosure framework and to minimise any additional costs to institutions, **option 1a has been chosen as the preferred option**. The new template IF IP1 will classify sectors according to ESCO.

Definitions of ‘shares held indirectly’

Option 2a: Follow a narrow interpretation of ‘shares indirectly held’, to include shares held by subsidiaries of an investment firm.

Option 2b: Follow a broader interpretation of ‘shares indirectly held’, to include also shareholders represented by the investment firm at the shareholders’ meetings (in addition to shares held by subsidiaries of an investment firm).

27. Article 52(1) IFR requires disclosure in the context of shares ‘held directly or indirectly by the investment firm’. The exact meaning of ‘held indirectly’ is not specified further in the regulation, The primary purpose of Article 52 is to allow stakeholders to better understand the influence of investment firms over the companies in which they hold directly or indirectly shares to which voting rights are attached. In order to understand the full picture, a broad interpretation of the term ‘indirectly held’ was hence assessed as necessary. The term should not only include shares held by subsidiaries, but also shareholders represented by investment firms at shareholders’ meetings and where the parent investment firm hence exercises a decisive/ dominant influence or control over another undertaking. **Option 2b was therefore assessed as the preferred option**. Whilst this implies some additional costs for institutions in the form of a broader scope of



disclosure to be provided under Article 52(1), the more complete information and transparency this achieves for the market is assessed to outweigh the additional costs.

Information to be included on the ratio of approved proposals

Option 3a: Follow a narrow interpretation of IFR Article 52(1)(b) on the disclosure requirements.

Option 3b: Follow a broader interpretation IFR Article 52(1)(b) on the disclosure requirements.

28. Article 52(1)(b) IFR requires investment firms to disclose a complete description of their voting behaviour and an explanation of the votes, including information on the ratio of approved proposals put forward by the administrative or management body of the company which the investment firm has approved. The primary objective of this Article is to allow stakeholders to understand investment firms' voting behaviour, i.e., how they vote. In this regard, investment firms should explain how they have voted on proposals put forward by the administrative or management body of the firm, as specifically required by Article 52(1)(b). To show a comprehensive picture of investment firms' voting behaviour, it would be crucial that they also explain how they have voted on proposals put forward by shareholders, so that stakeholders are able to understand whether the ratio of approved proposals may be different depending on who puts them forward. This implies slightly more information to be disclosed by investment firms but will allow for a complete and more informed picture by investors on their voting behaviour. **Option 3b was therefore assessed as the preferred option**, choosing a broader interpretation of Article 52(1)(b): an explanation of the votes should be disclosed not only in the form of including 'the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved', but also the ratio of those proposed by shareholders.

Explanation of the use of proxy advisor firms by contract type

Option 4a: Explanation on the use of proxy advisor firms, without distinction on the type of firm.

Option 4b: Explanation on the use of proxy advisor firms, including a distinction between those that give voting recommendations and those that only execute voting instructions.

29. Article 52(1)(c) IFR requires investment firms to disclose an explanation of the use of proxy advisor firms. These firms may provide research, advice, or voting recommendations, or may only execute voting instructions. When disclosing this information, investment firms should provide information on any links between proxy firms and undertakings or groups in which investment firms hold shares, in order to address any concerns on potential conflicts of interest. When implementing this disclosure requirement, it was assessed whether information on the type of contract with the proxy advisor firm should be disclosed or not. Information on whether the proxy advisor firm gives voting recommendations or only executes them on behalf of the investment firm is important for stakeholders to better understand any potential links with the relevant undertaking. **Option 4b was therefore assessed as the preferred option** in order to ensure maximum transparency.



Table IP 3.02 on the link with proxy advisor firms – presentation of type of link

Option 5a: Introduce a drop-down list for the type of link

Option 5b: Allow open text for the type of link

30. Table IP 3.02 requires information on the links with proxy advisor firms, including the type of link. **Option 5a has been chosen as the preferred option** and a drop-down menu has been chosen for the type of link. This will ensure standardisation of the answers, improved comparability and at the same time lower the risk of entities providing incorrect/not useful free text information. In addition, a pre-defined list of options is likely to reduce the costs to institutions as it should make it easier for them to complete the templates.

31. The items included in the drop-down menu were chosen using the categories as per the international accounting standard IAS 24 for related parties, as (1) they offer a broad overview of the different situations of influence worth to be reported to stakeholders, (2) the list is already widely understood and used, and (3) in cases of any doubt, investment firms could always leverage on the guidance of the accounting standards.

D. Conclusion

32. The RTS and associated templates developed under Article 52(3) IFR have been drafted to ensure maximum transparency for the market within the mandate under Article 52, and at the same time minimise any disproportionate cost to institutions. Where possible, alignment with existing frameworks has been ensured, and disclosure requirements have been interpreted and implemented taking a broad view, so as to ensure that the disclosure templates convey as much relevant information as possible.



5.2 Overview of questions for consultation

33. Feedback on the following questions is sought:

Question 1: Are the instructions, tables and templates clear to the respondents?

Question 2: Do the respondents identify any discrepancies between these tables, templates and instructions and the requirements set out in the underlying regulation?

Question 3: Do the respondents agree that the new draft RTS fits the purpose of the underlying regulation?

Question 4: What is respondents view on whether template IF IP2.05 on the ratio of approved proposals should include separate information on the resolutions put forward by the investment firm itself?