

IIGCC

Strengthening net zero stewardship in the EU

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Executive Summary

In light of the EU's ongoing review of sustainable finance regulations, there is an opportunity to both strengthen and streamline the approach to stewardship. Changes to regulations underpinned by a principles-based Stewardship Code could enhance investors' ability to engage effectively with companies, help create long-term value and support the net zero transition.

This paper sets out IIGCC's position on how stewardship in the EU could be strengthened. It calls for the creation of a voluntary, principles-based EU Stewardship Code, supported by targeted regulatory reforms to harmonise expectations, improve transparency, and enable effective engagement across asset classes and member states.

From an EU policymaker perspective, embedding robust stewardship and engagement practices into the sustainable finance framework could be instrumental in mobilising private capital, aligning corporates with climate goals, and ensuring the EU stays on track to meet its 2050 net zero commitments.

Key recommendations include:¹

- **Integrate voluntary and regulatory approaches:** Align voluntary initiatives with regulatory frameworks to facilitate stewardship as a contributor to sustainable finance, decarbonisation, and long-term economic competitiveness.
- **Establish an EU stewardship code:** Introduce a regulatory-backed EU stewardship code with clear principles and standardised definitions for engagement, escalation, and sustainability integration, building on existing national codes.
- **Protect investor rights across asset classes:** Improve annual general meeting (AGM) practices and voting mechanisms to ensure shareholders can effectively exercise their rights and influence corporate behaviour, while extending stewardship regulation across appropriate asset classes.
- **SRDII and SFDR alignment:** Conduct a coordinated review of the Shareholder Rights Directive II (SRD II) and the Sustainable Finance Disclosure Regulation (SFDR) to align stewardship-related disclosures, extend engagement expectations beyond listed equities, and promote collaborative engagement.
- **Ensure access to decision-useful data:** Safeguard the availability of meaningful data under the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS) to support informed shareholder engagement and voting.

Introduction

Investor stewardship can play a critical role in fostering sustainable long-term value creation and encouraging behavioural change to support the transition efforts of investee companies in line with the EU's net zero commitments. But, to fulfil this role, investors need a coherent, EU-level approach to stewardship that transcends national boundaries.

The stewardship landscape in the EU is still emerging, with varying standards, regulations and expectations across member states. There remains an uneven understanding of stewardship across countries, investors, companies and other stakeholders, as well as challenges for investors seeking to exercise their investor rights and engage with holdings on a cross-border basis. This hampers the ability of investors to effectively engage on material sustainability issues, including decarbonisation, and deliver long-term sustainable value for clients and beneficiaries.

This paper identifies an opportunity for the EU to strengthen its support for investor stewardship practices, both through the provision of an EU-wide stewardship code, to help streamline reporting requirements across member states, and targeted regulatory amendments. Just as policy can unlock company transition, clear policy can support effective net zero stewardship.

From a policymaker perspective, a coherent regulatory baseline for corporate governance and stewardship alongside a voluntary EU stewardship code could help unlock the full potential of stewardship as a lever for sustainable finance and long-term value creation.



Stewardship, decarbonisation and competitiveness

The transition to a decarbonised global economy will be one of the defining trends of the next decade and beyond, presenting opportunities and challenges to investors and policymakers alike. While the capital spending required to finance the transition is expected to be highest in the period up to 2030² and comes at a time of fiscal tightening and higher borrowing costs, the net zero transition also provides once-in-a-generation investment opportunities and the chance for the EU to lead from the front, enhance its energy security, and boost its economic competitiveness.

Failure to act brings the risks of climate change to the fore. These are financially material risks at both asset and systemic level, including but not limited to physical, transition, and legal risk.

Stewardship and engagement are considered among the most effective tools for investors to support the transition to net zero, reinforce adaptation and resilience measures, meet their own climate objectives and safeguard the financial returns of their assets. The Shareholder Rights Directive II (SRD II), for instance, recognises that “greater involvement of shareholders in corporate governance is one of the levers that can help improve the financial...performance of companies”.³

Engagement plays a vital role in driving real-economy decarbonisation. An exclusive focus on financed emissions or divestment risks “paper decarbonisation”, reducing portfolio emissions without delivering real-world impact. Through effective engagement, investors can retain exposure to high-emitting or high-impact assets while supporting their transition toward net zero.⁴ Investor stewardship is also increasingly engaging on climate resilience and adaptation issues.⁵ This approach not only supports meaningful emissions reductions beyond individual portfolios but also helps safeguard value and competitiveness in a rapidly evolving market.

Accordingly, engagement is a critical component of investors’ own net zero transition plans. This is reflected in the Net Zero Investment Framework (NZIF) 2.0, where shifting portfolios toward alignment with climate goals depends on robust engagement, supported by best practice and an enabling regulatory environment. By facilitating investors’ ability to engage actively and responsibly, the EU can support a more sustainable and resilient economy that benefits all stakeholders.

State of Play in the EU

Stewardship is already recognised by policymakers as an important lever for advancing sustainable finance in the EU. Several EU regulations influence stewardship, primarily through transparency obligations. Many stewardship and engagement practices are governed at the member state-level. Divergences in regulatory transposition, interpretation, voting rights, shareholder resolution procedures, and AGM timelines creates complexity and inefficiency. While some member states have robust stewardship codes, others rely on voluntary frameworks, and many have none at all. The Commission’s Communication for a Savings and Investments Union highlights cross-border fragmentation as a key barrier, resulting in “unnecessary duplication of burdens and a drag on [investors’] competitiveness and agility”.⁶ Similarly, the Commission’s Single Market Strategy, recognises the benefits of a unified regulatory framework to enhance the EU’s “appeal to businesses, investors and consumers”.⁷ This all underscores the need for greater harmonisation, for instance of voting rights and approaches to stewardship, to enable more effective, coherent stewardship across jurisdictions.⁸

Challenges

From this regulatory landscape, several challenges to effective stewardship emerge:

EU regulatory complexity

- The EU's stewardship landscape is shaped by a mix of EU-level directives and member state-specific rules, with naturally divergent legal systems and traditions. This subjects investors to overlapping reporting requirements and other barriers to stewardship.

Lack of EU regulatory coherence

- Several key regulations (including SRD II, SFDR, and CSRD) – contain provisions related to engagement and disclosure. However, inconsistencies in terminology, scope, and obligations across these frameworks create confusion and raise implementation costs. These issues are compounded by the involvement of multiple Directorate-Generals with differing mandates, increasing the risk of regulatory divergence.

Technical barriers to voting

- Obstacles to exercising voting rights include inconsistent shareholder identification processes, varying deadlines and formats for submitting votes, and limited digital infrastructure. The lack of standardisation across intermediaries further complicates cross-border voting.

Data quality, availability and sequencing

- Effective stewardship depends on timely, high-quality data. Inadequate or delayed data impedes stewardship and may obscure material risks. Proposed reductions to CSRD scope under the Omnibus proposals risk further limiting access to critical information.

Asset class coverage

- Current regulations focus primarily on shareholder rights, but influence can also be exerted across asset classes. As noted by the International Platform on Sustainable Finance, an expanded focus “allows investors to exert influence at critical points, such as primary issuance or refinancing, thereby promoting sustainable practices across a wider spectrum of financial markets.”⁹

Sustainable finance and the net zero transition

- EU sustainable finance policy has placed greater emphasis on what investors invest in (such as taxonomy-aligned assets) rather than how they use their rights and influence to contribute to change. The latter is critical to real economy decarbonisation and supporting transitioning assets, especially in hard-to-abate sectors.

Potential impacts of the Omnibus Package on stewardship efforts

Many of the datapoints set out in the European Sustainability Reporting Standards E1 (ESRS-E1), the detailed standards underpinning CSRD, are essential for assessing the ambition and credibility of investee transition efforts. Under the Omnibus Package, the Commission has proposed to significantly reduce the scope of companies required to report against the ESRS and the number of datapoints included within the standards. If enacted, these proposals would significantly reduce investor access to decision-useful data, with consequences for engagement.

Where mandatory disclosures are not in place, or data is not readily accessible, engagement is often used as a means of procuring decision-useful data from holdings (albeit with additional time and cost burdens). However, the Omnibus Package also proposes the introduction of a 'value chain cap'. Under the value chain cap, investors would be prevented from requesting sustainability data from companies outside the scope of CSRD beyond the limited disclosures set out in the voluntary SME reporting standard. As well as inhibiting investors' capacity to meaningfully evaluate climate-related risks and opportunities, the proposals could also make it more challenging for investors to meet their own reporting obligations on their engagement activities, including under the SFDR, which depend on reporting from underlying investees.



A roadmap for stewardship

Overcoming these challenges and meeting the EU's policy goals is “not a simple task that can be solved with a single legal parameter”¹⁰. A comprehensive package of measures is needed to improve stewardship practices and align with Mario Draghi's call for regulatory frameworks that are “clear, more fit-for-purpose, future-proof and coherent”.¹¹

IIGCC recommends pairing regulatory changes with a “dynamic, flexible, innovative and tailored” norm-generative Code.¹² This Code would serve as a unifying framework to guide investor engagement across member states, complementing existing national approaches while promoting consistency and ambition and reducing investors' reporting burden.

Inspiration for such a framework can be drawn from the Societas Europaea model – a legal structure that allows companies to operate across the EU as a single entity.¹³ This provides a legal structure suitable for cross-border activities and helps to mitigate some of the challenges arising from the navigation of different member states' legal systems. Just as the Societas Europaea facilitates activity by harmonising legal requirements, an EU Stewardship Code could bring together fragmented national stewardship frameworks into a coherent, pan-European regime. This would reduce complexity, enhance legal clarity, and support more effective and coordinated investor action across the single market.

The following section outlines how an EU Stewardship Code can enhance net zero stewardship and sets out complementary regulatory reforms to support its effective implementation.



EU Stewardship Code

An EU-wide Code could serve as a “distinctive normative framework that will complement, rather than substitute”¹⁴ regulation (improvements to which are explored in more detail below). Academic research has underscored the value of such soft-law instruments. A well-designed Code could interpret and operationalise SRD II’s provisions, offering clarity, flexibility, and practical guidance. While SRD II sets a baseline, a complementary Code can tailor expectations to market realities and signal best practices.

Although the EFAMA Stewardship Code exists at the European level, its impact has been limited due to the absence of formal oversight, lack of public signatory disclosure, and low market visibility. These limitations underscore the need for a more robust and widely adopted EU-level framework. Existing member state stewardship codes, meanwhile, provide the building blocks for an EU-wide approach. ESMA has also recommended an EU-wide Code, noting in July 2024 that this would better reflect the EU’s regulatory context and provide practical support, particularly for smaller market actors.¹⁵

An EU-wide Code should be seen as an opportunity to support investor stewardship while streamlining expectations across the bloc. This must include a mechanism for mutual recognition with national codes of a requisite standard. While national codes allow for local tailoring, an EU Code would offer a ‘28th regime’, providing a harmonised option for investors operating internationally, helping to reduce complexity and reporting burdens.

Successful stewardship codes in the UK and Japan have addressed market failures such as short-termism and weak corporate governance. A well-designed EU Stewardship Code – supported by regulatory coherence – can address these issues by promoting an emphasis on sustainable value, accountability, and real-economy impact. The EU now has a unique opportunity to elevate stewardship as a core pillar of its sustainable finance agenda.

An EU Stewardship Code would support the EU’s sustainable finance ambitions by:

Clarifying stewardship expectations	An EU Stewardship Code would provide much-needed clarity for market participants. While SRD II requires investors to publish an engagement policy, it offers little EU-wide guidance on how to develop, implement, or report on such policies. A common EU framework would help fill this gap, promoting consistent adoption of best practices and improving the quality of engagement reporting.
Enhancing regulatory disclosures	By establishing clear principles for stewardship practices, the Code would support investors as they continue to integrate sustainability considerations into their investment decisions and meet their regulatory reporting obligations in a streamlined manner.
Incentivising active engagement	The Code would encourage sustained, long-term engagement between investors and investee companies. This is essential for promoting sustainable corporate behaviour and managing material risks, including climate-related impacts. By setting clear expectations and offering practical guidance on follow-through, the Code would foster more constructive, outcome-oriented dialogue and strengthen investor engagement.
Increasing comparability to facilitate understanding and decision-making	A unified Code would reduce the complexity of navigating multiple national frameworks and support consistent disclosure of engagement practices. This would simplify compliance, enable benchmarking, and improve understanding among clients, regulators, and civil society of how investors contribute to sustainable finance and corporate accountability.

Foundations for an EU Stewardship Code

An EU Stewardship Code should be principles based, leverage existing frameworks and identify equivalencies

Principles, rather than prescriptive rules, invite investors “to rise to the challenge and deliver as they feel appropriate against a set of principles, rather than treating it as a rulebook”.¹⁶

It is essential that any EU Stewardship Code is designed to avoid or minimise duplicative or conflicting reporting requirements. For instance, many EU-based investors are already signatories to the UK Stewardship Code.¹⁷ To be effective and widely adopted, the Code should include clear provisions for mutual recognition with existing national stewardship codes and reporting frameworks. This would allow investors who report against a national code of the requisite standard to be recognised under the EU Code without further reporting requirements.

A mapping exercise could assess alignment between the EU Code and national or international codes, identifying what further requirements would be expected. Identifying where successful reporting against a principle in one code would automatically result in successful reporting under the EU code would simplify the process for investors, reduce redundancies and support consistency across different regulatory environments.

Investors should be able to cross-reference reporting under the Code as part of their wider regulatory disclosures (e.g. under SFDR and SRD II) which should in turn reduce reporting burdens. This is the approach that has been taken by the UK Financial Conduct Authority (FCA) in their Sustainability Disclosure Requirements (SDR) regime.¹⁸

Without such alignment, the introduction of a new Code risks adding unnecessary complexity and administrative burden, undermining its intended benefits. The EU has a second-mover advantage: by building on frameworks from the UK, Japan, member states and EFAMA, it can develop a Code that is practical, effective, and proportionate.

An EU Stewardship Code should provide a framework for defining engagement

Engagement practices across the EU vary widely. While this allows for tailored strategies aligned with investment approaches and net zero objectives, it also creates challenges for defining, comparing, and evaluating engagement.

The Code should offer a structured framework that creates greater transparency over the distinctive but equally important types of engagement undertaken by investors (e.g. credible engagement for change vs for information), recognises variations across asset classes, and supports comparability without constraining innovation. Input from practitioners will be essential to ensure the framework reflects real-world practices and supports transparency that sheds light on high-quality, outcome-oriented engagement.

An EU Stewardship Code should explicitly integrate climate change and other material sustainability risks and opportunities where appropriate

Given the increasing physical and transition risks associated with climate change, as well as the EU’s ambitious net zero objectives, it is imperative that stewardship practices explicitly address these challenges.

An EU Stewardship Code must make the consideration of climate change and other material sustainability risks and impacts, as appropriate, explicit in its definition of stewardship. The Code would subsequently support existing finance regulations, for example highlighting the role of stewardship in mitigating principal adverse impacts in line with SFDR or the impact lens established by the double materiality principle.

An EU Code can foster a more consistent and proactive approach to managing sustainability risks across all member states.¹⁹

An EU Stewardship Code should make clear that stewardship is not only compatible with fiduciary duty – it is a key mechanism for fulfilling it

Effective stewardship “not only contributes to systemic risk mitigation and resilience but also fosters long-term value creation for both companies and investors, thus aligning with fiduciary duty”.²⁰ Accordingly, stewardship is used by many EU-based investors as a “key lever to meet their fiduciary duties, improve risk-return, and contribute to long-term sustainability goals”.²¹

To be effective, stewardship must be integrated into the investment process rather than treated as a peripheral activity. The Code should encourage investors to articulate how stewardship informs investment decisions, portfolio construction, and delivery of client objectives. Given the diversity of client mandates, a flexible approach is essential. Disclosing how client views are reflected reinforces accountability and trust.

An EU Stewardship Code should take a holistic approach and support systems stewardship

Stewardship practitioners are increasingly incorporating systems stewardship into their stewardship and engagement. This includes policy advocacy and market engagement, which are essential for addressing systemic barriers to decarbonisation and scaling sustainable investment.²² Engaging with regulators can help shape coherent policies that enable long-term value creation.

The revised Net Zero Investment Framework (NZIF) 2.0 reflects this shift, placing stakeholder and policy engagement alongside asset-level targets. The EU Code should recognise and support this broader, more dynamic approach to stewardship, one that uses all available levers to deliver sustainable outcomes for clients and beneficiaries.

An EU Stewardship Code should support efforts that facilitate collaborative engagement

Collaborative engagement has proven effective in contributing to corporate change.²³

Collaborative engagement can be especially helpful for resource-constrained investors. Collaborative engagement groups have been found to enable engagement success: companies are more responsive to proposals that can demonstrate they have the support of a significant number of investors or shareholding.²⁴ Initiatives like Climate Action 100+ (CA100+), Nature Action 100 (NA100) and IIGCC's Net Zero Engagement Initiative (NZEI) have demonstrated the real-economy impact of collaborative efforts in contributing to decarbonisation.

For companies, collaborative engagement helps manage investor expectations and streamline dialogue. Research shows that two-thirds of companies prefer it due to its structured approach.²⁵

Finally, collaborative engagement is essential for systems stewardship, enabling investors to address broader systemic risks and opportunities collectively, alongside policymakers and other stakeholders.

The EU can play a key role by endorsing collaborative engagement and providing regulatory clarity. In so doing, the EU can help support an approach to stewardship that benefits both investors and companies and which can support delivery of the EU's climate objectives.²⁶

An EU Stewardship Code should extend stewardship in the EU beyond listed equities

Stewardship and engagement should not be (and is not) limited to the activities of shareholders in listed equities. Active stewardship and engagement across asset classes will be critical to moving issuers from 'not aligned' to 'aligning' with net zero.²⁷

Two examples are debt and real estate. Corporate bonds will be central to net zero financing, with USD 4 trillion needed annually²⁸ and USD 5.5 trillion in carbon-intensive debt outstanding.²⁹ Meanwhile, real estate accounts for ~40% of global energy-related emissions.³⁰ Stewardship of real estate assets can contribute to decarbonisation through sustainable construction, renovation, and stakeholder engagement.

The SRD II's engagement policy requires shareholders to explain the alignment of their equity investment strategy with their liabilities and its impact on long-term performance. Clients and beneficiaries would similarly benefit from understanding how, for instance, the fixed income investment strategy aligns with their liabilities and contributes to long-term asset performance.

This more comprehensive approach will not only enhance the effectiveness of stewardship practices but also promote sustainability and resilience across the entire investment landscape.

An EU Stewardship Code should be overseen by a credible authority

Effective oversight is essential to ensure consistent implementation of a voluntary stewardship code. While ESMA brings valuable regulatory expertise, relying solely on it could risk a fragmented approach to signatory status across different national competent authorities (NCAs). To address this, a multi-stakeholder oversight group, comprising ESMA, NCAs (e.g. through the college of supervisors), stewardship practitioners, and potentially independent verification bodies, could provide balanced and credible governance.

This body should guide the Code's evolution, issue best practice guidance, and oversee a transparent signatory process. Oversight should focus on substance, not box-ticking, to ensure the Code drives meaningful change.

Regulation

Any EU Stewardship Code should be underpinned by coherent and complementary regulation. The Code sets ambition while regulation ensures consistency, creating a stewardship ecosystem that is both robust and proportionate.

To achieve this, the EU can harmonise stewardship-related requirements and improve coherence across existing sustainable finance regulations. A consistent regulatory framework for stewardship and engagement that addresses barriers to investor stewardship would help create a more-fully integrated and harmonised EU capital market.

This section outlines how regulation can support:

- Harmonised stewardship expectations
- Stewardship across asset classes
- Voting and other investor rights
- Engagement

Supporting Harmonised Stewardship Expectations

Integrating stewardship expectations into regulation has been an effective measure to enhance accountability and ensure that norms are acted upon.³¹ While stewardship codes can help establish a common language on best practice, regulation provides the necessary baseline.

Codes and Regulations

Regulation and voluntary codes should work in hand in hand. For example, in the UK, FCA-regulated firms must disclose “the nature of its commitment to the FRC’s Stewardship Code; or where it does not commit to the Code, its alternative investment strategy”.³² Similarly, under the FCA’s Sustainability Disclosure Requirements, investors can include detail on whether they are a signatory to the UK Stewardship Code as part of their pre-contractual disclosures.³³ These approaches encourage reflection on stewardship practices and promotes transparency, without mandating a one-size-fits-all model. A revised Shareholder Rights Directive (SRD II) could adopt a similar approach, requiring investors and asset managers to publicly disclose the nature of their commitment to the EU Stewardship Code on a comply or explain basis.

Stewardship Regulations

The Commission’s commitment to assessing the need for a review of the SRD II is welcome but could take place sooner than the anticipated decision date of Q4 2026,³⁴ recognising the opportunity to align stewardship-related requirements across SRD II and SFDR.

Currently, engagement-related disclosures and the incorporation of engagement into sustainable investment strategies under SFDR are relatively heterogenous, partly due to the fact that they rely on, and explicitly link to, SRD II, while SFDR is asset class agnostic. A more consistent, EU-level approach would facilitate meaningful comparison of engagement practices disclosed under SFDR and enable investors to cross-reference reporting under the EU Stewardship Code.

The benefits of an EU-level approach for enhanced simplification and the mitigation of legal uncertainties have been highlighted in the context of the Savings and Investments Union (SIU).³⁵ For example, the Commission’s targeted consultation on the integration of EU capital markets asks whether barriers to enhancing the integration of EU capital markets could be addressed by turning certain provisions under Directives like UCITS and AIFMD into a Regulation.³⁶

The upcoming SFDR review (Q4 2025) presents an opportunity to assess overlaps and inconsistencies with SRD II. As noted by ICGN, effective coordination between DG FISMA and DG JUST will be essential to ensure a coherent regulatory framework for investors.³⁷

Finally, as engagement strategies increasingly operate at both the entity and product level, the Commission should consider incorporating binding stewardship criteria into any new sustainability or transition fund categories under future revisions of the SFDR. These criteria could be built on the same foundations proposed for an EU Stewardship Code to ensure consistency between fund-level expectations and broader stewardship norms. This mirrors the approach taken by the UK FCA and reflects the importance of stewardship across all sustainability-focused investment strategies. Additionally, and in line with established fund labelling regimes (such as the FCA's), the Commission should consider how fund-level stewardship and engagement criteria for sustainability categories can be substantiated through references to stewardship codes (on a 'comply or explain basis').

Recommendations:

- **Regulatory support for EU stewardship code:** Create a regulatory requirement for investors to disclose the nature of their commitment to the EU Stewardship Code on a comply or explain basis.
- **Regulatory harmonisation and coherence:** Commit to a full review of the SRD alongside SFDR, with a view to enhancing and streamlining relevant stewardship-related requirement.

Supporting stewardship across asset classes

Extending stewardship to other asset classes through a Stewardship Code would need to be supported by regulations and directives. As noted above, this includes extending engagement policy expectations across relevant asset classes and moving away from the focus on shareholder rights exclusively.

Recommendations:

- **Engagement:** Extend the requirement in SRD II for investors to disclose an engagement policy to all relevant asset classes. This would require changes to the scope of the Directive, given that requirements are currently triggered by the holding of voting shares.
- **Shift language to institutional investor rights:** A simple change to the language in regulatory frameworks from shareholder rights to institutional investor (and where appropriate retail and over investor) rights, where appropriate.

Supporting voting and other investor rights

Voting is a core shareholder right and a vital tool for investor stewardship. It serves both as a routine governance mechanism and a means of escalation. Yet, despite SRD II's focus on the "effective exercise of shareholder rights,"³⁸ cross-border voting remains complex in some places due to fragmented national laws and inconsistent practices.

The EU's Capital Markets Union Communication rightly calls for making voting easier.³⁹ This includes harmonising rules between investors, intermediaries, and issuers, including through further digitalisation.

While SRD II has improved the voting landscape, investors continue to face key challenges:

- Meeting documentation requirements
- Timelines
- AGM practices
- Voting rights

Documentation

Efficient communication channels from companies to investors is essential.⁴⁰ The lack of harmonisation regarding mandatory meeting documentation, in particular Power of Attorney (POA) requirements, presents a significant barrier to effective EU-wide voting, with some member states relying on postal services that result in lost or rejected votes.

The digitalisation, harmonisation and simplification of POA requirements would alleviate the operational burden on investors. This includes ensuring that local member states' requirements are proportionate to achieving the objective of shareholder and proxy holder identification.

Timelines

Most AGMs occur between April and June, creating resource bottlenecks. Short intervals between the release of meeting materials and voting deadlines (cutoffs) limit investors' ability to analyse proposals and engage meaningfully.⁴¹

Informed voting is effective voting. Short timelines diminish links between voting and engagement, critical to both investors and companies.

Recommendations:

- **Harmonise publication timelines:** Standardise and expedite the timeline for the publication of meeting materials across the EU
- **Align custodian cutoff dates:** Align custodian cutoff dates, setting them closer to the meeting date.
- **Simplify meeting documentation:** Digitalise, harmonise and simplify requirements for meeting documentation, such as POA.

Just as shareholder engagement is a cornerstone of the corporate governance model of listed companies, so too is corporate governance a cornerstone of shareholder engagement. The effective exercise of shareholder engagement is dependent on the protection of their rights and responsibilities.

A number of practices undermine the ability of shareholders to engage with companies. These include:

- Annual General Meeting (AGM) practices
- Resolutions
- Voting rights
- Unresponsive companies

AGM practices

AGMs are critical for shareholder oversight. The shift to virtual and hybrid formats, accelerated by the Covid-19 pandemic, offers both opportunities and risks. While virtual AGMs can improve access, they may reduce meaningful interaction. Conversely, requiring physical attendance disadvantages international investors.

Recommendations:

- **Establish EU-wide guidelines for AGM formats,** ensuring hybrid options and minimum standards for virtual participation.

Voting rights

The principle of “One Share, One Vote” (OSOV) underpins fair and effective stewardship. OSOV serves as a “direct market mechanism for ensuring the board is well-placed to deliver long-term value in line with the interests of a majority of shareholders”.⁴² The rise of dual-class shares with differential voting rights threatens to dilute shareholder influence and long-term engagement. While dual-class shares may help boost the competitiveness of the European listing environment, it is crucial to balance this with minimum governance standards to ensure that competitiveness aligns short-term gains with long-term value.⁴³ Regulations need to provide safeguards to this effect.

Recommendations

- **Maximum voting ratio:** Establish a maximum voting ratio to limit the disparity between different classes of shares.
- **Sunset clauses:** Where appropriate, introduce sunset clauses that phase out differential voting rights after a certain period, ensuring that all shareholders eventually have equal voting power.
- **Exclusion of multiple voting rights for key AGM items:** Prohibit multiple voting rights for critical AGM items, such as votes on executive remuneration and related-party transactions, to maintain fair and balanced decision-making.

Supporting Engagement

As SRD II recognises, “effective and sustainable shareholder engagement is one of the cornerstones of the corporate governance model of listed companies”.⁴⁴ The EU can strengthen investor engagement by focusing on three key areas:

Preserve access to decision-useful datapoints

Investors are the key users and beneficiaries of sustainability disclosure. High-quality, comparable disclosures enable more sophisticated and targeted conversations with companies, enhancing stewardship and engagement activities. The EU’s CSRD (and the ESRS that underpins it) provides investors with relevant datapoints to assess the credibility and ambition of corporate transition efforts. However, recent proposals to scale back ESRS content risks undermining progress.

To support meaningful engagement, it is vital to preserve core disclosures, particularly climate-related indicators under ESRS EI. These enable investors to assess material climate-related risks and opportunities and engage more effectively with portfolio companies.

The Commission can also pursue further alignment between CSRD and international standards, especially ISSB’s S1 and S2. A ‘building blocks’ approach that established consistent and comparable disclosures relevant to enterprise value creation, complemented by additional impact-related disclosures that capture the EU’s ‘double materiality’ principle would be the optimal outcome. This could include formal equivalence mechanisms for disclosures of financially-material information, in line with our wider proposals to establish equivalence or mutual recognition between an EU Stewardship Code and existing frameworks.

Support collaborative engagement

Collaborative engagement is a powerful tool for addressing the risks presented by climate change. Inconsistent “acting in concert” rules across member states create legal uncertainty and discourage cooperation. Policymakers and regulators can play a crucial role in providing explicit support for collaborative engagement.

While ESMA's 2019 Public Statement clarified that certain joint activities do not constitute acting in concert,⁴⁵ interpretations still vary. For example, engagement on sustainability issues has been treated as acting in concert in some jurisdictions, such as Germany.

To address this, the Commission should mandate ESMA to revise and expand its guidance. The updated guidance should explicitly include climate and other material sustainability issues and promote a harmonised approach across member states, building on the ESMA Whitelist.⁴⁶

Strengthen escalation methods

The effectiveness of engagement also depends on shareholders' ability to implement a credible escalation strategy.⁴⁷

The EU could also enhance dialogue by encouraging company responsiveness to shareholder votes. Under the UK Corporate Governance Code, companies receiving significant dissent (e.g. >20% votes against management) are expected to consult shareholders and disclose follow-up actions. Adopting similar expectations in the EU would reinforce accountability and support ongoing dialogue.

Shareholder resolutions have also played a key role in advancing climate-related disclosures. However, their use remains limited in the EU due to inconsistent and often restrictive filing requirements across member states. In some jurisdictions, thresholds and procedural barriers make filing resolutions challenging.

To address this, the EU should clarify the legal framework for advisory resolutions and harmonise filing thresholds and timelines. This would ensure that escalation remains a viable option for investors seeking to hold companies accountable on material issues.

Recommendations:

- **Preserve decision-useful datapoints under CSRD:** Maintain core climate-related and other material sustainability indicators under ESRS-EI to support more sophisticated and targeted conversations with companies on their transition efforts and exposures to climate-related risks and opportunities.
- **Review ESMA Whitelist:** The ESMA Whitelist of activities that shareholders can cooperate on without the presumption of acting in concert should be reviewed to include explicit references to climate and other material sustainability-related issues
- **Integrate the Whitelist in regulatory framework:** The Whitelist should be integrated into the regulatory framework to provide a reliable basis for investors and encourage adoption by member states or encourage NCA's to provide their own whitelist.
- **Publish practical guidance:** Clear guidance on practical situations that would or would not be classified as acting in concert should be published. This will help investors navigate collaborative engagement without the fear of triggering mandatory bid obligations.
- **Enhance company accountability:** Require companies to publicly disclose their response to significant shareholder dissent.
- **Clarify legal framework:** Establish clear EU-wide guidelines for filing advisory resolutions, particularly on climate and other sustainability issues. Introduce consistent thresholds and deadlines for shareholder resolutions across member states.

Conclusion

Many EU-based investors are already demonstrating leadership in stewardship. The investment community is ready to scale up its stewardship practices across all member states, provided there is a coherent and enabling framework at the EU level. The EU now has an opportunity to match this readiness through the right policy.

This paper underscores the importance of stewardship in meeting the EU's twin goals of decarbonisation and competitiveness. For EU policymakers, the provision of an EU Stewardship Code and amendments to regulation, could help empower investors to effectively engage with investee companies across asset classes, fostering sustainable, long-term value creation aligned with the EU's sustainability and competitiveness ambitions. To realise this vision:

- **The European Commission** should commit to developing a voluntary EU Stewardship Code, supported by a multi-stakeholder oversight body and commit to a full review of SRD II and SFDR to harmonise stewardship-related expectations.
- **Member states** should support the consistent implementation of the Code and regulatory reforms, including clarifying rules on collaborative engagement and voting rights.
- **Investors** should continue to lead by example and continue to engage with regulators on obstacles to effective stewardship.

A harmonised EU-level framework for stewardship would also contribute to more efficient and better integrated capital markets. The Commission's own Communication on the Savings and Investments Union noted that a better-functioning SRD could make it easier and cheaper for investors, intermediaries and issuers to operate across member states.⁴⁸

Collaborative engagement and holistic stewardship are central to meeting these goals. Our recommendations also highlight the importance of supporting stewardship across asset classes, enhancing engagement practices, and harmonising regulations. It is imperative that policymakers, regulators and industry work together to implement these recommendations, creating a more uniform and enabling environment for stewardship across the whole EU.

IIGCC is committed to advocating for these changes and will continue supporting investors in their stewardship efforts.



Appendix 1: EU stewardship regulatory and legislative snapshot

The **Shareholder Rights Directive II** (SRD II) is the main regulation shaping stewardship and engagement practices in the EU. It aims to promote long-termism and transparency in the context of shareholder engagement and corporate governance practices. It also sets out a range of requirements relating to the exercise of certain shareholder rights, including voting practices. SRD II requires institutional investors to disclose an engagement policy on a 'comply or explain' basis and report annually on its implementation.

The **Sustainable Finance Disclosure Regulation** (SFDR) includes requirements to disclose summaries of engagement policies in accordance with SRD II "where applicable". It also requires investors to disclose how they identify and mitigate the principal adverse impacts ('PAIs') of their investees' activities on sustainability factors such as climate change, including through their engagement actions. The Commission's forthcoming review of SFDR (expected Q4 2025) may include commitments to introduce dedicated sustainable fund categories, which provides an opportunity to include binding elements such as stewardship criteria.

Amendments to the **Undertakings for Collective Investment in Transferable Securities Directive** (UCITS) and the **Alternative Investment Fund Managers Directive** (AIFMD) have introduced requirements for UCITS Management Companies and Alternative Investment Fund Managers (AIFMs) introduced to integrate sustainability risks and factors into their organisational arrangements. This includes the disclosure of due diligence policies setting out how they take principal adverse impacts into account.

The **Taxonomy Regulation** and the **Corporate Sustainability Reporting Directive** (CSRD) do not explicitly require disclosure or actions around stewardship. However, they do promote transparency over data points and metrics that enable more sophisticated and targeted conversations with companies. For example, by providing clarity on corporate transition plans and the alignment of companies' capital expenditure with climate objectives. Additionally, the **Corporate Sustainability Due Diligence Directive** (CSDDD) introduces requirements to implement and put transition plans into effect, complementing disclosure requirements under the CSRD.

The **European Securities and Market Authority** (ESMA) has also provided recommendations on the future of the Sustainable Finance Framework, highlighting the importance of stewardship practices.⁴⁹ Responding to proposals for dedicated sustainability fund categories under the SFDR, ESMA has noted the importance of active engagement as a key mechanism for reducing harmful environmental impacts under a transition-focused fund label. ESMA has also emphasised the importance of ensuring the EU's sustainable finance framework fully supports 'the concept of active engagement with investee companies, requirements for clear goal setting, measuring of progress, escalation mechanism and reporting on achievement of goals.'⁵⁰ As part of this, ESMA recommends that engagement-related claims and expectations around engagement should be better substantiated under SRD, including through standardisation of disclosures. ESMA has also sought to clarify areas where shareholders may want to engage in collaborative engagement. Relevant activities in this context include engagement on environmental policy or compliance with recognised standards or codes of conduct.⁵¹

Appendix 2: IIGCC Full Recommendations

EU stewardship code	
Harmonise expectations and frameworks	Build on established frameworks and support equivalence to create a cohesive, adaptable, streamlined approach to stewardship activities and reporting.
Define engagement	Establish a common framework for defining types of investor engagement to promote good practice and enhance comparability across stewardship activities.
Incorporate material sustainability risks and opportunities	Integrate climate change and other material sustainability risks and opportunities into stewardship practices where appropriate.
Align with fiduciary duties and investment objectives	Explicitly connect stewardship activities with investors' fiduciary responsibilities and investment objectives.
Support systems stewardship	Captures investor approaches to systems stewardship, including on systemic risks.
Support collaborative engagement	Actively support collaborative efforts among investors for more effective and streamlined engagement for investors and companies.
Extend stewardship across asset classes	Broaden the scope of stewardship to include a diverse range of asset classes beyond listed equities, such as fixed income, real estate, private equity, and infrastructure etc.
Appropriate Oversight	Allocate oversight of the stewardship code to a reputable EU regulatory authority to provide the necessary authority and credibility in the market.
Regulation	
Harmonised stewardship expectations	Create a regulatory requirement for investors to disclose the nature of their commitment to the EU stewardship code on a comply or explain basis.
	Commit to a full review of the SRD alongside SFDR, with a view to enhancing and streamlining relevant stewardship-related requirement.
Stewardship across asset classes	Extend the requirement in SRD II for investors to disclose an engagement policy to all relevant asset classes.
	Shift language to institutional investor rights
Voting and other investor rights	Harmonise publication timelines.
	Align custodian cutoff dates.
	Simplify meeting documentation.
	Establish EU-wide guidelines for AGM formats.
	Establish a maximum voting ratio to limit the disparity between different classes of shares.
	Where possible, introduce sunset clauses that phase out differential voting rights after a certain period, ensuring that all shareholders eventually have equal voting power.
Engagement	Prohibit multiple voting rights for critical AGM items, such as votes on executive remuneration and related-party transactions, to maintain fair and balanced decision-making.
	Preserve decision-useful datapoints under CSRD.
	Review ESMA Whitelist and integrate into regulatory framework.
	Publish practical guidance on acting in concert.
	Clarify legal framework for filing advisory resolutions.
	Enhance company accountability.

Endnotes

- 1 For the full list of recommendations, please see Appendix 2
- 2 [The Net-Zero Transition – McKinsey & Company \(2022\)](#)
- 3 [Shareholder Rights Directive II – European Parliament and the Council of the European Union \(2017\)](#)
- 4 In New Zealand, the introduction of a stewardship code and greater emphasis on stewardship practices coincided with engagement overtaking negative screening as the most common responsible investment practice. See [2022/2023](#).
- 5 [Consultation: The Climate Resilience Investment Framework \(CRIF\)](#)
- 6 [Communication on a Savings and Investments Union | EESC](#)
- 7 [Single Market Strategy Communication – European Commission \(2025\)](#)
- 8 For more on the current regulatory landscape for stewardship in the EU, see Appendix 1.
- 9 [Stewardship and engagement in transition finance \(November 2024\)](#).
- 10 [When Harmonisation is Not Enough: Shareholder Stewardship in the European Union | European Business Organization Law Review](#)
- 11 [The Future of European Competitiveness \(2024\)](#)
- 12 [When Harmonisation is Not Enough: Shareholder Stewardship in the European Union | European Business Organization Law Review](#)
- 13 [Setting up a European Company \(SE\)](#)
- 14 [When Harmonization is Not Enough: Shareholder Stewardship in the European Union – European Business Organisation Law Review \(2021\)](#)
- 15 [ESMA Opinion Sustainable Investments: Facilitating the Investor Journey – ESMA \(2024\)](#)
- 16 [Europe's Next Big Step – ESGWise](#)
- 17 As of 2025, the UK Code had 297 signatories, with approximately 40% headquartered outside the UKFRC ([2025](#))
- 18 [PS23/16: Sustainability Disclosure Requirements and Investment Labels – FCA \(2023\)](#).
- 19 For more on the links between climate change and fiduciary duty, see the Financial Market's Law Commission's [paper](#) on Pension Fund Trustees and Fiduciary Duties: Decision-Making in the Context of Sustainability and the Subject of Climate Change.
- 20 [Stewardship and Engagement in Transition Finance Note – International Platform on Sustainable Finance \(2024\)](#)
- 21 [Europe's Next Big Step – ESGWise](#)
- 22 [Europe's Next Big Step – ESGWise](#)
- 23 [Emerging ESG-Driven Models of Shareholder Collaborative Engagement – P. Mülbert, A. Sajnovits \(2022\)](#)
- 24 [Constructive Corporate Engagements – First Sentier MUFG, Sustainable Investment Institute \(2023\)](#); [Collective Investor Impact in Secondary Markets – 2i Investing Initiative \(2024\)](#)
- 25 [Constructive Corporate Engagements – First Sentier MUFG, Sustainable Investment Institute \(2023\)](#)
- 26 Investors have long called for greater emphasis and support for collaborative engagement, including PRI's 2021 [paper](#)
- 27 [NZIF 2.0 Report PDF.pdf](#)
- 28 [Tough But Doable? Financing Net Zero May Require \\$4 Trillion By 2050 – Forbes](#)
- 29 [Tracing Carbon-Intensive Debt – LSEG \(2024\)](#)
- 30 [Built environment – Climate Group](#)
- 31 [Voting for the Future – Rezonanz \(2025\)](#)
- 32 [COBS FCA Handbook – FCA](#)
- 33 [PS23/16: Sustainability Disclosure Requirements and Investment Labels – FCA \(2023\)](#)
- 34 [Savings and Investments Union Communication – European Commission \(2025\)](#)
- 35 The Savings and Investments Union Communication states that simplification of the EU framework will be achieved partly through recourse to Regulations instead of Directives, which could reduce transposition burdens and narrow gold-plating opportunities.
- 36 [Targeted consultation on integration of EU capital markets](#).
- 37 [Recommendations to the European Institutions on Shareholder Rights – ICGN \(2024\)](#).
- 38 [EU Directive 2017/828](#)
- 39 [European Commission – Capital Markets Union Communication \(2021\)](#)
- 40 [Shareholder Meetings and Corporate Governance – OECD \(2025\)](#)

- 41 SRD II currently requires AGM-related materials to be publicly disclosed at least 21 days prior to the AGM. However, investors are sometimes faced with a cutoff date set up to 15 days prior to the general meeting date. This can leave investors with very little time to analyse company materials and engage with the company.
- 42 [Undermining the Shareholder Voice – Investor Coalition for Equal Votes \(2023\)](#)
- 43 Research suggests firm value is adversely impacted by a misalignment between voting rights and equity stakes and that any potential financial advantages of dual class share structures tend to recede quite rapidly over a short period of time [Undermining the Shareholder Voice – Investor Coalition for Equal Votes \(2023\)](#)
- 44 [Shareholder Rights Directive II – European Parliament and the Council of the European Union \(2017\)](#)
- 45 [esma-2014-677-rev_public_statement_concerning_shareholder_cooperation_and_acting_in_concert.pdf](#)
- 46 [ESMA Public Statement – Information on Shareholder Cooperation and Acting in Concert under the Takeover Bids Directive \(2019\)](#)
- 47 [Net Zero Stewardship Toolkit – IIGCC \(2022\)](#)
- 48 [Savings and Investments Union Communication – European Commission \(2025\)](#)
- 49 [SMA Opinion: Sustainable investments: Facilitating the investor journey – A holistic vision for the long term](#)
- 50 [Stewardship and Engagement in Transition Finance Note – International Platform on Sustainable Finance \(2024\)](#)
- 51 [ESMA: PUBLIC STATEMENT Information on shareholder cooperation and acting in concert under the Takeover Bids Directive](#)



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