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EXECUTIVE DEBRIEF

SHAREHOLDER RIGHTS AND ECONOMIC SOVEREIGNTY

An initiative of the ECGI Patrons Council

London, 2026

ECGI Patrons Council Roundtable
Shareholder Rights and Economic Sovereignty

6 March 2025, London
(Held under the Chatham House Rule)

Executive Summary

The ECGI Patrons Council convened a roundtable on *Shareholder Rights and Economic Sovereignty* in London on 6 March 2026, bringing together policymakers, investors, practitioners, and academics under the Chatham House Rule. The discussion addressed three interconnected themes: the ongoing reform of the Shareholder Rights Directive (SRD II), the role and accountability of proxy advisory firms, and the renewed legitimacy of state intervention instruments such as golden shares. Taken together, the roundtable reflected a broader recalibration in European corporate governance — away from presumptions of market primacy and toward a more conditional, objective-driven approach to both regulation and state involvement.

Shareholder Rights Reform: Fix the Plumbing, Preserve the Architecture

The review of SRD II was framed as an initiative with a simplification focus rather than a structural redesign of corporate governance regulation. The roundtable broadly supported this framing. The most persistent problems — fragmented intermediary chains, unreliable vote confirmation, short AGM deadlines, and paper-based form requirements — were identified as operational rather than legal in nature. The discussion pointed toward targeted digitalisation and process standardisation as the most pragmatic path forward, particularly for cross-border investment. Crucially, participants distinguished between operational harmonisation, which is both achievable and desirable, and deeper legal harmonisation of governance systems across Member States, which risks sacrificing the institutional diversity that allows European markets to learn from one another. The Commission's public consultation remains open until 6 May 2026.

Proxy Advisors: Useful Infrastructure, Misaligned Incentives

The concentration of the proxy advisory market and the dual role some firms play — advising both investors and corporate issuers — were identified as structural concerns that regulation has not yet adequately addressed. The more immediate issue, however, is one of scope and reliance: advisory firms have expanded into areas where

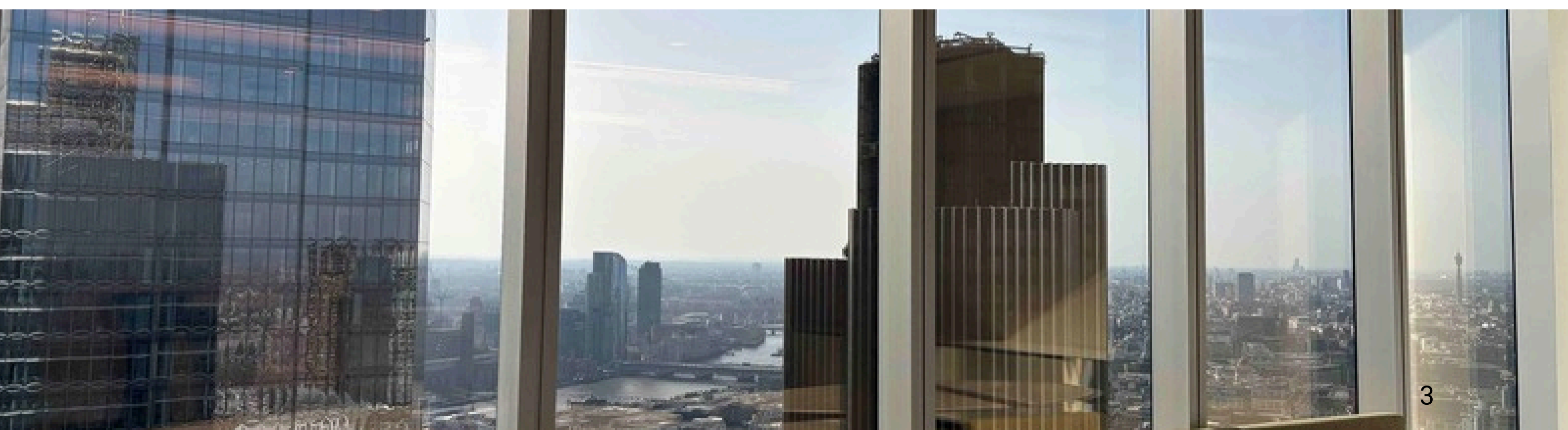
their analytical value is limited, and some investors treat recommendations as default voting positions rather than analytical inputs. The roundtable pointed toward a recalibration of the proxy advisor role — limiting recommendations to areas of genuine expertise — rather than a fundamental restructuring of the market. Responsibility for voting outcomes, participants agreed, rests ultimately with asset managers and asset owners, not with their advisors. The emergence of artificial intelligence in governance research and the growth of pass-through voting programmes add further complexity to a regulatory assessment that is already overdue.

Golden Shares: From Economic Purity to Social Welfare

The roundtable marked a notable shift in how state intervention in corporate governance is being assessed. Golden shares — once challenged across Europe as incompatible with Single Market principles — are being reconsidered in the context of economic security, strategic industries, and geopolitical competition. The discussion proposed moving away from the traditional efficiency-first framing toward a cost-benefit approach that takes social welfare objectives seriously: identify the policy goal, assess available instruments, and ask whether benefits outweigh distortionary effects. Under the CJEU's existing proportionality framework, well-designed golden shares with clearly specified and narrowly drawn objectives — such as environmental protection or national security in a strategic sector — may be legally viable without changes to primary law. The Rolls-Royce and Austal models were cited as examples of targeted, proportionate design. The broader lesson is one of clarity: vague objectives and broad discretionary powers increase the cost of capital and invite legal challenge; precision of design is both a legal and an economic necessity.

Overall Direction

The roundtable did not produce consensus on every question, and this summary does not seek to imply it. What emerged is a shared sense of direction: that improving European capital markets requires fixing persistent operational frictions rather than redesigning governance architectures; that accountability within the investment chain needs to be clarified rather than outsourced; and that state intervention, where it is pursued, must be grounded in specific objectives and subject to rigorous cost-benefit discipline. These are not easy reforms, but the roundtable suggested that the analytical and political conditions for progress are more favourable than they have been for some time.



SESSION 1: THE 2026 SHAREHOLDER RIGHTS DIRECTIVE REFORM

1. Shareholder Rights Reform within the EU Competitiveness Agenda

Key Points

- *The revision of the Shareholder Rights Directive is linked to the EU's competitiveness strategy and the Savings and Investment Union.*
- *The initiative was framed as an evaluation and review with a simplification focus rather than a major expansion of corporate governance regulation.*
- *The focus is on removing practical frictions in shareholder participation, particularly in cross-border investment, which provides the principal justification for EU-level action.*

Summary

The discussion positioned the review of the Shareholder Rights Directive within the broader context of strengthening Europe's capital markets and economic competitiveness. The Savings and Investment Union Strategy, the renamed Capital Markets Union, provides the overarching framework: Europe has significant savings that are not sufficiently channelled into productive investment, and fragmentation between Member States prevents the single market from reaching its potential. The revision of the Shareholder Rights Directive was described as one instrument within this broader strategy.

Within this framework, the objective is not to redesign the architecture of corporate governance regulation. The review was described as focusing on identifying practical barriers that limit the effective functioning of shareholder rights, particularly where operational inefficiencies discourage cross-border investment. It is the cross-border dimension of these problems that creates the basis for EU-level action. The current phase therefore focuses on evaluation and evidence gathering, through a public consultation open until 6 May 2026, with the results expected to inform any potential future policy measures. The discussion did not suggest any predetermined policy outcome.

2. Areas Under Consultation

Key Points

A range of specific areas were identified for consultation and evidence-gathering:

- *the harmonisation of the definition of "shareholder" across Member States;*
- *the thresholds for shareholder identification;*
- *the deadlines for annual general meetings;*
- *the modernisation of form requirements, including powers of attorney and proof of entitlement;*
- *the degree of automation and digitalisation of information flows;*
- *cost transparency along the intermediary chain;*
- *hybrid and virtual general meeting formats;*
- *the oversight and transparency of proxy advisory firms.*

Summary

The discussion outlined the specific areas in which input is being sought. The definition of "shareholder" varies across Member States, creating fragmentation in who is identified and at what level. The current directive allows Member States to set a capital threshold for shareholder identification, with a maximum cap, but national choices below the cap differ considerably. Options under consideration include a fixed threshold, a lowered cap, or the elimination of thresholds altogether. Views differ sharply: some stakeholders favour lower thresholds to improve issuer-shareholder communication, while others are concerned that very low thresholds could undermine the ability of active investors to build meaningful positions before disclosure is triggered.

Deadlines for annual general meetings vary widely and are often very short, preventing shareholders from preparing properly, particularly those managing large portfolios across multiple jurisdictions. Greater consistency in these deadlines is under consideration. Form requirements, including paper-based proof of entitlement and powers of attorney, create further barriers to information flow and the exercise of shareholder rights, and options for digitalisation and modernisation are being explored. Cost transparency along the intermediary chain, the degree of automation in information transmission, and the framework for hybrid and virtual general meetings are also under review.

3. Cross-Border Shareholder Communication and the Exercise of Voting Rights

Key Points

- *Cross-border information flows between issuers and shareholders remain inefficient.*
- *Long chains of intermediaries make it difficult for companies to identify ultimate beneficial owners and communicate directly with investors.*
- *The intermediary system can function as a "black box" between issuers and investors.*
- *Fragmented technical standards, manual processes, and differing national procedures slow the transmission of shareholder information and voting instructions.*
- *Institutional investors must process large volumes of votes across multiple jurisdictions within tight deadlines.*
- *Investors do not usually receive confirmation that votes were transmitted and counted.*
- *Improvements are likely to depend on better digital infrastructure and greater operational standardisation across the intermediary chain.*

Summary

Communication between companies and shareholders remains structurally complex in European capital markets. The intermediary chain connecting issuers to ultimate investors often involves multiple custodians and sub-custodians, making it difficult for companies to identify beneficial owners and communicate directly with them. In practice, this system can operate as a "black box" between issuers and investors, a point raised by participants across both the investor community and the intermediary infrastructure.

These challenges are particularly visible in cross-border contexts. Differences in operational practices, technical standards, and intermediary processes across jurisdictions can disrupt

the transmission of shareholder information and delay communication between companies and investors. Technical standards exist, but inconsistent interpretation across the chain means that what should be automated processes frequently require manual intervention, adding cost and delay.

The same structural issues affect the practical exercise of voting rights. Institutional investors managing large portfolios across multiple jurisdictions must process significant volumes of voting instructions under differing national deadlines and procedural requirements. In some Member States, votes must be submitted well in advance of the general meeting, in some cases up to sixteen days before the event, leaving very limited time between the publication of meeting materials and the voting deadline for investors to analyse proposals or incorporate new information.

The absence of reliable vote confirmation was identified as a particularly concrete problem. Investors do not routinely receive confirmation that their votes have been transmitted through the intermediary chain and counted at the general meeting. This lack of end-to-end transparency adds uncertainty to a process in which institutional investors are exercising fiduciary responsibilities on behalf of underlying beneficiaries.

Together, these operational frictions highlight the importance of improving digital infrastructure and enhancing the efficiency of communication systems across the intermediary chain. It was noted, however, that technical solutions may need to be accompanied by targeted regulatory measures to remove specific roadblocks that the market has not resolved on its own, while maintaining technology neutrality and avoiding prescriptive standardisation that could entrench incumbents.

4. Harmonisation vs. Diversity in European Corporate Governance

Key Points

- *European corporate governance systems remain highly diverse across Member States.*
- *Diversity allows institutional experimentation and adaptation.*
- *Fragmentation can also create barriers to cross-border investment and shareholder participation.*
- *Operational standardisation, particularly in information flows and voting infrastructure, could help reduce frictions without requiring deeper legal harmonisation.*

Summary

Whether deeper harmonisation of corporate governance rules is necessary to support the integration of European capital markets was a point of sustained discussion. The European Union differs fundamentally from jurisdictions such as the United States, where a more unified legal framework underpins highly integrated capital markets.

Europe’s governance landscape is characterised by significant diversity in company law systems, ownership structures, and shareholder rights regimes across Member States. These differences reflect distinct national institutional arrangements and governance traditions. Several participants argued that this diversity is itself a strength, enabling institutional experimentation and the possibility that different systems learn from one another.

The recent experience of Delaware, long regarded as the gold standard for corporate law in the United States, was cited: its perceived deterioration in recent years, under pressure from litigation and legislative responses that have lowered governance standards, illustrates the risks of convergence on a single model. Comparable challenges were also noted in Japan, where the consolidation of stock exchanges into a single dominant platform, a compressed voting season concentrated in a two-week period in June, and the development of multiple competing electronic voting systems by trust banks reflect their own version of the tension between standardisation and diversity.

At the same time, fragmentation can create practical obstacles for investors operating across borders. It was observed that, unlike the United States, where companies can and do choose their state of incorporation in a form of regulatory competition, European companies are largely incorporated where they operate, so the disciplining effect of inter-jurisdictional competition is weaker. The focus therefore lies less on comprehensive legal harmonisation and more on improving the operational functioning of the system, particularly through greater alignment in shareholder communication, voting procedures, and information standards, so that cross-border participation becomes easier while national governance structures remain intact.

5. Proxy Advisors: Responsibility in the Investment Chain

Key Points

- *The proxy advisory market is highly concentrated, with a small number of firms providing voting research for institutional investors.*
- *Business models in which proxy advisors serve both investors and corporate issuers create potential conflicts of interest.*
- *Institutional investors rely heavily on proxy advisors to process governance information across thousands of shareholder resolutions.*
- *Proxy advisors have at times expanded their role by providing recommendations on every resolution, contributing to investor overreliance.*
- *Voting responsibility ultimately lies with asset managers and asset owners rather than proxy advisors.*
- *Ensuring that voting policies reflect the preferences of ultimate beneficiaries remains a broader governance challenge within the investment chain.*

Summary

The debate around proxy advisors centred on the interaction between industry structure, conflicts of interest, and the distribution of responsibility within the investment chain. The highly concentrated nature of the proxy advisory market has long raised concerns about influence over corporate governance outcomes, particularly given the scale at which institutional investors rely on external governance analysis. Business models in which advisory firms provide services both to investors and to corporate issuers further complicate this landscape, as they can create perceived or actual conflicts when the same firm advises companies while issuing voting recommendations on those companies.

It was noted that views among stakeholders on this issue are mixed: some, particularly

issuers, allege bias in proxy recommendations and insufficient alignment with local governance frameworks and national legal requirements; others consider the current transparency regime broadly adequate. It was emphasised that the assessment seeks to triangulate evidence from multiple sources rather than rely on the perspective of any single stakeholder group.

Another issue concerns the scope of proxy advisory activity. In practice, some advisory firms attempt to provide recommendations across the full range of shareholder resolutions, including complex transactions where external analysis may be limited. This has contributed to a degree of overreliance by investors, particularly where recommendations are treated as default voting positions rather than analytical input. Limiting recommendations to areas where proxy advisors have clear analytical expertise and leaving certain decisions to investor judgment was identified as a possible recalibration of this role. The evolving business environment, including the impact of artificial intelligence on governance research and the emergence of pass-through voting programmes that reshape how voting power is exercised in pooled fund structures, adds a forward-looking dimension to the regulatory assessment.

At the same time, responsibility for voting outcomes ultimately rests with asset managers and asset owners. The reliance on proxy advisors reflects the operational scale of institutional voting rather than a delegation of fiduciary responsibility. This places the focus on the broader structure of the investment chain, where large asset managers exercise voting rights on behalf of underlying beneficiaries whose preferences may not always be directly reflected. Strengthening the transmission of voting policies from asset owners or beneficiaries through intermediaries to the final voting decision was identified as one potential avenue for improving accountability in the exercise of shareholder rights.

SESSION 2: GOLDEN SHARES AND NEW STATE CAPITALISM

1 Golden Shares, Corporate Control, and the Changing Governance Landscape

Key Points

- *Earlier European opposition to golden shares was linked to the dominance of the "one share, one vote" principle and a broader commitment to economic liberalisation.*
- *The growing acceptance of dual-class structures and multiple voting rights has altered the governance context in which golden shares are evaluated.*
- *The Volkswagen case illustrated the complexity of assessing golden share mechanisms in practice.*

Summary

Golden shares emerged in Europe primarily during the privatisation programmes of the 1980s and 1990s, when governments sought to transfer ownership of strategic companies while retaining limited safeguards over critical assets. During the subsequent period of market liberalisation, these mechanisms were widely criticised and challenged under EU law, reflecting the strong influence of the "one share, one vote" principle in corporate governance and what was described in the discussion as a period of "economic purity" in the assessment of control-enhancing mechanisms.

Corporate governance structures have since evolved. Control-enhancing mechanisms such as dual-class shares and multiple voting rights have become common across major markets, reducing the sense that golden shares represent an exceptional departure from proportional ownership. As one participant observed, the co-existence of dual-class structures and state-held golden shares creates a more complex picture of corporate control than the one that informed the CJEU's earlier jurisprudence.

The Volkswagen case served as the principal illustration. The CJEU's rulings against the Volkswagen Law had been the most politically significant in the golden shares jurisprudence. In the roundtable discussion, participants debated whether the removal of the golden share and the reduction of state oversight had contributed to the conditions in which the subsequent emissions scandal occurred. Views differed: some argued that the scandal was primarily a product of controlling family governance and a culture of internal loyalty rather than the absence of state oversight; others maintained that it was not a coincidence that the most significant corporate scandal in German history followed the curtailment of public oversight. The Portuguese cement company Cimpor was also discussed: its golden share abolition generated large abnormal returns, raising questions about whether the government's stated objectives, protecting minority shareholders and regional interests, had in practice been value-destroying.

2. Golden Shares as One Instrument within the Economic Security Toolkit

Key Points

- *Golden shares were considered alongside other mechanisms used to safeguard strategic sectors, including FDI screening, licensing regimes, regulatory oversight, and public ownership.*
- *FDI screening operates at the stage of investment approval, whereas golden shares allow continuing oversight within corporate governance structures.*
- *Effective intervention depends on matching the instrument to the policy objective.*
- *Unclear objectives or overly broad powers can increase legal uncertainty and the cost of capital.*
- *Well-specified objectives tied to identifiable social welfare goals could make golden shares legally viable under the existing EU framework.*

Summary

Golden shares were examined within the broader range of instruments available to governments to protect strategic sectors and assets. Foreign direct investment screening regimes intervene at the stage of an investment transaction, allowing governments to approve, condition, or block acquisitions in sensitive industries such as defence, energy, and critical technologies. Golden shares operate differently, embedding specific rights within corporate governance structures that allow the state to intervene after ownership changes have occurred, particularly where transactions or restructuring decisions may affect strategic assets.

The discussion distinguished between formal instruments and informal state power. It was noted that some governments exercise considerable influence over corporate outcomes

This represents a shift from an exercise in economic purity to a cost-benefit framework that takes social welfare objectives seriously.

This reframing also has legal implications. Under the CJEU's proportionality test, golden shares have been struck down where their objectives were vague, their scope overly broad, or their powers discretionary. But the discussion suggested that a golden share with a clearly specified and narrowly drawn objective, such as ensuring decarbonisation or environmental protection in a strategic sector, could be proportionate under the existing framework. The key is clarity of objective and precision of design. It was suggested that within the current legal framework, without changing the law, well-designed golden shares tied to specific social welfare goals could be viable, provided they are accompanied by cost-benefit analysis demonstrating that their benefits outweigh their distortionary effects.

The Australian approach, which includes trigger mechanisms for government intervention linked to specific contingencies, was noted as a model that reflects this way of thinking. More broadly, the session pointed towards a new generation of golden share analysis that integrates economic security, social welfare, and corporate governance considerations within a unified assessment framework, moving beyond the earlier binary of market liberalisation versus state control.

3. From Economic Purity to Social Welfare: Reframing the Assessment

Key Points

- *The traditional assessment of golden shares focused on economic efficiency and the costs of state intervention.*
- *A methodological shift was proposed: start with the policy objective, assess the available instruments, evaluate their effectiveness and distortionary effects, and then establish whether social welfare benefits offset economic costs.*
- *Under the CJEU's proportionality test, golden shares with clearly specified and narrowly drawn objectives may survive legal challenge.*

Summary

The most substantive analytical contribution of the session concerned the framing of how golden shares should be assessed. The traditional approach, which dominated the earlier wave of analysis, evaluated golden shares primarily through the lens of economic efficiency, asking whether state intervention distorted markets, raised the cost of capital, or impeded the market for corporate control. This framing informed both the academic literature and the CJEU's jurisprudence, and the empirical evidence at the time generally pointed towards negative effects on share prices and financial performance.

The discussion proposed a reframing. Rather than beginning with the question of economic distortion, the analysis should start with the policy objective: what social welfare goal is the government seeking to achieve? Having articulated the objective, one can then examine the available instruments, their effectiveness, and their respective distortionary effects, and ask whether the social welfare benefits more than offset the economic costs.

without any formal golden share, through political pressure, regulatory discretion, or de facto blocking of foreign acquisitions. In this perspective, the formal golden share is only one of several mechanisms through which states protect strategic interests, and may not always be the most consequential.

The role of golden shares must also be considered alongside licensing regimes, sector-specific regulation, public ownership, and commitments negotiated as part of investment approvals, which may in some cases provide more effective safeguards. The flexibility of golden share design was noted: the Rolls-Royce model, which restricts foreign shareholding at 15 per cent and requires that the chairman or chief executive be British, EU, or American, was cited as an example of a targeted and proportionate arrangement. The Austal model in Australia, where the company itself structured a “self-imposed golden share” granting the Commonwealth veto rights over its defence subsidiary, illustrates an alternative design in which the mechanism serves as a defensive shield rather than an instrument of state intrusion.

Where the objectives and scope of intervention remain unclear, the resulting legal uncertainty can have economic consequences. Investors must price the possibility of discretionary intervention, which can increase the cost of capital and discourage long-term investment in affected sectors.

CONCLUDING REMARKS

The roundtable discussion highlighted that improving the effectiveness of shareholder rights in Europe is less a question of redesigning legal frameworks and more one of addressing persistent operational frictions within the system. Enhancing cross-border communication, increasing transparency along the intermediary chain, and modernising market infrastructure emerged as central priorities. At the same time, the roundtable underscored the importance of preserving the diversity of European corporate governance systems, suggesting that targeted standardisation of processes—rather than full legal harmonisation—may offer the most pragmatic path forward in strengthening investor participation while supporting the EU’s broader competitiveness agenda.

The roundtable reflected a recalibration of how and when state intervention is justified, moving away from a presumption of market primacy toward a more conditional, objective-driven approach. The renewed consideration of instruments such as golden shares illustrates this shift, as economic efficiency is increasingly assessed alongside social welfare and economic security objectives. This reframing points to a governance landscape in which both private and public actors must operate with greater clarity of purpose, accountability, and coordination, ensuring that shareholder rights, market integrity, and strategic policy goals can coexist within an increasingly complex European economic environment.

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