



SRD II review: Getting the framework right for pension funds as long-term investors

Key messages from PensionsEurope

PensionsEurope supports the objectives of the Shareholder Rights Directive II (SRD II) to promote long-term shareholder engagement and strengthen corporate governance. However, the framework must properly reflect how pension funds invest in practice. Across the EU, pension funds operate under different models: some invest directly in listed equities, while many invest predominantly indirectly through investment funds and asset managers.

These structural differences fundamentally shape how shareholder rights are exercised. Applying identical or overly prescriptive requirements to all pension funds, regardless of how they access equity markets, risks creating inefficiencies and unnecessary administrative burdens, without improving engagement outcomes.

KEY POLICY ASK:

In its current form, SRD II requires pension funds as institutional investors on a “**comply or explain**” base, to publicly disclose their engagement policy (Art. 3g). Furthermore, pensions funds are mandated to disclose how their investment strategy aligns with long-term liabilities and arrangements with asset managers¹ (Art. 3h). This framework is appropriate and should be maintained.

The SRD II review should **not introduce additional disclosure obligations or mandatory engagement requirements** for pension funds. Preserving the current approach is essential to ensure flexibility across different investment models, avoid duplication of functions within the investment chain, and maintain a clear allocation of responsibilities between pension funds and their asset managers.

Why an appropriate approach is needed for pension funds:

A one-size-fits-all approach is not suitable for pension funds. The key distinction is not only one of diversity, but of structure, notably how pension funds access equity markets:

- **Direct investors:** Pension funds holding shares directly may exercise voting rights and engage with investee companies.
- **Indirect investors:** Pension funds investing via UCITS or AIFs do not hold shares directly. Engagement and voting are carried out by the asset manager, while the pension fund’s role is to select, mandate, and monitor managers.

These are **structurally different roles**, not variations of the same activity. Therefore, applying identical regulatory expectations to pension funds and asset managers is not appropriate, particularly where pension funds do not have direct control over voting or engagement execution. The approach already reflected in Article 3h SRD II, which focuses on investment strategy alignment and arrangements with asset managers, is well calibrated for indirect investment models and should be preserved.

¹ For example, see reports from [April 2025 BBV Pensionskasse EXT0305 Transparenzpflichten AktG PK 2025-04 \(DE\)](#), [2026 Bosch Pensionsfonds Weitere Informationen \(DE\)](#), [2025 Fondapi engagement policy \(IT\)](#), [2024 Bestiver Informe Anual de politica de implicacion de empleo](#)



Furthermore, extensive public disclosure of internal policies is not appropriate for occupational pension funds, including IORPs, which are not active in a commercial retail market but implement pension promises on behalf of sponsoring undertakings and beneficiaries, who are their primary stakeholders.

In addition, pension funds operate under specific regulatory and operational constraints, including diversification requirements and liquidity management obligations, which may limit their ability to build significant positions or exercise influence over investee companies. **In particular, they may not be able to adjust or exit positions rapidly where engagement does not deliver results, due to liquidity considerations and long-term investment horizons.** These structural features should be duly reflected when considering engagement expectations.

Key considerations for the SRD II review:

The review of the SRD II should avoid increasing regulatory burden, by considering the following:

1. Preserve flexibility and appropriateness of the framework :

- **Preserve flexibility (“comply or explain”):** The current approach allows pension funds to reflect their actual role in the investment chain. Moving to prescriptive or mandatory requirements would reduce flexibility and effectiveness.
- **Recognise that engagement is only one of several tools:** While SRD II aims to promote long-term shareholder engagement, it should be acknowledged that engagement is only one of several tools available to support long-term investment strategies, and may not be equally relevant or effective across all types of investors and investment models.

2. Reflect investment structures and avoid duplication :

- **Recognise indirect investment structures:** For many pension funds, SRD II operates as a governance and oversight framework, not an operational engagement framework. This distinction should be explicitly acknowledged.
 - **Current provisions of SRD II are sufficient:** Additional requirements on pension funds through amendments to Article 3h and Article 3g would create additional burden without improving engagement in investee companies.
 - In this context, it should also be recognised that elements of investor engagement are already addressed under existing EU frameworks, notably the Sustainable Finance Disclosure Regulation (SFDR). Introducing overlapping requirements under SRD II risks increasing complexity without clear added value.

3. Take into account operational realities:

- **Recognise the operational constraints of institutional investors and the role of proxy advisors:** From an operational perspective, the high volume and seasonality of shareholder meetings make it unfeasible for many pension funds to develop the required in-house capabilities for the detailed analysis of each vote.
 - Moreover, the use of proxy advisors allows for economies of scale, ensuring rigorous and consistent analysis at a reasonable cost, without undermining decision-making independence, as investors retain the final decision on voting and may deviate from recommendations where appropriate. Imposing additional obligations would duplicate functions within a system that already operates effectively.



4. Avoid over-regulation and preserve effectiveness

- **Avoid over-prescription:** Excessively detailed requirements risk turning engagement into a box-ticking exercise, reducing its effectiveness and undermining its purpose. In areas such as the execution and transmission of voting, existing mechanisms function effectively and without significant operational issues; additional obligations could therefore add unnecessary complexity without delivering clear benefits.
 - Moreover, the effectiveness of engagement activities does not depend solely on the investor, but also on the willingness and capacity of investee companies to engage. Overly prescriptive expectations may therefore create obligations that are not within the control of institutional investors.

5. Ensure an appropriate and balanced framework

- **No EU-wide stewardship code for IORPs and other types of pension funds:** The diversity of pension systems across Member States requires flexibility; any stewardship approach should remain optional, and, where relevant, decided upon at the national level.
- **Protect commercially sensitive information:** Disclosure obligations should not extend to sensitive contractual arrangements between pension funds and asset managers.
- **Preserve a portfolio-based perspective:** Pension fund investment strategies are diversified and liability-driven, extending beyond equity. A narrow focus on shareholder engagement does not reflect this broad investment approach.

Why this matters for Europe:

Pension funds play a key role in providing long-term capital to European companies. While SRD II aims to promote shareholder engagement, strengthening engagement requirements should not be assumed to automatically improve long-term outcomes or increase the provision of long-term capital to the European economy. In the absence of clear evidence that short-termism is driven by insufficient engagement, additional obligations risk creating unnecessary burdens without delivering tangible benefits.

An appropriate SRD II framework is therefore essential to ensure that pension funds can continue investing efficiently, without unnecessary complexity, while supporting long-term corporate performance.



About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.

PensionsEurope has **21 member associations** in 16 EU Member States and 3 other European countries².

PensionsEurope member organisations cover different types of workplace pensions for **over 65 million people**. Through its Member Associations, PensionsEurope represents over **€ 2,5 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **13 Corporate and Supporter Members**, which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)**, which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership.
- Ensure that more and more Europeans can benefit from an adequate income in retirement.
- Policies which will enable sufficient contributions and good returns.

Our members offer

- Economies of scale in governance, administration and asset management.
- Risk pooling and often intergenerational risk-sharing.
- Often “not-for-profit” and some/all of the costs are borne by the employer.
- Members of workplace pension schemes often benefit from a contribution paid by the employer.
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment.
- Good governance and alignment of interest due to participation of the main stakeholders.

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² EU Member States: Austria, Belgium, Bulgaria, Croatia, Finland, France, Germany, Greece, Hungary, Italy, Lithuania, Luxembourg, Portugal, Romania, Spain, Sweden. Non-EU Member States: Iceland, Norway, Switzerland.