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Evaluation of the Shareholder Rights Directive

Here is the EFES response to the evaluation of the Shareholder Rights Directive (SRD).

The European Federation of Employee Share Ownership (EFES) is the representative organisation of all forms of employee share ownership in Europe. It brings together employee owners, companies, unions, experts and academics, all people interested in promoting the development of employee share ownership in Europe.

Employee share ownership models can be ranked in two main families :

- Large companies seek a large number of shareholders, making it logical for employees to participate in this shareholding by investing some of their own money.
- In SMEs, the situation is quite different. Share ownership is generally limited to a few managers and it is very stable, except when succession needs to be planned. In this case, collective employee ownership becomes relevant. In this form, the individual employee does not become a shareholder and does not invest any personal funds. The new shareholder of the company is a trust-like legal entity that represents the collective of employees who are its beneficiaries.

SRD is typically focusing on individual employee share schemes in large companies, while employee ownership in SMEs seems ignored. However, for over ten years, a paradigm shift is becoming increasingly apparent in European employee share ownership. In terms of dynamics, employee share ownership is declining in large companies, while collective employee ownership is strongly progressing in SMEs. In conclusion, the SRD is increasingly out of step with the realities of employee share ownership as a whole.

We focus our response to the consultation on SRD on two points that specifically concern employee share ownership. For all other points, please refer to responses from our partner member organisation Better Finance.

Our two points are about:

- Discrimination in voting rights
- Information about Executive Directors' shareholdings

Since year 2006, EFES is annually updating a database of employee share ownership in all large European listed companies and all majority employee-owned companies. This database was originally set up with the support of the European Commission.

This database is notably used for the publication of an Annual Economic Census of employee share ownership in Europe. The next version will be released in April 2026. The following information is based on this forthcoming publication.

1. Discrimination in voting rights due to the diversification of share rights

In most European countries, no discrimination exists, in favor or against employee shareholders' voting rights. However, significant discrimination can well be observed in seven countries (Graph 59).

Employee shareholders' voting rights are generally multiplied in France due to the fact that shares enjoy a double voting right when nominatives and held for at least two years.

At the contrary, employee shareholders' voting rights suffer negative discrimination in about ten countries including Sweden, Finland, Netherlands, Denmark, Switzerland, Belgium (Graphs 59-60 and Table 30). Typical cases here are companies issuing two classes of shares, A-shares with 10 votes and B-shares with 1 vote. Controlling owners hold high voting shares but employee share plans are based on low voting ones. This way, employee shareholders' voting rights are severely discriminated, in up to 35% of large companies in Sweden (Graph 59). Employee shareholders' voting rights are generally reduced by 43% in Sweden, 32% in Denmark, 14% in Finland and 13% in Switzerland compared with the one-share-one-vote rule (Graph 60).

Unfortunately these forms of discrimination tend to expand rather than shrink. Several new countries introduced shares with multiple voting rights recently (particularly Italy, Spain, Belgium). By doing so we observe that employee voting rights are systematically discriminated. As a matter of fact, employee shares are usually low-voting shares.

In addition, transparency is increasingly lacking. While it was fairly easy to measure the impact of these devices in Nordic countries and in France, the new countries don't facilitate it.

Finally we observe that, instead of contributing to the Capital Markets Union, these practices are causing further fragmentation. Moreover, they generally favor the ownership of old families. They are a source of rigidity and stagnation. They run counter to the need for adaptability and change that Europe requires.

2. Discrimination in voting rights due to national privileges

Only a small number of large European companies offer employee share ownership plans, not only to their home-based employees but also to those operating outside their home country. This number represents only 14.2% of European listed companies (but these are the largest ones).

Why this difference in treatment? Because the success of these plans is primarily due to the tax incentives that generally accompany them. However, these incentives only apply to nationals. Employee participation in employee share ownership plans is therefore much higher in the home country and significantly lower abroad.

The first consequence is that, because the proportion of home-based employees is constantly decreasing in Europe (today, on average in large companies, it is only 34%), the effectiveness of employee share ownership plans is mechanically diminishing. This explains the continuous erosion of employee share ownership in large European companies over the past 15 years.

A second consequence is that, to facilitate the management of employee share ownership, and in particular the exercise of voting rights, these rights are generally exercised through indirect employee share ownership structures (such as FCPEs – *Fonds Commun de Placement d'Entreprise* in France, trusts in Great Britain, etc.). Consequently, employee shareholders do not have to worry about voting; these indirect bodies exercise voting rights on behalf of their members. This is at least the case for national employee share ownership.

On the other hand, these plans are less effective abroad, because they are not supported by the tax incentives available to employees in the company's home country. Consequently, companies also make less effort to implement these plans internationally. In particular, instead of benefiting from an indirect structure (via FCPEs or trusts), this employee share ownership remains in the form of direct individual share ownership.

Consequently, voting rights are much more difficult to exercise, and therefore less frequently exercised, by foreigners than by nationals. This results in discrimination, manifested by a systematic bias in employee shareholder votes in favor of nationals of the company's home country.

The six million employee shareholders in large European listed companies are currently divided between 79% in their company's home country and 21% outside.

Just like the first discrimination, this second discrimination also constitutes a factor of rigidity and fragmentation rather than of Union of Capital Markets.

3. Information about Executive Directors' shareholdings

Information about Executive Directors' shareholdings raises a question very similar to the "say on pay" issue.

Employee share ownership is made of various components, including shares held by Top Executives (Executive Directors) and by other employees.

Information about Executive Directors' shareholdings can be seen in appendix through Graph 45 and Table 23.

Most European listed companies provide full information about shares held by their Executive Directors, 76% of them did so in 2025. However a small number of countries stubbornly continue to obstruct this information, including Belgium, Germany, Austria and Luxemburg (Graph 45).

This obstruction continues to make it difficult to understand the extent of their employee share ownership and the ownership structure of their large companies.

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