



The European Union initiated protection of minor investors

Press Release

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Directive of the European Union on “Shareholders Rights Directive II” extends the obligation to inform on the general meeting of companies. In particular, this obligation applies to all companies that issued book-entry shares and these are traded on the stock exchange. The goal of the directive is protection of share owners’ rights, primarily of the minority investors. Realisation of the directive in the Slovak Republic is ensured by Centrálny depozitár cenných papierov SR (CDCP SR) and this service is free of charge.

Each company issuing the convocation of a general meeting shall publish such information on its web-site. Some companies contact their shareholders also through a letter, despite this method is slowly disappearing due to current rise of electronic communication. Therefore, the directive of the European Union enhances methods for informing the shareholders by electronic means. *“Procedure is very simple for the issuers. They may contact us by the form sent to our e-mail. Subsequently we will distribute the information about the general meeting through our channels to all owners of the shares, or to owners of accounts opened in CDCP SR or with our participants,”* says Ľubomír Demčák, the Head of Issue Department of CDCP. *“For that purpose we have a dedicated e-mail account (registracia@cdcp.sk) and the service is not charged.”*

This initiative has a pan-European nature, with aim to harmonise the rules in the European Union. *„It is used throughout the Europe, mainly in countries with highly developed capital market. The directive gives possibility to lay down the rules on penalties in case of failure to meet the obligations, but the penalties were not applied yet as the directive has been implemented only recently,”* adds Ľubomír Demčák, the Head of Issue Department of CDCP.

“Centrálny depozitár cenných papierov of SR informed selected issuers on this new obligation, i.e. issuers that are the most traded on a stock exchange, on domestic or foreign markets; however, the interest of companies in distribution of information on convocation of the general meeting is low so far,” says Ľubomír Demčák. Therefore CDCP SR again would like to draw attention to this obligation. *“Realisation of the directive is mandatory and*

companies traded on the public market are obliged to observe it and adhere to it. This applies to companies whose shares are traded on our stock exchange and also on all other foreign stock exchanges.”

The directive and consequent informing on convocation of the general meeting is protecting primarily owners and minor investors of shares. Purpose is to inform them in sufficient time on convocation of the general meeting so they may attend it. On the other hand, this is also motivation for issuers of the securities. By use of the electronic distribution of the information via CDCP SR they can increase participation of investors in the general meeting or even to ensure a quorum required for holding the general meeting. *”The directive enables to send in digital form also a feedback information on participation in the general meeting from the shareholders. But considering the situation on the Slovak market, the shareholders are not using this possibility yet,”* noticed Ľubomír Demčák.

Media contact:

Ms Dagmar Kopuncová

PR Manager

CDCP SR, a.s.

Tel.: +421 2 59 395 125

e-mail: dagmar.kopuncova@cdcp.sk