

DG Internal Market and Services
Unit F2
European Commission
B-1049 Brussels
Belgium

Via Email: markt-COMPLAW@ec.europa.eu

26 July 2007

Re: Fostering an appropriate regime for shareholders' rights

To Whom It May Concern:

Please find in this note the views of EUROSIF on the European Commission's third publication document on "Fostering an appropriate regime for shareholders' rights".

EUROSIF, the European Social Investment Forum, is the pan-European stakeholder network whose mission is to address sustainability through the financial markets. Eurosif works at the pan-European level as a partnership of the national Social Investment Forums (SIFs) and with the support and involvement of its member affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's member affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €600bn. For the full list of Eurosif Member Affiliates, please see www.eurosif.org.

Eurosif has two main roles: (1) to provide an international forum that allows members and member affiliates to work together on issues pertaining to Socially Responsible Investment (SRI) and Corporate Governance in the EU financial services sector, and (2) to collect input from members and member affiliates and then communicate their ideas and initiatives to European policy makers, including the European Commission as well as the European Parliament. Therefore, our input on the consultation document is mainly driven from and by the interest and expertise of our membership.

With regards to this third consultation, Eurosif would like to address the following questions in the Commission's consultation paper:

Language of meeting documents:

Q.1.1. Eurosif believes there is a need for action in that area and believes that the suggested recommendation in the consultation document (Q 1.2.) would be in the right direction. Eurosif also considers that a standard language for financial reporting should be used to make it possible to access data in a standardised format.

Chain of intermediaries:

Duties of intermediaries

Q 4.1. Eurosif agrees that the duties of intermediaries in the voting process need addressing and does consider the suggested recommendation in the consultation document (Q 4.2.) as adequate.

Moreover, Eurosif suggests that the inefficiencies in the voting process caused by the chain approach could be addressed in one or two ways:

- Making the existing system work better by means of removing the voluntary barriers: a scaling back of custodian and sub-custodian involvement and reducing the numbers of links in the chain of intermediaries would be desirable.
- Making proxy voting a straightforward process, where institutional investors could submit their votes direct to the tabulators through their own voting platform, or that of a voting service provider, without involving numerous intermediaries in the process.¹

¹ For further information, see the « Cross Boarder Voting in Europe 2007» study by Manifest (UK). www.manifest.co.uk

Eurosif would also suggest that the ability to choose a voting service provider is an important factor in achieving higher efficiency in the voting process, as customers may be able to demand better service if they have contractual agreement with a voting service provider responsible for the entire voting process, rather than a securities intermediary who supplies other services in addition to voting.

Management companies of investment schemes

Q.6. Eurosif agrees there is a need for a recommendation along the suggested lines in the consultation document.

Other suggestions

In addition, Eurosif believes that the Commission should address the issue of the timeliness of information flows. The complexity of cross-border voting systems makes the task of providing investors with sufficient time to consider the meeting documents and determine how they will vote their shares' rather challenging. It appears that on average, each intermediary in the chain adds up to two working days on top of the deadline set by the previous intermediary.

Eurosif believes that further steps towards harmonisation of record dates and voting deadlines in the European market are also highly desirable.

Shareholders in the field of SRI consider a good governance framework to be paramount to an accountable economic system, where investors and companies each have their rights, roles and responsibilities towards each other and society. Active SRI shareholders are long term investors who pay particular attention to how extra-financial issues, such as governance, social or environmental risks, may affect company performance. This attention translates into regular interaction with investee companies and participation in AGMs and voting to the extent that it is possible and there is a proper framework of shareholders rights. To this extent, the questions raised in the 3rd consultation are essential in how they may enable SRI investors to be 'active owners'. This is all the more so in a cross-border setting, as European investors' stock portfolios are increasingly international.

Thus, Eurosif is pleased with the direction taken thus far and encourages the EC to continue in its efforts to clarify the role of intermediaries in the voting process and better enable shareholder democracy in the European Union.

This response has been developed as a part of Eurosif's aims to encourage disclosure, transparency and responsible ownership, and to promote the integration of social, environmental and ethical issues into European financial services. It does not necessarily reflect the views of all of its member affiliates.

Yours sincerely,

A handwritten signature in black ink that reads "Matt Christensen".

Matt Christensen
Executive Director
Eurosif (European Social Investment Forum)