During its Plenary Session on 20 November 2013, the European Parliament voted and approved two Directives of particular interest to responsible investors.

The first Directive relates to the provision of key information documents (KIDs) to retail investors. It requires providers of investment products to produce pre-contractual, easy-to-read information that will help small investors understand and compare investment products and estimate the total cost of their investment. This information must also be concise and non-advertorial.

The rules will also require investors to be informed as to whether or not the investment product targets specific environmental, social and governance (ESG) outcomes. Further, the Directive empowers the European Commission to adopt Europe-wide criteria for environmental and social investment products that support the long-term financing of a sustainable economy and promote the establishment of a Europe-wide label for sustainable investment. Eurosif supported the inclusion of ESG issues in the Commission’s KID Proposal in our Position Paper of October 2012 and subsequently pushed for a specific amendment to the Commission’s text with key MEPs. Eurosif is pleased that Parliament kept the ESG component, but is disappointed that they have not removed the notion of “ESG outcomes” from the approved text. (Note: the development of a European label was not part of Eurosif’s recommendations.)

This Directive will need to be considered and endorsed by the Council of Ministers before it goes into effect. Eurosif will monitor this legislation and keep in contact with the European Commission and the European Securities and Markets Authority (ESMA) regarding its progress. To be sure, if a rule regarding the development of ESG criteria and/or a sustainable investment label is passed, Eurosif will want to be part of the discussions.

Additional information can be found on the European Parliament’s Legislative Observatory.

The second Directive concerns gender balance on the Boards of Directors of large companies listed on stock exchanges in the EU. It requires these companies to have transparent recruitment procedures sufficient to ensure that 40% of their non-executive board directors are women by 2020. Companies that fail to abide by the rules will be required to explain why and could face penalties for failing to follow transparent procedures (rather than failing to achieve the target).

To take effect, the Directive also needs to be endorsed by the Council of Ministers. Eurosif will continue monitor the progress of this legislation.

Additional information can be found on the European Parliament’s Legislative Observatory.