EU Insider is an exclusive EU Policy-focused newsletter exclusively for Eurosif Member Affiliates. This newly redesigned edition highlights key EU policy developments in areas Eurosif is currently focusing on. We hope you will find the newsletter informative. Please feel free to circulate this internally. Feedback is welcome and can be sent to francois@eurosif.org.

Highlights in this Edition (click to go to section):

Eurosif meets Commissioner Barnier on Non-Financial Reporting
Upcoming Policy Event on NFR in Brussels (5 March, 2013)
Eurosif meets MEP Pervenche Bérès, Rapporteur on KID
Eurosif meets MEP Sven Giegold, Rapporteur on Remuneration (UCITS)
Imminent publication of EC Green Paper on Long Term Investing

Key Policy Topics (click to go to section):

Non Financial Disclosure (NFR)
ESG Disclosure and Investors
Long-Term Investment and Sustainable Growth
Corporate Governance and Shareholder Rights
Social Entrepreneurship Funds
Other EU Developments of Interest
List of Abbreviations
Non Financial Disclosure (NFR)

The European Commission has been working on a Proposal around non-financial reporting for several months. A consultation on this topic was launched in 2010 following an impact assessment during which an ad-hoc Expert Group had been constituted in the latter part of 2011. Eurosif already reported on its participation in this Expert Group.

The new Proposal, which will consist of an amendment to Article 46 of the 4th Accounting Directive and Article 36 of the 7th Directive, is expected early December 2012; however Eurosif recently heard that it could be delayed until Q1 2013. Eurosif has been actively advocating for ambitious legislation around NFR, however, it has been brought to our attention that strong counter-lobbying is currently being performed by several business trade associations and a few leading Member States. According to sources trusted by Eurosif, the forthcoming Proposal is expected to require certain large companies (more than 500 employees) to disclose a statement in their Annual Report including information relating to at least environmental, social, employee-related matters, respect of human rights, and anti-corruption aspects. The statement should cover policies, results and risks for each of these on a report or explain basis. The Proposal could also make reference to internationally recognised frameworks such as the GRI, the UN Global Compact and OECD Guidelines amongst others. KPIs are expected to be required to the extent necessary for understanding the company’s development. In the event that these expectations are met, the Proposal would signify some progress but would not necessarily meet all specific demands made by Eurosif.

Eurosif is also leveraging CSR initiatives within the Commission and Parliament to push its NFR agenda. We responded to the Commission’s recent CSR Communication from October 2011 and are part of the CSR Multi-stakeholder Forum organised by DG Industry and Enterprise (DG ENTR). Note that some reorganisation recently affected the European Commission CSR team, which is now reporting to Unit D4 in DG ENTR (Small Business Act, SME Policies), possibly indicating a new direction for the future CSR policy of the EC.

On 5 March, 2013, Eurosif, together with ACCA (Association of Chartered Accountants) and AVIVA, will co-host a Brussels-based policy event around NFR under the patronage of MEPs Howitt and Baldassarre. More details will be sent shortly about this event, which will gather several stakeholders and policy-makers from the European Commission and Parliament.
Eurosif recent actions

- On 27 September Eurosif, AVIVA and ACCA (as members of the Global Corporate Reporting Coalition) met Didier Millerot to share and exchange views about the upcoming EC legislative proposal on Non Financial Reporting and push for an ambitious text that would make NFR more relevant to investors. Didier Millerot was appointed Head of Unit F3 in DG MARKT (Accounting & Financial Reporting) replacing Jeroen Hooijer (see later Corporate Governance) in early September 2012.

- In October 2012, Eurosif was asked in writing by MEP Richard Howitt to provide input to the upcoming EP resolution on the Commission’s CSR Communication from October 2011. Mr. Howitt is the co-Rapporteur of the CSR procedure at the European Parliament together with Raffaelle Baldassarre. A response letter was sent by Eurosif on 10 October to Richard Howitt who issued his report on CSR on October 26. The report makes an explicit reference to linking socially responsible investment to disclosure (Art. 20 & 21). Another report was issued around the same date by Mr. Baldassarre but did not mention investment.

- Eurosif, together with three other pan-European platforms (ETUC, BEUC and ECCJ), met Commissioner Barnier from DG MARKT on November 8th to reiterate their support to an ambitious reform to NFR that would ensure the relevance, the materiality and the consistency of NFR by large companies. The tone of the meeting was very positive and Eurosif was able to score a few points as one of the two most engaged participants on the topic. We highlighted the need to connect NFR with material aspects relevant to a Company’s strategy and management, as well as having appropriate accountability mechanisms in order to ensure that NFR is not a box-ticking exercise with no value for shareholders, other stakeholders and for the company itself.
As a participant to the Commission’s CSR Multi-stakeholder Forum, Eurosif attended the Annual Review Meeting of the High-Level Group of Member States Representatives on CSR and the European CSR Multi-Stakeholder Forum Coordination Committee on 28 November. The meeting was coordinated by DG Enterprise and Industry. Some representatives of DG MARKT (working on NFR) were present as well. The main objective of the Forum is to monitor the implementation of the European Commission’s policy on CSR, to discuss priorities for 2013 and to exchange thoughts on EU CSR policy in relation to developments at global and national level. It gathers various stakeholders as well as representatives of Member States. Eurosif raised three key points: the importance of ESG disclosure by asset owners, the importance of supporting ESG disclosure in the upcoming retail Key Information Document and the importance of building SRI awareness with the broader/general retail public. These points have been acknowledged by the French delegation. The European Commission made also reference to Eurosif’s work on NFR in their answers to questions.

Select resources


ESG Disclosure and Investors

Eurosif has historically advocated transparency of investors’ ESG or SRI policies, for asset managers or asset owners alike.

On 3 July 2012, the European Commission issued a Proposal on the pre-contractual Key Information Document (KID) for all retail investment products. The Proposal is linked to a wider EU initiative to create a sustainably and satisfactory regulatory environment for the sale and disclosures of retail investment products (Packaged Retail Investment Products or PRIPs). It is also consistent with the recent European Commission’s Communication on CSR from October 2011.

The Proposal is now with the European Parliament’s Economic and Monetary Affairs Committee (ECON). MEP Pervenche Bérès has been appointed as the Rapporteur.
This is the first time that policy-makers make reference to ESG disclosure at product level in the retail context. Eurosif considers that this potentially represents a major milestone for the SRI industry, as long as the proposal is applied to all investment-linked products and not only to those distributed as SRI products.

Between the spring and summer 2012, Eurosif set up a working group of national SIF representatives to work on a common position with regards to ESG disclosure in the KID, at the request of the EC. The position was presented at Eurosif’s recent Annual Event in October 2012. See presentation here.

Note that EFAMA also issued a position on the same topic earlier this year. However, EFAMA is not supporting the application of this disclosure to all products, but only to those portraying themselves as SRI products. See EFAMA position here.

**Eurosif recent actions**

- On 8 May, 2012, **Eurosif met with MEP Sven Giegold** (ECON Committee) to introduce him to our activities and present the European Transparency Code as part of the efforts to push for more transparency around ESG factors. Sven Giegold is one of the few MEPs with a strong focus on the financial industry in the ECON Committee of the Parliament and is currently the Rapporteur for a number of key topics.

- On 30 July, Eurosif issued a press release supporting the European Commission Proposal on ESG disclosure in the KID. It can be found here.

- On the 18 October, Eurosif met DG MARKT, Unit G4 (Asset Management). Tilman Lueder (Head of the Unit), Esther Wandel and Tim Shakesby (Policy Desk Officers) attended the meeting, where Eurosif presented its position on ESG disclosure in the KID. The meeting was very positive and Eurosif was able to make the link to its Transparency Code arguing that it could be used as a complement to ESG disclosure in the KID, at least for funds portraying themselves as SRI funds. A follow-up meeting has been agreed for late 2012 or early 2013 to check progress at the Commission and at ESMA.

- On 7 November, **Eurosif’s Executive Director met MEP Pervenche Bérès**, Rapporteur of the KID regulation procedure. Broadly speaking, Mrs. Bérès is supportive of ESG disclosure and the meeting was rather positive. However, she sees the absence of a pan-European definition of SRI as a challenge for the industry and for the regulator. The ECON vote on the EC Proposal is scheduled for March 2013 and the Plenary vote for May 2013. Eurosif will seek further information and continue to exert influence.
Select resources

- EC proposal about the KID (3 July, 2012):

- Eurosif’s related Press Release (30 October, 2012):

- Relevant information about the KID procedure file at the European Parliament:

Long-Term Investment and Sustainable Growth

In the coming months, Eurosif will focus on building a stronger political case for SRI / ESG investing. Part of the work will consist of establishing the link between sustainable investing, long-term investing and sustainable growth, in doing so demonstrating that SRI has the potential to be part of the solution to the current economic situation.

Eurosif recent actions


- On 25 October, 2012, Eurosif participated in an informal workshop organised by DG Environment on Financing Resource Efficiency and Long-Term investments. Ms. Ariane de Dominicis and Mr. Robin Miege (Head of Strategy), were representing the Commission. The EIB, the Global Impact Investing Network and the Climate Policy Initiative were also participating.

- Eurosif is participating in the CEPS-ECMI taskforce on Long-term Investing and Retirement Savings. CEPS is a leading Brussels-based think tank with strong recognition within the European Commission. On 29 October, Eurosif participated in the first meeting of the CEPS-ECMI taskforce. Note that Eurosif’s participation is tactical and does not imply a long term partnership with CEPS. More information on the taskforce here.
Eurosif is preparing to respond to the upcoming Green Paper on LTI to be issued by DG MARKT in early December, according to our latest information. Eurosif intends to form a working group on LTI in the coming weeks. A specific call for action will be sent in due course.

Select resources

On 17 October, Finance Watch joined “the long term” debate by launching a position paper called “Towards suitable investment decisions”. Click here for more information:

Corporate Governance and Shareholder Rights


On 29 March, 2012, the European Parliament adopted a resolution about the Green Paper welcoming the revision of the EU corporate governance framework, and making a number of statements in response.

On 12 December, 2012, the European Commission released an Action Plan outlining future initiatives in the areas of Company Law and Corporate Governance.

The Action Plan covers three main areas:

- Increasing the level of transparency between companies and their shareholders in order to improve corporate governance. This includes improving corporate governance reporting; better identification of shareholders by issuers; strengthening transparency rules for institutional investors on their voting and engagement policies.

- Encouraging and facilitating long-term shareholder engagement. This includes transparency on remuneration policies and individual remuneration of directors, as well as a shareholders' right to vote on remuneration policy and the remuneration report; creating appropriate operational rules for proxy advisors (i.e. firms providing services to shareholders, notably voting advice), especially as regards transparency and conflicts of interests; clarification of the 'acting in concert' concept to make shareholder cooperation on corporate governance issues easier.

- Finally, certain initiatives in the field of company law to support European businesses and encourage their growth and competitiveness are included.

In addition, the action plan foresees merging all major company law directives into a single instrument. This would make EU company law more accessible and comprehensible and reduce the risk of future inconsistencies.
Eurosif is in close contact with the Commission’s services to monitor and influence the implementation of the Action Plan. The full Action Plan is available here.

Separately, a lot of activity around remuneration, specifically for financial institutions and funds, has occurred over the past months. Several pieces of upcoming EU legislation are mentioning remuneration policies (UCITS V, Solvency II, AIFMD, CRD IV). ESMA has also published guidelines on remuneration that are generally used as the reference for these Directives and Regulations.

On 3 July, 2012, the EC published its proposal for the UCITS V Directive including a section on remuneration. The European Parliament is in the process of looking at this. Sven Giegold (ECON Committee) is the Rapporteur for these remuneration aspects.

**Eurosif recent actions**

- On 14 May, 2012, Eurosif met Marc Hertgen, Policy Desk Officer in DG MARKT, Unit F2 (Corporate Governance) to profile the association and discuss the current pipeline of initiatives. Mr. Hertgen explained the complexity of the Unit which has no dedicated “legislative vehicle” to push a stronger corporate governance framework and has to leverage other EC proposals.

- On 25 May, 2012, Eurosif responded to the European Commission Consultation on Gender Imbalance in Corporate Boards in the EU. Eurosif’s response can be read here. On 14 November 2012, the Commission proposed legislation with the aim of attaining a 40% objective of the under-represented sex in non-executive board-member positions in publicly listed companies, with the exception of small and medium enterprises. See press release here.

- On 25 June, 2012, Eurosif responded to the ESMA Consultation Paper on the Proxy Advisory Industry. In general, Eurosif is pushing for transparency of the voting chain and appropriate management of conflicts of interest. Eurosif’s response can be read here.

- On 10 December, Eurosif met Jeroen Hooijer, the recently appointed Head of Unit F2, DG MARKT (Corporate Governance, Social Responsibility) and three of his Policy Desk Officers focusing on Corporate Governance and Shareholder Rights. Eurosif already knew Mr. Hooijer from his time in the Accounting and Financial Reporting Unit (see NFR). The objective of the meeting was to build relationship with the team, demonstrate our expertise in the field of Corporate Governance and check on the work pipeline of the Commission in this field (eg. Corporate Governance Action Plan).
Select resources

- European Parliament final Resolution of 29 March, 2012 On the EC Corporate Governance Green Paper, highlighting future areas of work

- ESMA Guidelines on remuneration. Will apply to investment firms, credit institutions, fund management companies.


Social Entrepreneurship Funds

In October 2011, the EC adopted the Social Business Initiative as part of a package of measures to support entrepreneurship and responsible business. Fostering the growth of social businesses is part of this initiative. A concrete outcome of this initiative that is of interest is the EC Proposal on EuSEFs (European Social Entrepreneurship Funds), a pooled investment vehicle to invest in social businesses. The Proposal was published by the EC in December 2011 and has sat with the Parliament since then. On 13 September, the Parliament blocked the text and referred it back to the ECON Committee for further re-work. It is Eurosif’s impression that the procedure for implementing EuSEFs will be very slow and faces an uncertain outcome. The ECON Committee of the European Parliament is in charge of this procedure (MEP Sophie Auconie).

Also note that, on 5 June, 2012, the GECES, a consultative multi-stakeholder group on social business held its first meeting. GECES was set up for six years (2012 – 2017), and will be consulted by the Commission on the opportunity, development, setting up and implementation of all the actions mentioned in the Social Business Initiative (SBI), or further development of social entrepreneurship and social economy.
Eurosif recent actions

- On the 16 May, 2012, Eurosif attended to a workshop on Social Business Financing within the framework of SME Finance Forum organized by DG Enterprise and Industry. The aim of this workshop was to increase visibility of social entrepreneurship, finance for social businesses and Social Entrepreneurship Funds. Eurosif drew to the attention of the Commission the importance of clarifying definitions and terms.

Select resources

- European Commission’s Proposal on EuSEFs

- EC Social Business Initiative
  http://ec.europa.eu/internal_market/social_business/index_en.htm

- MEP Auconie report on EuSEFs

- MEP Becker report on Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation

- Text adopted by Parliament, partial vote at 1st reading/single reading

- European Commission Expert Group on Social Business (GECES)
  http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm

- Programme for Social Change and Innovation (PSCI)
The EU Programme for Social Change and Innovation (PSCI) is part of the Commission’s proposal for EU regional, employment and social policy for 2014-2020. It is to be managed directly by the Commission, in support of employment and social policies across the EU. Together with the European Social Fund (ESF) and the European Globalisation Adjustment Fund (EGF), it forms the third pillar of the EU Initiative for Employment and Social Inclusion for 2014–2020. The PSCI will come into force on 1 January 2014 and run until 31 December 2020. The PSCI integrates three existing programmes: Progress (Programme for Employment and Social Solidarity), EURES (European Employment Services) and the European Progress Microfinance Facility and extends their coverage.
  http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1093
Other Developments of Interest

- Single Market Act 2 (3 October, 2012)
  The SMA II makes reference to Strengthening social entrepreneurship, cohesion and consumer confidence.

  After the EC Proposal from 2011 to revise the Transparency Directive and include some provisions around CBCR for listed and large non-listed companies operating in extractive industries and the forestry sector, the European Parliament published an [opinion](http://opinion) in June 2012. The Rapporteur for this is Sirpa Pietikäinen (ECON).

- EC Green Paper on Shadow Banking
  The European Parliament has adopted a final text on Shadow Banking following the publication of a [Green Paper](http://green-paper) by the Commission on March 16, 2012. Final text on Shadow Banking here.

- Credit Rating Agencies
  The EC published its legislative Proposal on 15 November, 2011. The text on the Proposal adopted by the relevant European Parliament Committee (ECON) is expected to be voted in Plenary Session January 2013. Click [here](http://here) to see the text.

List of abbreviations and terminology

CG – Corporate Governance
DG EMP – DG for Employment, Social Affairs & Inclusion.
DG ENV – The Directorate-General for the Environment
DG ENTR – The Directorate General Enterprise and Industry
DG MARKT – The Internal Market and Services Directorate General
EBA – The European Banking Authority
ECON – Economic Affairs Committee of the European Parliament
EC – European Commission
EIOPA – The European Insurance and Occupational Pensions Authority
EP – European Parliament
ESMA – European Securities Market Authority
JURI – Legal Affairs Committee of the European Parliament
LTI – Long Term Investment
NFR – Non Financial Reporting
Rapporteur – Member of the European Parliament in charge of drafting a report about a specific legislative procedure (eg. legislative Proposal published by the Commission).
SBI – Social Business Initiative