EU Insider is an EU Policy-focused newsletter exclusively for Eurosif Member Affiliates. This edition highlights key EU policy developments in areas Eurosif is currently focusing on. We hope you will find the newsletter informative and encourage you to refer to the previous editions to find more background information on our policy work. Please feel free to circulate this internally. Feedback is always welcome and can be sent to francois@eurosif.org.

SAVE THE DATE

On 4th of December 2013, the next policy webinar organised by USSIF and Eurosif will take place. All required details will be provided in due course.

Key Policy Topics:
- Non Financial Reporting (NFR)
- ESG Disclosure and Investors
- Long-Term Investment and Sustainable Growth
- Corporate Governance and Shareholder Rights
- Social Investment
- Other EU Developments of Interest
- Glossary

Highlights in this Edition:
- Eurosif – Aviva – ACA event at European Parliament (NFR)
- Eurosif-ACCA survey on investors expectations about Non-Financial Reporting
- Eurosif at FRC Event (NFR)
- Joint Press Release coordinated by Eurosif (NFR)
- Eurosif response to IIRC consultation
- Eurosif publishes its response to the Green Paper on LT investment
NON FINANCIAL REPORTING (NFR)

What is at stake?

- This recently published piece of proposed EU legislation consists of an amendment to the Accounting Directives\(^1\) whereby more explicit references to non-financial reporting are made to mandate European companies to report on these aspects.
- This is an opportunity to increase the number of companies reporting on non-financial aspects as well as an opportunity to enhance the quality and relevance of reporting in order to make it more relevant to European SRI investors’ and analysts’ needs.

Who are the key stakeholders?

- The European Commission – Directorate General Internal Market and Services, Unit Financial Reporting;
- The European Parliament – Most likely the ECON Committee (Economic Affairs);
- Civil Society: Eurosif has been partnering tactically on this dossier with a European NGO platform, European Coalition for Corporate Justice (ECCJ), which is very active in the NFR area; other organizations like Finance Watch are not very active in the field.
- Aviva has been spear-heading a global coalition on NFR in the backdrop of Rio+20 last year. The coalition is continuing its lobbying work post Rio, which includes EU policy work. Eurosif is supporting the coalition’s work, and keeping close ties with Aviva.
- A number of organizations active in the field of NFR are doing some level of policy work around the EC proposal. The GRI have been most active in that field and to a lesser extent the IIRC. Eurosif are in contact with both organisations and has made reference to their work in several of its position papers. Eurosif has, however never formally endorsed the work of either organizations but will explore the feasibility and viability of closer cooperation with them in the future. Feedback from Member Affiliates on this is welcomed.

Timeline (expected)

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<tr>
<th>Time</th>
<th>Event Description</th>
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<tr>
<td>Mid Oct.</td>
<td>EP Rapporteur publishes his draft report (MEP Baldassare, Juri)</td>
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<td>Nov. 2013</td>
<td>Discussions in JURI Committee about amendments</td>
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<td>December</td>
<td>Vote in JURI Committee</td>
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<td>January/Feb. 2014</td>
<td>Vote in Plenary?</td>
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<td>April 2014 (latest)</td>
<td>Adoption</td>
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Snapshot update

On April 16, DG MARKT published a legislative proposal to amend the Accounting Directives on the disclosure of non-financial information by European companies. Eurosif has been actively advocating on this topic for many years and is pleased to see that some of its demands have been reflected in the proposal.

\(^1\) Directives 78/660/EEC and 83/349/EEC
Eurosif is strongly supporting the adoption of the text without any weakening even if some aspects of the proposed legislation can be improved.

To this end, Eurosif is working with selected national SIFs and with Brussels stakeholders to encourage policy-makers to further progress the proposal as it stands today.

In its May 23rd conclusions, the Council asked that “the proposal amending the Directives on disclosure of non-financial and diversity information by large companies and groups will be examined notably with a view to ensuring country-by-country reporting by large companies and groups”.

The Commission is currently assessing how to incorporate this into the current proposal which has already gone to the co-legislators. We have heard that an amendment on country-by-country (public) tax reporting has been made already and that there is a hot debate around it.

Eurosif position on the topic, regardless at this stage of the importance of CBCR per se, is that it should not jeopardise the progress of the existing proposal which is already generating enough debate and follows a tight timeline. In addition, in June 2013, MEPs approved, in two separate votes, a package of two proposals imposing on large extractive (and logging) companies new obligations to provide details of payments to governments and reducing EU accounting red tape for smaller EU firms.

See below for further details on Eurosif recent activities on this topic.

**Eurosif latest actions:**

**Eurosif position on the recently published proposal about non-financial reporting**

On May 27th, Eurosif published its official reaction to the EC proposal. Eurosif strongly supports European Commission legislative proposal, both in terms of disclosure of non-financial information and of diversity policy.

While some aspects of the proposal can be improved, our view is that the proposal serves as an appropriate baseline for improved ESG transparency and reporting to investors and other stakeholders, while avoiding imposing overtly costly requirements on companies, especially small and medium size companies. The legislation will help investors by making more relevant information available from a larger number of companies.

That said, Eurosif sees the need for further discussion or clarification around at least the following matters:

- **Meaningful narrative (explanations) is essential:** The proposal mandates non-financial disclosure around a number of themes, however if a company does not report against one or several of these themes, it shall provide an explanation (comply or explain). Eurosif is supportive of this approach to the extent that the explanations provided are informative, and would recommend that the Commission provides additional guidance around the nature of narratives provided.
- **Comparability of information across companies is imperative:** Eurosif prefers seeing references to international frameworks, as EU-wide or national frameworks can impede comparability across companies.
- **KPIs play a key role in understanding a company's non-financial performance:** Eurosif regrets that Key Performance Indicators are not mandatory, as these are very important
to investors. We would therefore suggest making the provision of KPIs mandatory while leaving companies, at least in the beginning, sufficient flexibility to select KPIs.

- Clarity around accountability mechanisms should be sought: The role of third-party assurance of information, for example by auditors, should be clarified in the legislation.

Financial Reporting Council invites Eurosif to speak at Brussels conference: "Enhancing trust in European companies, improving investor confidence and facilitating long-term shareholder engagement – the role of high quality corporate governance and financial reporting”

On April 22, the FRC invited Eurosif’s Executive Director, Francois Passant, to participate in a panel on how high quality corporate governance and financial reporting can help build trust in European companies and better address investor concerns in order to foster long-term investment and enhance shareholder engagement in Europe. Steven Maijoor, Chair of the European Securities and Markets Authority (ESMA) and Ugo Bassi, Director of Directorate F – Capital and Companies, DG MARKT, participated to this event focusing on recent and forthcoming EU initiatives and developments in the field of corporate governance, accounting and audit.

Francois Passant delivered a short speech on how structural changes in the investment industry have impacted the relationship that investors maintain with investee companies to provide context to the European Commission's action plan on corporate governance. One of the key points made by Eurosif was that Asset Owners have a primary responsibility in sending the right signal as they sit at the top of the investment food chain. Eurosif therefore publicly welcomed the recent Commission's initiatives to foster engaged investors as a way to build longer term shareholder-corporate relationships and build more "sustainable European companies”.

The event was followed by a dinner with members of the FRC Board and several MEPs.

See here for formal transcript of the speech: here.
**Eurosif speaks on integrated reporting at GRI Conference**

On May 23rd, Eurosif’s ED participated to a panel discussion in Amsterdam at the annual GRI Conference about integrated reporting. In this plenary session Francois Passant explained why non-financial information matters more and more to sustainable, responsible and mainstream investors and why the concept of integrated reporting presents an appealing value proposition.

**Meeting with Lithuanian REPER**

On May 27th Eurosif met with Audrius Linartas, Director of the Lithuanian Audit and Accounting Authority. Mr. Linartas is part of the team responsible for handling the legislative proposal on non-financial reporting during the Lithuanian Presidency of the Council from July to December 2013. Eurosif presented its position on the Commission proposal, and discussed other initiatives including corporate governance, accounting, long-term investing and CSR. While non-financial reporting is not a top priority for the Lithuanian Presidency, they are generally supportive of the Commission’s proposal, and welcomed the opportunity to receive input from Eurosif on the matter. Eurosif will continue to be in contact with the Lithuanian Presidency concerning this and other legislative developments.

**Eurosif asked for comments at CSR Europe Conference on non-financial reporting**

On May 28th, Eurosif was invited to speak up at this event organized by CSR Europe, a pan-European business-led organization promoting best CSR practices. The conference gathered representatives from the Commission, the European Parliament as well as various stakeholders (business, trade-unions, NGOs, governments). Eurosif’s ED had the opportunity to voice Eurosif’s support to the current legislative proposal.

**Joint ACCA-AVIVA-EUROSIF Policy Event on Non-Financial Reporting (new date)**

On 4 June 2013, MEPs Richard Howitt and Raffaele Baldassarre co-hosted a high level multi-stakeholder roundtable called “Non-financial information disclosure: towards a more sustainable and comparable corporate reporting regime?” at the European Parliament in Brussels. At this event jointly organised by Eurosif, Aviva and ACCA (the Association of Chartered Certified Accountants), a distinguished line-up of experts, including representatives from the European Commission and of Commissioner Barnier’s Cabinet, from the forthcoming Lithuanian Presidency, the French government, businesses, investors, accountants and NGOs, exchanged views on the potential impact of the newly published Directive for companies and their stakeholders, and discussed the way forward for corporate reporting.

The main conclusions indicate that the world is changing and corporate reporting must change too. Transparency, consistency and comparability of non-financial and diversity information are crucial to restore the trust of investors and stakeholders in large companies, but materiality is key to avoid creating new burden and help improving management.

You will find the full report attached. It is also available [here](#).
Overall, this event has been a huge success with 150 attendees from various backgrounds, including a couple of member affiliates, trade association, civil society representatives and lobbying firms.

**Joint ACCA- EUROSIF Survey on Investors expectations about Non-Financial Reporting**

During the event the findings of a new joint ACCA-Eurosif study on “Non-financial reporting: what investors expect from public policy reforms” were presented – see the full report [here](#).

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**Joint Press Release coordinated by Eurosif to support NFR proposal**

Eurosif took the initiative to coordinate an ad-hoc coalition of investor and asset owner led platforms to publicly express support to the Commission’s proposal.

The platforms which participated to this exercise included Eumedion, CDP, CDSB, EFFAS, UNEP-FI, ICGN and IIGCC.

On June 19th, Eurosif and its partners jointly published a press release to “strongly support the European Commission proposal published on April 16th mandating large European companies to report material non-financial information and their diversity policy in their annual reports. While some aspects of the proposed legislation can be strengthened, the legislation must not be weakened by the co-legislators”.

The press release was picked up by several media. See for instance [here](#).
Eurosif attends GLOBE EU event at the European Parliament

On June 26, Eurosif attended a Globe EU – UNEPFI event on the materiality of ESG factors. The event was hosted by Sirpa Pietikäinen at the European Parliament. GLOBE EU is the cross-party group of European Parliament (EP) legislators acting as the ‘EP chapter’ of GLOBE International. Arian de Dominicis from DG ENV and Didier Millerot, Head of Unit at DG MARKT (in charge of NFR) participated in the roundtable. Eurosif was not part of the panel but had the opportunity to once again highlight the need to create a consistent playing field by now requiring Asset Owners to disclose whether they have an ESG policy or not, and if yes, its content. This was strongly supported by other participants including representatives from the French Ministry of Ecology and of UNEP-FI.

Eurosif responds to IIRC consultation

On July 15th, Eurosif provided its response to the IIRC consultation based on collaborative work with Member Affiliates. Eurosif broadly supports the proposed framework and the concept of capitals but has expressed a few concerns and remarks.

- <IR> should not be seen as a standalone complement to existing information or report. It should ultimately be the standard for corporate annual reports. It is vital that the framework sets the bar at that level to provide sufficient incentives for companies even if Eurosif recognises the need for interim steps;
- The role of quantitative performance indicators should be stressed more prominently throughout the framework. While robust narratives are essential, KPIs and other quantitative indicators are of paramount importance to providers of financial capital, the primary users of these reports;
- Finally, assurance is important but complex in that matter. It should be sought as ultimately non-financial information and financial information should be subject to the same regime but innovative assurance approaches could be promoted by IIRC.

The full response is available on our website.

Informal meeting with N. Bernier-Abad

On July 9th, Eurosif met with Nicolas Bernier Abad, Policy Officer, European Commission, to discuss progress on the non-financial reporting proposal. In short, the proposal faces two main challenges. The first is the calendar as it must be adopted before the end of March 2014 (EP elections). The second is linked to discussions around the monitoring and control of the non-financial reporting regime. Diversity should not be a showstopper as both the Netherlands and Sweden (the two MS opposes the introduction of diversity provisions in the proposal) are supportive of the proposal. Country-by-country reporting remains an open question as it is explicitly linked by the EU Council to non-financial reporting (conclusions of May 22nd).

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2 GLOBE International was originally founded in 1989 by legislators from the US Congress, European Parliament, Japanese Diet and the Russian State Duma with the mission to respond to urgent environmental challenges through the development and advancement of legislation. Today GLOBE chapters have been established in the parliaments of most G20 countries and EU Member States.
Meeting with MEP Assistant Marzena Rembowski

On July 11th, Eurosif met with Marzena Rembowski, Assistant to MEP Rebecca Taylor (ALDE party, Member of JURI Committee). Mrs. Taylor has been an active and supportive MEP in the non-financial reporting file. The meeting was an opportunity to introduce Eurosif and its position with regards to the Commission proposal. It was mentioned that the IMA was lobbying against the proposal and that therefore the voice of investors was not necessarily homogenous. Eurosif was asked to suggest amendments to the current proposal. Mrs. Taylor is supportive of the proposal but has some concerns:

- Inconsistency of thresholds for company NF reporting vs. diversity reporting vs. other accounting requirements;
- Considering adding more wording around the quality of explanations in the comply or explain context;
- Would like to add requirements for non-listed companies, in particular for diversity disclosure which is seen as very important;
- Considers adding a specific mention around supply chains but not clear on what at this stage (would regard the duty for due diligence, guidelines could be drafted by the industry as in Denmark)
- Questions around auditing and monitoring are seen as important but not clear at this stage on what should be done in a practical way.

Select resources:

- EESC Opinion on non financial disclosure (Rapporteur: Pichenot) http://www.eesc.europa.eu/?i=portal.en.int-opinions.28186
Country-by-country reporting update

Accounting Directive

The new Accounting Directive, repealing the Fourth and Seventh Accounting Directives on Annual and Consolidated Accounts (78/660/EEC and 83/349/EEC) introduces a new obligation for large extractive and logging companies to report the payments they make to governments (the so called country by country reporting-CBCR). Reporting would also be carried out on a project basis, where payments have been attributed to specific projects. The Accounting Directive regulates the information provided in the financial statements of all limited liability companies which are registered in the European Economic Area (EEA).

In order to ensure a level playing field between companies, the same disclosure requirement has been incorporated in the proposal to revise the Transparency Directive (2004/109/EC). This includes all companies which are listed on EU regulated markets even if they are not registered in the EEA and incorporated in a third country.

The new disclosure requirement will improve the transparency of payments made to governments all over the world by the extractive and logging industries. Such disclosure will provide civil society in resource-rich countries with the information needed to hold governments to account for any income made through the exploitation of natural resources, and also to promote the adoption of the Extractive Industries Transparency Initiative (EITI) in these same countries. The information disclosed on payments to governments will be publicly available to all stakeholders either through the stock market information repository or the business registry in the country of incorporation (in the same way as financial statements are made available).

CRD IV

In March 2013 the EU institutions reached agreement on the CRD IV/CRR Package (see MEMO/13/272). In this context, it was agreed to introduce limited country by country reporting requirements for institutions regulated under the Capital Requirements Directive (CRD IV).

These disclosure requirements are, in a first stage, limited to the names, the number of employees and the turnover in each country of operation. Unless significant negative effects are identified and the disclosure obligations are deferred by delegated act, they will also extend to other information, such as profit or loss before tax, tax on profits or loss, and public subsidies received.

The scope of application of the CBCR requirement agreed under the Accounting Directive is, in contrast, limited to the extractive and logging industries and does not cover institutions regulated under CRD IV.

More information here:
http://ec.europa.eu/internal_market/accounting/country-reporting/index_en.htm
ESG DISCLOSURE AND INVESTORS

What is at stake?

- This is a key policy focus for Eurosif in 2013. Thanks in part to Eurosif’s actions over the past years, ESG disclosure by investors and asset owners is becoming an emerging theme for European policy-makers and has been referenced in a number of recent EC papers (e.g. Long Term Investment Green Paper).
- Eurosif position is to push for more disclosure around ESG in particular to understand whether and how asset managers and asset owners incorporate ESG concerns into their investment policy.
- There are currently a few significant opportunities to push for a greater degree of ESG disclosure in both the retail and the institutional market. A greater degree of disclosure could potentially lead to a change in market practices and behaviour over time, thus fostering a greater adoption of SRI practices and a larger market for SRI. The European SRI Transparency Code, developed by Eurosif, forms part of this broad advocacy work around ESG disclosure.

Who are the key stakeholders?

- The European Commission – Directorate General Internal Market and Services, Unit Asset Management for product level disclosure.
- The European Commission – Directorate General Enterprise and Industry, Unit CSR for a link with the EC’s overall CSR policy.
- The European Commission – Directorate General Environment for a link with sustainable growth and how to fund it.
- The European Parliament in particular the ECON Committee (Economic Affairs)
- EFAMA: As the association representing the broad asset management community, EFAMA is taking a position on ESG disclosure by asset managers and at product level (KID proposal, see below), Eurosif had several contacts with EFAMA in order to push for recognition of its European SRI Transparency Code by them.
- Pensions Europe is the representative body of the European pension fund community. Eurosif has requested a meeting with them to understand where they sit with regards to ESG disclosure. This however might not be a priority for them due to other more pressing challenges such as Solvency II or MIFID.
- Civil society: the NGO community has not been very active on this front. Eurosif participated in a Steering Committee of the European Coalition for Corporate Justice (ECCJ) platform, a group of 160 European NGOs but there is little interest and recognition of the importance of that topic for this group. A meeting with Finance Watch is set up for mid April 2013 to investigate potential joint work on this subject.

Snapshot update on Key Information Document (product-level ESG disclosure):

On July 3rd 2012, the European Commission issued a legislative 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 PRIIPs). The proposal can be found here and Eurosif position here. Proposal is now with the European Parliament’s Economic and Monetary Affairs Committee (ECON). MEP Pervenche Berès has been appointed as the Rapporteur. The committee vote on the proposal is scheduled for May 27.
Eurosif has started to contact select MEPs (Rapporteur and Shadow Rapporteurs) before the upcoming EP vote on the proposal in order to secure their support.

**ESG Disclosure by investors and Asset Owners:**

Eurosif is leveraging any opportunity to talk to relevant EU policy-makers to encourage them to develop some legislation around ESG disclosure by Asset Owners. In the context of Member States seeking ways to attract private capital to fund long-term sustainability-linked projects, it is Eurosif belief that ESG disclosure can play an important role and should be encouraged.

As an example, Eurosif recently attended in a Globe EU event at the European Parliament and pressed for policy measures around the disclosure of ESG policies by Asset Owners. See below for more details on this.

**Eurosif latest actions:**

**Eurosif sends letter to all MEPs member of ECON Committee**

On May 27th, Eurosif wrote a letter to all 8 MEPs member of the ECON Committee (incl. S. Bowles, S. Giegold, P. Beres, K. Syed, S. Pietikäinen) and their assistants supporting the proposal of the Commission for ESG Disclosure in the KID. The letter also expressed some concerns and made some recommendations for amendments. Extracts:

*Eurosif is broadly supportive of the text proposed by the Commission. However, Eurosif would like to draw your attention to two potential points for discussion:*

1) *The disclosure of ESG information in the KID should only be at investment-product level, not at company level. Eurosif supports the disclosure of ESG issues by asset managers in respect of his conduct of business, but the KID is not the appropriate vehicle for such disclosure.*

2) *The disclosure should describe ESG criteria and objectives used in the product, not be limited to indicating outcomes being sought, as ESG risk affects all investments. The proposed legislation may fail in its objectives to increase transparency and build investor confidence if it is limited to investment product manufacturers targeting specific environmental, social or governance outcomes. Focusing on outcomes sought may implicitly restrict the transparency obligation to a small subset of products that target environmental and social change through investment. Therefore, in order to increase transparency for investors across all investment products covered by the legislation, not just those that target ESG outcomes or those that are specifically sold as SRI investments.*

**Meeting with Sirpa Pietikainen, MEP**

On May 15th, Eurosif met Sirpa Pietikainen, EPP MEP to discuss ESG Disclosure in the Key Information Document. Eurosif introduced an amendment we’d like to see in the text based on Ms. Pietikainen’s own amendment. Eurosif also made the case for the European SRI Transparency Code and the need to consider it in Level II legislation (soft regulation). Eurosif also highlighted the fact that the disclosure requirement should be applied to ALL products not only SRI ones. The MEP seemed quite receptive to all these proposals.
Proposal on Key Information Document
Proposed amendments

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<th>Text Proposed by the Commission</th>
<th>Revised Text Proposed by Eurosif</th>
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<td>Article 8 – paragraph 2 (b)</td>
<td>Article 8 – paragraph 2 (b)</td>
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<td>(iii) an indication of whether the investment product manufacturer targets specific environmental, social or governance outcomes, either in respect of his conduct of business or in respect of the investment product, and if so, an indication of the outcomes being sought and how these are to be achieved;</td>
<td>(iii) a description of specific environmental, social or governance criteria or objectives taken into account in the asset selection strategy and management of assets;</td>
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- Asset selection (how the portfolio is built by selecting securities in a given universe) is more appropriate than asset allocation (general term making reference to an investor allocation its assets across various asset classes, eg. equities, bonds)
- Requesting a quantitative measure of impacts is appropriate for certain niche strategies (“impact investing”, EUSEFs) however, the ESG disclosure should be applied more broadly. The proposed amendment refers to criteria or objectives, allowing for information from a broader scope of investment managers who do not only target specific outcomes but also use ESG strategies as a tool to optimise the risk/return profile of the investment and invest through secondary liquid markets.

Eurosif attends GLOBE EU event at the European Parliament

See section on NFR above for more details. This was followed by an informal exchange with Didier Millerot, Head of Unit Accounting & Financial Reporting at the European Commission who seemed quite interested by the idea of having a level playing field between corporates and investors in terms of ESG disclosure.

Select resources:

- Speeches by Commissioner Potočnik: “Environment or Economy: Can we have both?” to be found here.
- Draft opinion on the proposal for a regulation of the European Parliament and of the Council on key information documents for investment products by Pier Antonio Panzeri - more information is to be found here
- ECON Amendments 26 - 151 - Draft opinion - on the proposal for a regulation of the European Parliament and of the Council on key information documents for investment products - more information is to be found here

LONG-TERM INVESTMENT AND SUSTAINABLE GROWTH

What is at stake?

In the recent months, Eurosif has focused on building a stronger political case for SRI / ESG investing. Part of the work consists 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. This is an opportunity to make the benefits of SRI and ESG investing more visible to policy-makers and therefore potentially secure their support to grow the market longer term.

Another work stream regards the potential creation of pooled investment products specifically designed and labelled as long term investment products. Eurosif's position is that any such product, should such a label be created, should incorporate ESG factors in its investment policy since these have a long-term effect on portfolio risk and return and that appropriate ESG disclosure should be implemented.

Who are the key stakeholders?

- The European Commission – Cabinet of Commissioner Michel Barnier, Directorate General Internal Market and Services. The Cabinet has coordinated the production of the Green Paper on LT investment across the various DGs.
- The European Commission – Directorate General Internal Market and Services, Unit Asset Management. This Unit is responsible for UCITS Directives and is working on the concept of specific pooled investment vehicles, similar to UCITS funds (or a subset of) that would specifically be labelled as long term investment vehicles.
- The European Commission – Directorate General Environment. DG ENV is working on ways to attract private capital to fund long term, resource-efficient projects. See summary of DG ENV Finance Roundtable in the previous section of this newsletter. They are not in the leading seat for this dossier but can be influencers in many ways for future legislation.
- The European Parliament – Most likely the ECON Committee (Economic Affairs)
- Civil Society: Finance Watch has been very active in the field of long term investment, however with a specific angle (reconciling finance with the “real economy”). Discussions will take place with them in the course of April to understand their position and the potential for joint work.

European Commission Green Paper on the long-term financing of the European economy:

On March 25th, 2013 the European Commission (EC) launched the long-awaited Green Paper and public consultation on how to foster the supply of long-term financing and how to improve and diversify the system of financial intermediation for long-term investment in Europe. This Green Paper is accompanied by a Commission Staff Working Paper, setting out the underpinning analysis in more detail. The Commission invites interested parties (bodies or individuals) to participate in a consultation process and debate on the basis of the proposals they put forward. The deadline for responses is June 25, 2013.

The consultation covers a range of topics, but of particular interest to investors is:

- The supply, characteristics and definition of long-term investing;
- The capacity of institutional investors to provide long-term finance;
- Prudential rules for insurers and pension funds;
- The role of mandates and incentives given to asset managers;
- The notion of fiduciary duty;
- Improving integration of financial and non-financial reporting.

Eurosif welcomes the publication of the Green Paper on the long-term financing of the European economy and the consultation, and looks forward to the debate on how best to support sustainable long-term financing of the European economy. Eurosif will develop a response to the paper in consultation with national SIFs and the Lobby Advisory Group.
Eurosif recent action:

**Eurosif publishes its response to the Green Paper on LT investment**

On June 26th 2013, in response to the Green Paper on LT investment, Eurosif contends that:

i. The long-term financing of the European economy cannot be decoupled from the environmental and social challenges facing Europe and the world. Policy initiatives supporting long-term investment must therefore be aligned with Europe 2020 objectives for smart, sustainable and inclusive growth. Additional longer-term considerations are also tied to long-term investment strategies, including the climate and energy strategy to 2030 and the roadmap for moving to a low-carbon economy in 2050.

ii. The long-term investing covered in this Green Paper is important, but does not encompass all facets of the debate. Eurosif argues that, by initiating this debate on long-term financing, the Commission has the opportunity to address and reassess the core objectives and functioning of financial markets, in order to again place Europe at the forefront of sustainability in all aspects of society including finance.

Eurosif is therefore urging the Commission to address at least two additional areas of importance in the scope of long-term investing, as these areas are not adequately covered by the Green Paper:

- How can investment in long-term productive capital be better aligned with Europe’s social and environmental ambitions?
- How can investors and financial intermediaries be encouraged (and allowed) to adopt investment horizons that are more closely matched to those of their long-term beneficiaries?

The full response is available [here](http://ec.europa.eu/internal_market/finances/financing-growth/long-term/index_en.htm).

Select resources:

- Summary page of long-term financing (EC):

- In June 26th 2013 the European Commission published a proposal for Long Term Investment Funds.

**CORPORATE GOVERNANCE AND SHAREHOLDER RIGHTS**

**What is at stake?**

On December 12, 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. This plan offers multiple opportunities for the SRI community to push its agenda, in particular around engagement and transparency.

Who are the key stakeholders?
- The European Commission – Directorate General Internal Market and Services, Unit Corporate Governance
- The European Parliament – Committee on Legal Affairs (JURI)
- Civil Society: a number of organizations representing the civil society are engaged with this topic. These range from trade unions (ETUC for instance) to organizations like FairPensions (renamed ShareAction), Finance Watch and EUroFinUse and think tanks (Tomorrow’s Company).
- EFAMA: European Fund and Asset Management Association.
- Business organizations (e.g. Business Europe).

Eurosif latest actions:
In informal meeting with European Commission
On July 8th, Eurosif met with Ward Mohlmann, Policy Officer, in the Unit Corporate Governance and Shareholder Rights to discuss progress on the action plan. The Commission has finalized its impact assessment in June. It has gone to the Impact Assessment Board early July. During the meeting, Eurosif pushed for EC legislation around ESG disclosure with Asset Owners and Asset Managers.

Select resources:
OTHER EU DEVELOPMENTS OF INTEREST

May 23rd - EP final report on Fight against Tax Fraud, Tax Evasion and Tax Havens:

The European Parliament’s Economic and Monetary Affairs (ECON) Committee has published the final report on “The fight against Tax Fraud, Tax Evasion and Tax Havens”. The vote on the draft report in ECON took place on April 24th, 2013 and resulted in 29 votes for, one against the resolution on fight against Tax Fraud, Tax Evasion and Tax Havens and two abstained from voting.

- See the voting results of the ECOM and the final report on Fight against Tax Fraud, Tax Evasion and Tax Havens [here](#).

Gender EP Draft Report

On June 21st the EU published a proposal for a directive of the European Parliament and of the Council on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures. Preceding recommendations are adopted in the member countries very slowly and the improvement has been unequal. Out of that reason the EU legislator decided on binding measures on Article 157(3) TFEU aimed at ensuring the application of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation. The co-rapporteurs proposal focuses mainly on:

- Extension of the scope
- Binding procedure
- Increased transparency in the nomination/election procedure of non-executive board members
- Balanced Representation
- Failure to comply
- Sanctions
- Enhancing the directive’s information and efficiency

Find the Draft Proposal [here](#).

Amendments:

On Tuesday 17th September there is a vote at ECON committee on the Gender EP Draft Report; (Rapporteur: Olle Schmidt)


Roadmap 2030 framework for climate and energy policies – DG CLIMA:

Glossary:

BEUC – The European Consumers’ Organisation
CEPS – the Centre for European Policy Studies
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
ECCJ – European Coalition for Corporate Justice
ECON – Economic Affairs Committee of the European Parliament
EC – European Commission
EFAMA – European Fund and Asset Management Association
EP – European Parliament
ESMA – European Securities Market Authority
ETUC – European Trade Union Confederation
EuSEF – European Social Entrepreneurship Fund
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 (e.g. legislative Proposal published by the Commission).
Shadow Rapporteur – Member of the European Parliament who monitors a dossier for political groups other than that of the Rapporteur