In our last EU Insider, we expressed the desire to increase our visibility and credibility with the DG Internal Market, which is in charge of Corporate Governance issues at the European Commission. On Friday April 1st 2005, we met with Florence Francois-Poncet, who is an administrator at DG Market's unit on company law, corporate governance and financial crime. She is also in charge of issues related to shareholders' rights.

This fruitful meeting has provided Eurosif with a personal contact within the DG Market and opened the door to future high-level meetings. It has also given Eurosif the opportunity to learn about the status of two key initiatives that we have been monitoring:
- the Corporate Governance Annual Statement;
- the Consultation on Shareholder rights.

Below you may read about the progress of our work with these projects.

**Corporate Governance Annual Statement**

In the fall of 2004 Eurosif provided input for the Corporate Governance Annual Statement project, which is stated in the 4th and 7th Accounting Directives.

The following wording is included in the final proposition by the Commission:

"Furthermore, where relevant, companies may also provide an analysis of environmental and social aspects necessary for an understanding of the company's development, performance and position."

This is an important first step towards political recognition of CG/SEE risk in the EU. The legislative process is not over and we now need to ensure that this wording remains included throughout upcoming proceedings at the European Parliament (EP).

Parliament has assigned the Legal Affairs Committee to push this effort forward. During the meeting of the Legal Affairs Committee in January 2005, Klaus-Heiner Lehne (German, EPP) was appointed as rapporteur. The rapporteur will present a first draft of his report on April 21st 2005 during the meeting of the Committee. The rapporteur will further propose a schedule complete with next steps of the legislative process in the EP. We have strong indications that, from the available options, the rapporteur will propose a “fast-track approach” on this measure. This will allow European institutions (i.e. the Council, the Parliament) to review the text simultaneously, as opposed to one after another, thus speeding up the legislative process.

The difficulty of monitoring this approach is that it makes discussions less transparent than separate reviews – where all results would be published. But we still have a number of cards to play, including:
- writing a letter of support to Klaus-Heiner Lehne via the civil servant who is in charge of the 'draft report'. This letter will be sent before the actual draft report is presented in the Legal Affairs Committee in order to 'influence' the report in its drafting stage,
- meeting with Klaus-Heiner Lehne as well as with other MEPs in order to show our support,
- making sure that we are informed of the state of discussions.

Eurosif members will of course be informed of the progress of these actions as well as of the outcome of the legislative process.

**2nd consultation on Shareholders' rights**

As a significant part of its Corporate Governance Action Plan, the EC has wanted to tackle improved shareholder rights within the EU. A first stakeholder consultation by the DG Market took place this winter. A consultation document entitled "Fostering an appropriate Regime for Shareholders' Rights" was meant to be the first step towards drafting a proposal for the Directive.

1 Klaus-Heiner Lehne is one of the most senior members of the Legal Affairs committee; he has been in charge of the report on the 'Take over directive', probably the most prestigious and controversial report that has been treated by the EP in the 1999-2004 term.
In meeting with the DG Market, Eurosif was given insight into the results of the winter 2004 consultation, and learned that a 2nd consultation for spring 2005 was about to take place.

The results from the winter 2004 consultation include: a high degree of response from stakeholders across the board, investors, companies and financial service providers alike. All agree that the EU is the right place to lead a legislative effort on shareholder rights, thus endorsing the idea of harmonisation. Submissions noted that the main issues faced by investors revolve around share-blocking, deadlines and organisation of the AGM. These might not always reflect the nature of national legislations but rather, the practices adopted by market participants. With regards to electronic voting, submissions indicated that obstacles should be removed, though the practice should not be imposed. This issue was more sensitive with “index” companies, whose shareowners are by virtue more diverse and sensitive, than other listed companies.

The consultation also makes it clear that the issue of privileged shares is particularly problematic due to the variety of cultures and practices in Europe. The DG Market has decided to devote particular resources to studying this issue, while delaying legislation for now.

On all other points though, the DG’s feeling is that a “plumber’s approach”, in other words a set of a few simple and practical rules, could be very helpful. This mindset is the basis for the upcoming 2nd consultation, which will be more precise in its detail and where the Commission will set the stage for the Directive.

Eurosif plans to formulate an answer to the 2nd consultation in order to ensure that the concerns of our multi-stakeholder membership are voiced at the level of the Commission.

We will craft an answer after initially consulting with a limited group of members. This we shall then submit to the broader membership before sending it to the DG Market. The timeline for this has not been formalised, since the consultation is not yet official. Eurosif will keep its membership informed.

Other DG Market projects

Two other items on the implementation agenda of the Corporate Governance Action Plan will be of interest to readers and will be the object of Eurosif scrutiny in the near future:

In 2006-08, the DG plan announced a legislative approach (Directive) to Enhanced disclosure by institutional investors of their investment and voting policies. On this matter we were informed that work by DG Market has yet to start. We will keep our eyes open. In the meantime, we have succeeded in putting the issue on the agenda of the ‘European Parliamentary Pension Forum’ that is likely to discuss this issue at the end of 2005/early 2006. Eurosif remains a member of this important channel of communication with MEP’s on pension and investment issues.

Another item on the 2006-08 agenda is an "Examination of the consequences of an approach aiming at achieving a full shareholder democracy (one share / one vote), at least for listed companies".

For the 2006 to 2008 time period, it is anticipated that the DG Market actions will seek non-legislative means to bring about market change. Deminor recently published a study of practices in Europe which provides for excellent reading.

Conclusion

In the last six months, Eurosif has been able to significantly strengthen its network and connections in Brussels. We are steadily increasing our ability to monitor the action and decision processes from the Commission through to Parliamentary proceedings.

Our strategy will be to systematically present the view of our membership and weigh in where an opportunity is given, for example by meeting with, or writing letters to, decision-makers throughout the legislative process.

The Insider will remain the space of choice to read about future steps.

\(^2\)The consultation results are now available at http://europa.eu.int/comm/internal_market/company/docs/shareholders/consultation-synthesis_en.pdf