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**Draft directive on shareholder rights: Parliament still pondering**

**Project**

Following our involvement in the two preparatory public consultations last year, Eurosif is glad to report on the evolution of the Draft directive on shareholders’ rights.

The European Commission proposes five measures in its draft directive, in order to facilitate and increase shareholder participation in general meetings in a cross-border context, which in turn would increase the company's accountability to its owners and promote the Single Market:

a) Ensure that general meetings are convened sufficiently in advance;
b) Replace all forms of share blocking by a record date system;
c) Remove all legal obstacles to electronic participation in general meetings;
d) Give shareholders the right to ask questions orally and in writing (including electronic means) at and ahead of a general meeting;
e) Offer non-resident shareholders the possibility to vote by proxy, post or electronic means.

With strong opposition from the corporate side, the Draft Directive on Shareholders Rights may not make it through Parliament intact. However, the Council of Ministers, which is also assessing the proposal, may be more supportive of it and the Parliament would have to take its opinion into account.

**Lobbying**

As part of the lobbying effort on this initiative, Eurosif contacted and/or met with some of the key Members of Parliament and Committee Rapporteurs. This includes Peter Skinner, Michel Rocard (Shadow Rapporteur, JURI), (Klaus-Heiner Lehne, Rapporteur ECON), Mr Hökmark (Shadow Rapporteur, ECON) and Wolf Klinz (Rapporteur, JURI).

Our message to all parties, in written and verbally, has been the following:

"For the last five years, Eurosif has been encouraging leaders, investors, legislators and fund managers to address sustainability through financial markets (often known as SRI). Indeed, there is growing evidence that the way corporations address Environmental, Social and Corporate Governance issues has a potentially significant impact on their ability to perform in the long term. Sustainability is thus not merely a political issue, it is a business challenge as well. In this context, the ability to make use of voting rights is essential for investors wishing to encourage companies to take on those long term challenges."

Among reactions, M. Rocard said he was supportive of initiatives that could reward stable, long term shareholders. M. Skinner was also for providing supportive legislation for long term shareholders, although he also noted that many of them fail to be responsible owners when given a chance, in their own countries for example.
Parliamentary proceedings

Progress on the draft directive has been slow in the European Parliament after the rapporteurs in ECON and JURI took long time drafting their reports. In ECON more that 150 amendments have been tabled while about 100 amendments have been presented in JURI.


Two issues stand out from Klinz’ opinion:

1. Member States should not be obliged to allow for written questions ahead of the meeting. Moreover, companies should only respond to the questions orally on the day of the meeting and shall not be obliged to publish the answers on their website.

2. The rapporteur supports the principle that there should be no restriction as to the person who can be granted a proxy. However, to avoid conflicts of interest, Member States shall have the possibility to choose the appropriate measures to restrict the rights of proxy holders.

Next steps

The vote in ECON took place on October 3, but JURI still has to vote on the report. A vote in plenary is nevertheless expected before the end of 2006.

Important to know is that the so called ‘enhanced cooperation’ procedure under Rule 47 of the Rules of Procedure applies, which means that the amendments of both committees will be brought to vote in the plenary.

Eurosif will keep its members informed of the outcomes of the process.
European Parliament reviews Commission’s CSR Communication

The EP’s Committee on Employment and Social Offers recently released a Working Document on Social Responsibility: implementing the partnership for growth and jobs (Rapporteur, Richard Howitt). The Committee aims to bring the CSR discussion back to the table, following a few months of silence after the Commission released its communication (COM).


In short, the Committee questions how much the Commission has moved with the COM. It notes the COM’s innovations (tying CSR to the Strategy for growth and Jobs; support for the European Alliance for CSR), but also its repetition of goals from the Commission’s Green and White Papers on CSR, ranging from raising awareness to exchanging best practice, to supporting OECD guidelines. The Committee notes the lack of concrete proposals and wonders how far past commitments have already been implemented.

It also notes that none of the Parliament’s past proposals were included in the COM. These included for example: blacklisting to prevent the tendering for public contracts by EU companies responsible for bribery, introducing a corporate lobbyist public registration system, producing a proposal on social labeling, etc.

The Committee is sceptical and wonders if the Commission has or will meet any of its commitments to CSR, and what means are left to separate genuine CSR oriented companies from those who do it as a pure PR exercise. The committee also questions how far links can be made between competitiveness and CSR, as when short term financial goals are faced with long term CSR Policies.

The Committee finds that the commission has lost ground and leadership with regards to public initiatives such as Global Compact, GRI, OECD guidelines for multinational enterprises.

The Committee wants more focus on outcomes as opposed to processes. It actually quotes the WWF report on CO2 profiles in SRI funds as evidence that the focus on processes is insufficient with regards to bringing tangible results.

The Committee concludes that mistrust and excessive caution have not helped the advancement of the CSR debate at EU level. It calls on participants to be constructive in future EU level debates on the subject.

These ideas will certainly be discussed at an upcoming EU review meeting of the CSR multistakeholder forum which will take place on December 7th 2006. Indeed, the Commission is following up on the multistakeholder forum report’s demand that such a meeting take place. The Commission says it is also keen to pursue dialogue with and between stakeholders in order to continue reviewing the progress of CSR policy in the European Union.

Eurosif is pleased to announce that MEP Richard Howitt, who led this report, will come and address Eurosif affiliates at our Advisory Council in Paris on November 8th.