Retail Financial Service – Response to the Commission Consultation

Eurosif submitted to the European Commission - DG Internal Market in July 2007 a response to the Commission’s consultation on the EU Green Paper on Retail Financial Services.

Eurosif’s full response is available on the Commission’s website.

In its response, Eurosif highlights within Sustainable Investment the emergence of two genres - "Responsible Investment" and "Socially Responsible Investment" - both of which Eurosif invites the EC to encourage. The paper then addresses some of the Commission’s questions and invites the Commission to consider a number of points, some of which are included below:

1. In order to promote sustainable development across the EU, Eurosif believes that the Commission should foster the development of Responsible Investment among institutional investors. Environmental, Social and Governance (ESG) issues do affect the performance of companies. There is a growing consensus in the financial community that taking ESG issues into consideration is consistent with the fiduciary duty of investors when it impacts profitability, and is further relevant when there is a consensus to do so by participants /members /stakeholders. The introduction of an EU wide "Statement of Investment Principles (SIPs)" for investments funds, as suggested in the European Parliament resolution of March 13 2007 on Corporate Social Responsibility (2006/2133(INI)) would ensure that Pension Fund trustees have to report on how they are taking those ESG risks into consideration. Ownership and power imply responsibility from investors and trustees.

2. The Commission should encourage a greater choice of investment options for consumers. In this respect, Eurosif believes that the Commission should foster the development of Socially Responsible Investment, particularly by encouraging the development of SRI options in pension plans. A close attention to pension plans disclosure is also important.

3. Eurosif believes that the Commission should develop an optional legal EU-wide regime ("28th regime") for savings. An EU-wide regime would offer greater saving choices and options for the final consumers, as it would create a bigger market for specific products (including SRI products) that otherwise would not be served, for lack of market volume.

4. For sustainable investment to be better understood, the Commission should consider ways to improve consumers’ financial literacy and capability. In order to do so, accountability to consumers must be increased and this can be achieved through greater transparency from retail financial services providers. In this respect, Eurosif wishes to put forward as an example the Eurosif Transparency Guidelines for the Retail SRI fund sector that it launched in November 2004, with the support of the Commission (DG EMPL). The guiding principle is that signatories to the guidelines should be open and honest and disclose accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the SRI policies and practices relating to the fund. To date, there are over 40 signatories of the transparency guidelines, representing more than 140 SRI funds.

Eurosif will continue to monitor the progress of the Commission’s consultation and will attend the public hearing held in Brussels on September 19, 2007.
EU Sustainable Development Strategy (EUSDS)

→ EUSDS - Paper on Current State of Sustainable Investment

Eurosif met in early June 2007 with the DG Secretariat General,1 responsible for the European Sustainable Development Strategy (EUSDS). Following this meeting, Eurosif submitted a paper on the current state of sustainable investment in Europe for the upcoming EUSDS Progress Report that will be released by the DG Secretariat General – Sustainable Development Unit this fall.

In its paper, Eurosif describes sustainable investment, active share ownership, outlines the European SRI Market Trends and makes some recommendations to the Commission in order to broaden and deepen the impact of sustainable investment on the European Sustainable Development Strategy. These recommendations are similar to the ones included in Eurosif’s response to the Commission’s consultation on Retail Financial Services.

Eurosif’s submission paper is accessible on Eurosif lobbying web page: http://www.eurosif.org/eu_eurosif/lobbying/retail_financial_services

Eurosif will monitor the release of the EUSDS Progress Report, set for this fall, and maintain contact with the DG Secretariat General.

→ European Contact Group on Sustainable Development

In June 2006, the European Council urged “Business leaders and other key stakeholders including workers’ organisations and NGOs to propose an ambitious business response to support the implementation of the EUSDS”. It is in this context and based on an initiative of the Resource Efficiency Alliance, that on 5 June 2007 eight European organisations, including Eurosif and various business networks (CSR Europe, ETUC, EU Corporate Leaders Group, etc), laid the foundations for a new European Contact Group on Sustainable Development. The Contact Group is an open initiative for organisations taking the lead in enhancing business innovative solutions to facilitate the transition towards sustainability - an accelerator of economic, environmental and social progress as well as a source of innovation and creativity.

The Contact Group’s aim is to respond to the June 2006 European Council invitation to encourage the business sector as well as European Member States to push beyond the frontier towards a “new economy” with the EUSDS as the over-arching strategy common to all the EU Institutions and the “overall framework” for the Lisbon Strategy.

This summer, the Contact Group made four recommendations to the December European Council to specify the goal in economic terms and define three ways to “scale up” best practices and accelerate the transition towards a sustainable economy.

1 The DG Secretariat General ensures the overall coherence of the Commission’s work, particularly the 27 Commissioners – both in shaping new policies, and in steering them through the other EU institutions. This DG reports directly to the President of the Commission, José Manuel Barroso.

2 The EU's Sustainable Development Strategy aims, in tandem with the Lisbon Strategy for growth and jobs, for a more prosperous, cleaner and fairer Europe. The European Council adopted in June 2006 an ambitious and comprehensive renewed Sustainable Development Strategy for an enlarged European Union. This document sets out a single, coherent strategy on how the EU will more effectively live up to its long-standing commitment to meet the challenges of sustainable development. http://ec.europa.eu/sustainable/sds2006/index_en.htm
Improving Seed Financing for Eco-Innovation Businesses

Following its study on Venture Capital for Sustainability (VC4S), which was released in early 2007, Eurosif engaged discussions with DG Enterprise and Industry to make the results and recommendations of the VC4S study known to the Commission. As a result, Eurosif has been invited to participate in an EC workshop on “Seed and start up finance for high growth SMEs active in eco-innovation” to be held on November 7, 2007 in Brussels. Results of Eurosif’s study were included in the discussion document and will be presented during the workshop.

Based on the conclusion of the workshop, a report identifying obstacles and outlining recommendations and solutions will be completed for January 2008. The main findings will serve as basis to formulate policy proposals with other Commission services.

Eurosif will keep you informed of the outcome of this workshop.

Corporate Governance³

→ Response to the Commission’s Third Consultation on Shareholders’ Rights

While a directive was formally adopted this year, the Commission (DG Internal Market) might adopt a separate non-binding instrument on shareholders’ rights supplementing this directive, particularly regarding the role of intermediaries in the voting process.

Eurosif responded to the third consultation paper “Fostering an appropriate regime for shareholders’ rights” in late July 2007, using as background information a recent study on cross boarder voting in Europe produced by Manifest, a UK voting service provider. In its response Eurosif addressed the following points:

1. Language of meeting documents,
2. Chain of intermediaries,
3. Timeliness of information flows.

Eurosif encouraged the EC to continue in its efforts to clarify the role of intermediaries in the voting process and better enable shareholder democracy in the European Union.

→ One Share One Vote: Commission Published External Study

Following up on the One Share One Vote issue addressed in our last EU Insider, Eurosif is happy to report that the Commission (DG Internal Market) has published in May 2007 the external studies it commissioned on this issue.

Carried out by Institutional Shareholder Services Europe (ISS Europe), the European Corporate Governance Institute (ECGI) and the law firm Shearman & Sterling LLP, the study’s main findings are the following:

- On the basis of the academic research available, there is no conclusive evidence of a causal link between deviations from the proportionality principle and either the economic performance of listed companies or their governance.
- However, there is some evidence that institutional investors perceive the “control-enhancing mechanisms” (such as multiple voting shares, priority shares, voting rights ceilings etc.) negatively and are likely to place a discount on companies that used them.
- They also consider that more transparency would be helpful in making investment decisions.

³ For more information: http://ec.europa.eu/internal_market/company/shareholders/indexa_en.htm
The study was commissioned to provide input for an impact assessment that the Commission will be carrying out in the fall 2007. Commissioner Charlie McCreevy stated in the press release: “Now that these facts are on the table we will examine, with an open mind, the question of whether there is a need for Commission action in this field”.

The study can be downloaded from the Commission’s website: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/751&format=HTML&aged=0&language=EN

Eurosif will continue to monitor this important issue and will carefully review the Commission’s impact assessment due out this fall.

→ Directive of Shareholders’ Rights Formally Adopted

Following Eurosif’s involvement (see EU Insider n°4 & n° 6) in the two preparatory public consultations held in 2005 by the Commission on the exercise of Shareholders’ Voting Rights, Eurosif is happy to report that the European Council formally adopted on July 11, 2007 the Directive on the exercise of shareholders’ rights, which means that the Directive is now officially part of EU law. This key measure will enable shareholders of listed companies throughout the European Union to exercise their rights and have their say. The formal adoption follows agreement at first reading by the Council and the European Parliament in February 2007, as reported in our last EU Insider.

Member States now have two years to implement the Directive 2007/36/EC in their national laws.

Member Affiliate Lobbying Advisory Group now Formed

Following Eurosif Board agreement to a system of governance that allow interested Member Affiliates to play an advising role in specific areas, a Member Affiliate Lobbying Advisory Group was formed this spring. Member Affiliates who joined the Lobbying Member Affiliate Advisory Group are invited to participate in conference calls to discuss lobbying opportunities at the EU level. One of the goals of this group is to help Eurosif achieve a common approach where possible. Additionally, members of the Lobbying Member Affiliate Advisory Group will help Eurosif in targeting and organising meetings with representatives from the EC and EP on agreed upon ideas.

The group had its kick-off conference call in early June and has been consulted since then on various Eurosif lobbying activities. The group is composed of the following Member Affiliates:

- Crédit Agricole Asset Management (CAAM), Valérie Bardou,
- F&C Management Ltd, Vicki Bakhshi,
- FTSE Group, David Harris,
- SNS Asset Management, Harry Hummels.

Member Affiliates wishing to be involved with Eurosif lobbying activities, please contact Marion de Marcillac for more details at marion@eurosif.org.