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European Parliament – Meeting with high level EU representatives

In early December, Eurosif was invited by MEP Richard Howitt to meet with government (including UK Competitiveness Minister Stephen Timms) and corporate leaders at the European Parliament for an informal and intimate discussion around CSR and SRI issues.

Following the meeting, Richard Howitt, who led the CSR report adopted by the European Parliament in March 2007 (see EU Insider # 7) asked Eurosif to draft a letter that outlines some of the leading Governance and CSR Issues. The aim of this letter, which will be signed by members of the European Parliament and Eurosif, is to explain how ESG issues relate to the public policy work of the EC Internal Market Ministry. It is expected that the letter will act as a vehicle to secure a meeting with the Internal Market Commissioner, Charles McCreevy and his staff.

Incidentally, Eurosif has already met with other members of the Internal Markets Ministry and will keep you informed of the outcome of this ongoing work.

Improving Seed Financing for Eco-Innovation Businesses

As announced in our previous EU Insider, Eurosif was invited to participate in an EC workshop on “Seed and start up finance for high growth SMEs active in eco-innovation” held on November 7, 2007 in Brussels. Results of Eurosif’s study were included in the discussion document and presented during the workshop.

As stated by DG Entreprise and Industry following the meeting, “the presentations of the workshop gave a valuable overview of the state of play in the sector and served as a good basis for the discussions.” 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 let you know when the report is available.

European Speeches at Eurosif Advisory Council Meeting

At our recent Advisory Council Meeting, held in Paris on November 14, 2007, Eurosif welcomed several EU representatives to speak about their recent work in the domain of sustainable development and eco-efficiency. Their participation illustrates a growing interest from EU personnel to engage with Eurosif and its Member Affiliates.

- Christine Dalby from DG Secretariat General presented the result of the first progress report on the EU Sustainable Development Strategy (EU SDS) published in October 2007. She detailed the key objectives of the EU SDS and the results achieved so far. The key point is that there has
been progress on putting the right policies in place but there is now a need for real implementation ‘on the ground’, particularly on climate change and clean energy.

- **Maciej Szymanowicz from DG Environment** presented the EU Environmental Technologies Action Plan (ETAP) progress and next steps. The plan aims to develop eco-industries across the EU and increase demand for them.

- **Orsola Mautone from the European Environmental Agency (EEA)** discussed the agency’s eco-tax policy developments. Their goal is to better balance tax legislation away from labour towards environmental use over the next 20 years across the EU.

The presentations are available on the Member Affiliates only section of Eurosif website.

### High level European Conferences on CSR & Finance

**→ Achieving the Integration of European Financial Markets in a Global Context**

Eurosif was invited to attend the EU finance conference “Achieving the Integration of European Financial Markets in a Global Context” held at the European Parliament on December 3 & 4, 2007. This conference was attended by very high level representatives of the finance community (Jean-Claude Trichet from the European Central Bank, CEOs / Chairmen of Axa Group, Allianz, Groupe Caisse d’Epargne, Fortis, CNP Assurances, Crédit Agricole SA, etc.) and of EU institutions and Member States (Portuguese, Italian and French Ministers of Finance, MEPs, Internal Market Commissioner etc.).

The conference discussed a number of challenges to further financial integration, including globalisation of financial markets, the organisation of financial supervision and the integration of the EU retail financial market. In terms of CSR and SRI, one of the very high level speakers, Almo Kalpala, Chairman and President of the Tapiola Group and President of AMICE, said in his speech that he was in favour of promoting CSR reporting from companies as a way to deal with transparency, one of the greatest challenges of the financial market.

**→ CSR at the global level: what role for the EU?**

Eurosif was invited to attend this conference in Brussels on December 7, 2007, which was organised by the DG Employment, Social Affairs and Equal Opportunities.

In his keynote speech, John Ruggie, special representative of the UN Secretary-General on the issue of human rights and businesses, outlined challenges to the standard model of CSR he has seen across the world:

- The standard model is not a universal model; it depends on companies’ size, sector and brand-sensitivities.
- Businesses are willing to recognise their need to be responsible, but less so their need to be accountable.
- There is a worrying levelling off of CSR initiatives and reporting.
- The standard model favours dialogue with civil society, while many firms from the emerging markets do not have this culture.
- There is a weakening of the civil drivers (NGOs) of CSR.
- There is a lack of cooperation among the various multi-stakeholder initiatives.
- The business case for CSR is limited to specific instances. Recent studies show that CSR does not destroy shareholder value, but does not contribute to it in a major way either.

John Ruggie mentioned the lack of an authoritative system of best practices, best benchmarking – and suggested that the EU could play a role in generating soft standards in this respect.

In her speech, Nicole Notat, Chairwoman of Vigeo, invited the EU to integrate responsible investors in the EU CSR framework and to facilitate the generalisation of CSR reporting. She also suggested that the EU could develop some sort of accreditation for rating agencies and their methodologies.
Corporate Governance – One Share One Vote reform abandoned

The Commissioner McCreevy announced in a speech to Parliament’s Legal Affairs Committee on October 3, 2007 that he would let go of plans, put forward two years ago, to make shareholder voting more "democratic" with a "one share, one vote" reform. (For more information about the debate leading to this decision, please see our previous EU Insiders).

In his recent speech in the UK on December 6 to the House of Lords – Charles McCreevy further explained his decision to abandon the reform:

"My recent decision not to propose any EU measure on one-share-one-vote does not mean that I do not believe in one-share-one-vote any more. I continue to believe it is in the best interest of companies and their investors. However, I do not believe that EU action would be useful or fruitful [...] To inform the debate, the Commission contracted external consultants to do a study [...] The study concluded that there is no clear economic evidence that control enhancing mechanisms have a negative effect on companies’ performance or their governance [...] There is some evidence that market pressure results in a gradual elimination of certain control enhancing mechanisms. Although a very wide-range of control-enhancing mechanisms are available in most Member States, their actual use in practice is more limited. The driving force behind such market pressure is institutional investors. Institutional investors perceive control enhancing mechanisms negatively.

However, what is important above all is an appropriate level of transparency. This is vital for investors to take reasoned and efficient investment decisions. We already have at EU level a number of transparency measures which should help in this area [...] In consequence; I decided that an added layer of transparency at EU level was not the way to go.

Legislators should never propose new legislation when there is no compelling evidence that it is the appropriate way to deal with an issue. And on "one-share-one-vote" I looked at all the evidence very carefully, I listened to all views and then I made my decision based on facts rather than wishes. So I have told my staff they are to stop working on the subject".

DG Internal Market - Public Hearings

Retail Financial Services

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

Following its response, Eurosif attended the public hearing held in Brussels on September 19, 2007. The EC received more than 190 responses to their green paper with a general consensus that retail financial services will remain local; however there remains a great need for harmonisation. Eurosif’s response and a summary of the 190 other responses are available on the Commission website.

Commission unveils its vision for a modern single market for all

Eurosif was invited to attend the presentation of the package of initiatives to modernise the European single market held on November 21, 2007 at the French representation office of the Commission.

Among the most important policy actions set out in the single market package adopted by the Commission on November 20, 2007 are initiatives to:

- Help consumers to exercise their contractual rights and get redress across borders;
- Provide better information for consumers and small businesses;
- Respond to weaknesses in sectors where the single market should deliver more;
- Propose a Small Business Act;
- Clarify how EU rules apply to services and social services of general interest;
- And promote the quality of social services across the EU.
The Commission's retail financial services strategy is set out in the "staff working paper" attached to the package. It proposes a number of targeted initiatives designed to:

- Improve customer choice and mobility, in particular for bank accounts. The Commission invited the EU banking industry to do this through self-regulation;
- Help retail insurance markets work better, for instance by designing a "scoreboard" for car insurance premiums in Europe;
- Move towards adequate and more consistent rules for distribution of retail investment products (such as investment funds, certificates etc.); and
- Promote financial education, financial inclusion (access for all to a basic bank account) and adequate redress for consumers.

The staff working document and a FAQ paper on the single market review can be found on the Commission website.

In conclusion on the EU single market evolution, Eurosif is not content with the EC’s current management of transparency around ESG issues, and we continue to raise the issue in our interactions with the EC. For example, we have been meeting privately with EC staff in Brussels on a regular basis and continue to call for further work on ESG transparency issues. We have also written in on consultations to ensure our views are recorded. The good news is that there has been progress over the past five years, but much more remains to be done.