Eurosif successfully published on April 15, 2009 a public policy position paper recommending that European Institutions ensure greater transparency and accountability from large companies and institutional investors on Environmental, Social and Governance (ESG) issues. This EU Insider issue therefore focuses primarily on the three different proposals included in our position paper and the reactions received so far from European institutions and the next steps going forward.

Topics in this issue...
- Eurosif co-organised with FEE a roundtable on “sustainability disclosure” hosted at the European Parliament and will participate in upcoming workshops organised by the European Commission
- Eurosif meets with Cabinet of Commissioner McCreevy regarding transparency of European capital markets
- Eurosif to respond to DG Internal Market consultation on shareholders right intermediaries
- Eurosif invited as guest speaker to address the OECD Investment Committee meeting
- UN’s business and human rights envoy John Ruggie addressed the European Parliament

In its position paper, Eurosif recommended that European Institutions should mandate disclosure of ESG data by publicly traded, large corporations. Such reporting would be principles-based and use a limited number of standardised Key Performance Indicators (KPIs), some of them being sector specific.

To push this idea forward, Eurosif co-organised on April 29 with member affiliate FEE (Federation of European Accountants) a Roundtable discussion on “Sustainability Disclosure” with a keynote speech provided by MEP Richard Howitt, European Parliament Rapporteur on Corporate Social Responsibility, and a Roundtable panel with high level experts.

The intimate workshop (total of 40 participants) was organized in the following approach: an inner circle of 10 to 12 high level experts took the lead in addressing pre-agreed questions; other participants formed the second circle, and had an opportunity to comment after the inner circle had initiated the discussion.

Eurosif Member Affiliates Gaëtan Herinckx from Dexia Asset Management and Stéphane Voisin from Crédit Agricole Cheuvreux were part of the high level panellists, along with Robin Edme, Eurosif’s President. Additional Member Affiliates such as Stephen Hine of Eiris and Arthur van Mansvelt from Triodos Bank also attended the roundtable as participants and had the opportunity to provide their point of view on the issues.

The key questions debated at the Roundtable were the following:
- Is there a need for sustainability disclosures?
- What should be the content of sustainability disclosures?
- Can sustainability disclosures play a role in relief from the crisis?
- Should sustainability disclosures be mandatory and legislated for?
The debate was lively and constructive. One of the immediate outcomes of the roundtable was the European Commission’s announcement by Pedro Ortún (Director of DG Entreprise), that it will organise a series of workshops on the subject of “sustainability disclosure” in the coming months, with the following aim:

- “Identify the most efficient way(s) to promote a better and more widespread disclosure of ESG information, which should be useful for the companies that disclose it and for stakeholders that may require it. Without pre-judging any outcomes, this will involve, amongst other things, exploring both the desirability and the feasibility of stakeholders moving towards an agreed core set of KPIs for ESG performance.

- Facilitate better coordination and communication between existing initiatives in the field of ESG disclosure.

- Deepen the understanding of all stakeholders, including the European Commission, of the issues at stake, recent developments and current good practice.”

The EC concluded by announcing that the outcomes of these workshops could well be a regulatory decision about how to better include ESG disclosures into company annual reports. The conclusions of these workshops will be discussed during an EU-wide conference to be organised by the Spanish Presidency in late March 2010.

The proposed format of this EC-led initiative is that five workshops will discuss disclosure questions from the perspective of different stakeholder groups. The second workshop will specifically focus on the point of view of investors, financial analysts, accountants, rating agencies and will be held the third week of October. Eurosif will nominate experts to participate in the discussion – should your organisation wish to participate in an active way, please let us know. In addition, as an Official Member of the Coordination Committee for the European Multi-stakeholder Forum, Eurosif will participate in the four other workshops and represent the investors’ point of view.

A summary of the discussion from the April 29 event, including key calls for action, is currently being approved by the panellists and will be distributed to our Member Affiliates shortly. For more information on the background to the roundtable: http://www.eurosif.org/media/files/eu_roundtable_eurosif_fee_april_29_press_release_final

Eurosif meets with Cabinet of Commissioner McCreevy regarding transparency of European capital markets

Following the publication of our public policy position paper*, Eurosif was contacted by the Cabinet of Commissioner Charles McCreevy (DG Internal Market) to meet and discuss our recommendations for greater transparency from investors on May 26, 2009. The outcome of this meeting included the following:

- Eurosif established a key relationship with the head of corporate governance issues at the Cabinet level of DG Internal Markets.
- A discussion based on amendments to corporate law is continuing at DG Internal Markets and ESG issues can fall within that discussion.
- The short term agenda at DG Internal Markets includes recommendations on Directors Pay as well as the creation of a supervisory architecture around the ratings agencies.
- The medium term agenda includes a review of disclosures that could be necessary to ensure a better performing European capital market which may include ESG disclosure for companies and investors.
For clarification to Member Affiliates about the cabinet level versus the policy level of EC Ministries – ‘cabinet’ level works directly with the Commissioner in ensuring that the issues are being appropriately handled and understood across the entire Ministry. The ‘policy’ level creates the actual recommendations on legislation activities, that is, it executes the policy guidance set by the cabinet level. Both levels are important for Eurosif’s activity to ensure that the ESG issues are properly understood and tackled.

From this week’s meeting at cabinet level, Eurosif has secured two other key contacts to follow up on ESG discussions within the DG Internal Markets. After these meetings, Eurosif will ask interested Member Affiliates to meet directly with DG Internal Market officials to discuss in greater detail ESG issues. The ultimate goal remains that ESG factors are high on the list of the civil servants at DG Internal Markets so that it can be a top priority for the incoming Commission for 2009/2010.

*As a reminder, Eurosif recommended that European institutions introduce a mandatory Statement of Investment Principles (“SIPs”) for Investment Funds in which trustees would state the extent (if at all) to which ESG considerations are taken into account in the selection, retention and realisation of investments; and their policy in relation to the exercise of the rights (including voting rights) attached to investments.

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**Eurosif to respond to DG Internal Market consultation on shareholders right intermediaries**

The third point in Eurosif’s public policy position paper on shareholders rights* was timely as DG Internal Market launched in late April a consultation on a new legal framework for intermediated securities, for which Eurosif is currently considering drafting a specific response.

**Erik Breen, Head of Responsible Investing at Robeco** and who recently joined the **Eurosif Lobbying Group**, already provided guidance for a possible response. As can often be the case, there is not a specific angle in the initial consultation document to address ESG / responsible investment considerations, however Member Affiliates who have specific ideas and wish to contribute in the drafting process are invited to contact Eurosif (marion@eurosif.org) as soon as possible – the consultation deadline is June 11, 2009.

*As a reminder Eurosif recommended in its position paper that the Commission adopts measures to allow shareholders to keep control of their rights at all times, improve accountability of service providers within the proxy voting chain, and allow issuers to know who their shareholders are at any moment so that they can communicate to them efficiently.


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**Eurosif invited as guest speaker to address the OECD Investment Committee meeting**

In late March 2009, Eurosif was invited as a guest speaker to address the OECD Investment Committee meeting. Eurosif provided input to help the OECD Investment Committee consider the impact of the financial services sector with regards to the use of the OECD Guidelines for Multinational Enterprise (MNE).

The OECD Investment Committee is responsible for the OECD liberalisation instruments in the field of international investment and services. For instance, it monitors the observance of the “rules of the game” set out in the OECD Codes of Liberalisation and the Declaration and Decisions on International Investment and Multinational Enterprises. The OECD also provides a forum for dispute resolution under
these instruments and prepares, when necessary, statements of "clarifications" or interpretation of the rules of the game for which they are responsible, including the Guidelines for Multinational Enterprises.

The discussion focused on the application of the OECD MNE Guidelines to multinational financial institutions’ clients and business partners. The discussion was divided as follows:

- Review of three instruments to promote responsible banking or investment (UN PRI, IFC Policy and Performance Environmental and Social Standards and Equator Principles);
- What more is needed to ensure responsible business conduct in the financial sector;
- How the OECD could help support responsible banking and investment in the future.

This discussion is part of a process which should lead in 2010 to a review of the OECD MNE Guidelines. The OECD is organising a round table on corporate responsibility on June 15, open to our Member Affiliates.

More info:
http://www.oecd.org/document/15/0,3343,en_2649_34889_42242703_1_1_1_1,00.html

UN’s business and human rights envoy John Ruggie addressed the European Parliament

UN’s business and human rights envoy John Ruggie addressed the European Parliament on April 16, 2009 at a public hearing held by the EP Subcommittee on Human Rights. Here are a few excerpts from his speech:

“The mandatory vs. voluntary debate as a whole is so stale as not to warrant much further discussion. But I want to draw attention to one element that has not been adequately aired, because it poses an impediment to progress.

We can all agree that some mix of mandatory and voluntary measures is required. But governments and other governance institutions do not always fully appreciate the roles they must play even when they promote strictly voluntary means. Some draw the inference that any further step by them would contravene the principle of voluntarism and transgress into the mandatory realm. But this is a fallacy, and it can lead to unintended and undesirable consequences for business and human rights.”

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“Even within the realm of voluntary approaches, public authorities have roles that are essential to making voluntarism work.”

“Business as usual isn’t good enough for anybody, including business itself. That includes perpetuating rarified conceptions of voluntary and mandatory means, thereby impeding innovative solutions.”

More info on the public hearing
To read John Ruggie’s full remarks