1. European Commission’s Latest Green Papers and Consultations

The Transparency Directive Modernisation

The European Commission has launched a public consultation on the Modernisation of the Directive 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Some of the issues raised for consultation include:
- Adapting the transparency rules to smaller listed companies with a view to maintaining and also increasing the attractiveness of regulated markets of this category of issuers
- Adapting the Directive’s obligations to innovation in financial markets and adjusting the transparency requirements accordingly
- Should disclosure of non-financial information be integrated into the Transparency Directive regime in order to simplify the existing requirements?
- Improving and strengthening European legislation regarding environmental, social and governance (ESG) data by listed companies

The deadline for interested stakeholders to submit responses on the Consultation is August 23, 2010.

Eurosif is currently preparing a Response to the Transparency Directive Modernisation focused on the importance of ESG data disclosure by listed companies and the integration of non-financial information into the Directive’s provisions. Eurosif’s response will be sent to all of its member affiliates prior to its submission to the European Commission.

The Green Paper on Corporate Governance in Financial Institutions

On June 2, the European Commission issued a consultation on possible ways forward to improve Corporate Governance in Financial Institutions and Remuneration.

Some questions raised for consultation include:

- Should Boards of Directors have increased duties in risk assessment and risk management?
- Should there be risk-control declaration put in place and published by financial institutions?
- Should disclosure of institutional investors’ voting practices and policies be compulsory? If so, how often?
- Should the adherence to national/European “Stewardship Codes” be mandatory?

The consultation comes at a time when major European and international economies are taking important steps towards improving corporate governance in the financial sector. On July 21, 2010, the Obama Administration signed the Dodd–Frank Wall Street Reform and Consumer Protection Act, the most comprehensive set of rules since the Great Depression in the 1930s. This Act proposes broad changes to the existing regulatory structure, such as creating a host of new agencies (while merging and removing others) in an effort to streamline the regulatory process, increasing oversight of specific institutions regarded as a systemic risk, amending the Federal Reserve Act, promoting transparency, and other additional changes.

Eurosif is currently preparing its response to this Green Paper and will send it to all member affiliates prior to submitting it to the European Commission (deadline for submission: September 1, 2010). Eurosif’s response highlights key issues that we think the Commission needs to act upon such as: mandatory ESG risk disclosure, increased duties for Board of directors in managing risks, mandatory voting policies’ disclosure by institutional investors and linking remuneration to ESG performance.


The Green Paper on Pensions Reform

On July 7, 2010, the European Commission’s Directorate for Employment, Social Affairs and Equal Opportunities launched a Europe-wide public debate on how to ensure adequate, sustainable and safe pensions and how the EU can best support the national efforts.

This Green Paper aims to address the following issues:

- Ensuring adequate incomes in retirement and making sure pension systems are sustainable in the long term
- Achieving the right balance between work and retirement and facilitating a longer active life
- Removing obstacles to people who work in different EU countries and to the internal market for retirement products
- Making pensions safer in the wake of the recent economic crisis, both now and in the long term
- Ensuring pensions are more transparent so people can make informed decisions about their own retirement income

Interested parties are invited to submit their suggestions and propositions by November 15, 2010. Eurosif is considering submitting a response to this Green Paper addressing the need for more transparency of pension funds and disclosure concerning environmental, social and governance performance. The response will be sent to all of its member affiliates prior to submission to the European Commission.

2. Eurosif –EU Updates

**Eurosif submits position on mandatory ESG disclosure**

In March 2010, Eurosif submitted a statement to the European Commission with suggestions on how to arrive at a framework for mandatory annual environmental, social and governance corporate disclosure in the European Union. The submission follows a series of workshops facilitated by the EC with European stakeholders held from September 2009 to February 2010 to discuss ESG disclosure. For the statement, Eurosif collaborated with the following institutions who represent a range of economic and capital market stakeholders within the workshops: EFFAS (European Federation of Financial Analysts Societies), European Laboratory: Valuing non-financial performance, The Prince’s Accounting for Sustainability Project, Railpen Investments, and World Intellectual Capital/Assets Initiative. Read statement.

**Eurosif invited to an EC informal meeting on Corporate Governance**

On July 12, 2010, Eurosif was invited by the EC to attend an informal meeting on Corporate Governance in which we reiterated our position on issues such as the importance of ESG reporting both by investors and companies as well as the need for improved voting disclosure by investors. We also emphasised the need for investors to better understand the rules for engagement and dialogue (‘acting in concert’ rules) so investors can better organise across borders to participate in active dialogue with companies on ESG issues and seek comfort in the law by doing so. **Next steps:** Another meeting will take place at the European Commission in late autumn 2010 in view of the preparation of a further Green Paper on Corporate Governance in Listed Companies, to be issued in the first quarter of 2011.

2. European legislative and non-legislative measures

**EU votes new remuneration rules**

On July 7, the European Parliament voted new rules imposing capital requirements for banks and a cap on bonuses for bankers. Under the new regulation, bankers will receive no more than 30% of their bonus immediately and in cash, or 20% for larger bonuses. The remaining bonus payments will be delayed and linked to long-term performance, with 50% paid in shares. Hedge funds will also be covered by the new rules.


**Revision of the UCITS Directive:**

The Commission completed a programme of improvements to the EU framework for investment funds by adopting four implementing acts (two Directives and two Regulations) under Directive 2009/65/EC.). The new rules better empower investors by requiring a new standardised fund document, while also setting out in detail the high standards of business conduct by which UCITS fund managers must comply. In addition, the new rules improve the efficiency of the UCITS market in the EU by introducing and facilitating new possibilities for the pooling of assets from different funds, by simplifying the cross-border distribution of UCITS and by better coordinating the work of national supervisors.

Member States now have 12 months to implement the directives, while the regulations will apply from 1 July 2011.

UK has published the first official code for institutional investors

On July 2, 2010, the Financial Reporting Council published its first Stewardship Code for Institutional Investors aimed at improving shareholders engagement with their investee companies. The non-binding "comply or explain" code features 7 principles meant to support shareholders to better interact with their investee companies.