EU INSIDER

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1. Eurosif – EU Updates

1.1 Eurosif Speaks at European Multistakeholder Forum on CSR Plenary Meeting

On November 29-30, Eurosif was invited by the European Commission to speak at the 2010 European Multistakeholder Forum on CSR Plenary Meeting. Commissioners Michel Barnier (DG Internal Market) and László Andor (DG Employment and Social Affairs), and EC Vice-president Antonio Tajani (Industry and Entrepreneurship) all made presentations at the meeting, highlighting the European Commission’s position and interest in CSR and ESG disclosure by companies.

Matt Christensen, Executive Director of Eurosif, was a panel speaker in the final session “CSR Policy-where next?”, and made a series of recommendations to the Commission on the disclosure of environmental, social and governance (ESG) information by companies. For further information, please visit: http://www.eurosif.org/policy/lobbying-activities/csr/csr-multistakeholder-forum-2010

1.2 Eurosif to Meet European Commission representatives to Discuss Current Consultation on Retail Investment

In January 2011, Eurosif will meet representatives of the European Commission to discuss the current public consultation on Packaged Retail Investment Products Initiative (PRIPs). The consultation outlines possible measures for improving the transparency and comparability of investment products and ensuring effective rules always govern the sales of the retail investment products.

Eurosif will discuss with the European Commission issues related to improving the transparency and the integration of environmental, social and governance (ESG) issues in retail investing and the potential role of product labelling.

Eurosif will keep Member Affiliates informed about the output of the meeting and a draft of the Response to the PRIPs Consultation will be sent to Member Affiliates prior to its submission.

1.3 Eurosif to Respond to EC Consultations (January-February 2011)

In January and February 2011, Eurosif plans to respond to the following consultations currently launched by the European Commission:

- Consultation on Non-Financial Reporting; (deadline on January 28, 2011);
- Consultation on the Packaged Retail Investment Products; (deadline on January 31, 2011);
1.4 Responses submitted by Eurosif to EC Consultations (August-December 2010)

Between August and December 2010, Eurosif responded to the following EC consultations with the overall aim of promoting sustainable and responsible investment and the integration of environmental, social and governance (ESG) issues in business and investment practices:

- Response to the Green Paper on Corporate Governance in Financial Institutions and Remuneration Policies - September 1, 2010. A review of the Responses received by the European Commission following this consultation process can be found at the following link: [http://ec.europa.eu/internal_market/company/modern/corporate_governance_in_financial_institutions_en.htm](http://ec.europa.eu/internal_market/company/modern/corporate_governance_in_financial_institutions_en.htm);
- Response to the public consultation on the modernisation of the Directive 2004/109/EC (Transparency requirements for listed companies) - August 23, 2010;
- Eurosif supported a letter sent to EU Commissioner Barnier by a group of pan-European investors led by Robeco and the UK’s Association of British Insurers, making a series of recommendations on the modernisation of the Securities Law Directive - August 2010;
- Response to the Green Paper on Pension Reform, to ensure the sustainability, safety and adequacy of pension systems across Europe - November 15, 2010;

2. Open Consultations by the European Commission

2.1 Public Consultation on Non-Financial Information Disclosure by Companies

The European Commission (EC) Directorate General (DG) of Internal Market and Services is conducting a public consultation in order to gather stakeholders’ views on ways to improve the disclosure by enterprises of non-financial information (e.g. social and environmental). The EC acknowledges that disclosure of non-financial information is important in the context of the current crisis and the challenge of sustainable development.

Eurosif will submit a Response to this consultation and Member Affiliates will receive a draft before submission to the European Commission.

*Eurosif strongly encourages Member Affiliates to submit individual Responses, as this will help the EC to have a better perspective on the topic from a large number of stakeholders.*

Some of the issues addressed in the consultation are:

- The current state on non-financial disclosure in EU Member States;
- Assessing the effects, costs and benefits of current corporate disclosure of environmental, social and governance (ESG) information;
- How the current regime of non-financial disclosure can be improved and what type of information companies should be mandated to disclose;
- Whether institutional investors should be subject to specific or additional disclosure requirements (i.e. how they take into account ESG issues in their investment decisions);
- Whether the non-financial reporting should be principle-based or based on key-performance indicators;
• Whether companies should be required to disclose the risks they face and the policies they have in the field of corruption and bribery.

The deadline to submit Responses is January 28, 2011.

2.2 Consultation on Legislative Steps for the Packaged Retail Investment Products (PRIPs) Initiative

On November 26, the EC launched a consultation on the ‘Packaged Retail Investment Products’ (PRIPs) Initiative, which aims at raising standards of protection for retail customers. The consultation outlines possible measures for improving the transparency and comparability of investment products and ensuring that effective rules always govern the sales of retail investment products. It also addresses inconsistencies in the standards that apply to different products and industry sectors. The replies will serve as an input for the Commission when developing legislative proposals on transparency and sales for the products.

Eurosif will submit a Response to this consultation, addressing issues such as: transparency and the integration of environmental, social and governance (ESG) issues in retail investing and the potential role of product labelling.

In January 2011, Eurosif will meet EC representatives to discuss the consultation document and to voice the EU investor community on the topics addressed by the EC in the consultation, pertaining to Sustainable and Responsible Investment (SRI).

Member Affiliates will receive a draft of the Response before submission to the European Commission.

Some of the issues addressed in the consultation document are:
• Possible solutions to improve pre-contractual product disclosure and aiding Sustainable and Responsible Investment (SRI);
• The design and implementation of ‘Key Investor Information’ Documents (KIIIDs) that would facilitate the investment process; the possibility of integrating environmental, social and governance (ESG) issues in such KIIIDs;
• Labelling of ‘sustainable’/‘green’/‘ethical’ products and the impact that such initiative would have;
• The review and clarification of Packaged Retail Investment Products (PRIPs) definition;
• Improving the legislation pertaining to Packaged Retail Investment Products; in the Consultation document, the EC suggests possible avenues for future legislative approaches.

Interested parties are invited to submit their Responses and suggestions by January 31, 2011.

2.3 Public Consultation on ‘The Single Market Act’

The ‘Single Market Act’ was adopted by the European Commission on 27 October 2010. It consists of 50 policy proposals that are being submitted to public debate for a four month period running up to 28 February 2011. Following this consultation, the Commission will propose to seal the commitment of the other EU Institutions on a final version of the Single Market Act. The 50 proposals have a deadline of implementation by the end of 2012, on the occasion of the Twentieth Anniversary of the 1992 programme for the Single Market Act.

Interested parties are invited to submit comments and feedback to the Single Market Act Proposals, via the online questionnaire, at the following link:
Eurosif plans to submit comments and suggestions to this initiative, and a draft of the Response will be sent to Member Affiliates prior to submission.

Among the 50 proposals, there are a few that pertain to the integration of environmental, social and governance issues in business and investment practices, namely:

- **Proposals 12 and 16** refer to making disclosure requirements more adapted to Small and Medium Enterprises (SMEs) and to simplify reporting obligations for these, with a view to improve their access to capital markets.

- **Proposal 16** aims to improve private investment and particularly to encourage Sustainable and Responsible Investment (SRI) required by smart, green and inclusive growth (as set in the Europe 2020 Strategy).

- **Proposal 38** refers to the launch of a public consultation (Green Paper) on Corporate Governance with a view to improve transparency of information provided by companies on environmental, social and governance (ESG) issues.

Interested parties are invited to submit their Responses by February 28, 2011.


### 2.4 Consultation on Financial Reporting on a Country-by-Country Basis by Multinational Companies

The European Commission has launched a public consultation in order to gather stakeholders’ views on financial reporting on a country-by-country basis by multinational companies. Country-by-country reporting is a concept that would require multinational companies to disclose financial information on their operations in third countries, in their annual financial statements.

**Some of the issues raised for consultation include:**

- How the disclosure of financial information on a country-by-country basis by multinational companies would be meaningful to investors of the company concerned;

- The disclosure of financial information on a country-by-country basis by multinational companies active in the extractive sector and possible alignment with the [US Dodd-Frank Act](http://ec.europa.eu/internal_market/consultations/2010/financial-reporting_en.htm);

- The type of multinational companies that would be targeted by country-by-country reporting;

- The possible costs that reporting on a country-by-country basis would entail.

*The deadline to submit Responses to the consultation is December 22, 2010.*


### 2.5 Consultation on Legislative Changes to the UCITS Depositary Function and UCITS Manager Remuneration

The purpose of the public consultation is to gather evidenced views to complete the cost and benefit analysis of the changes which are intended to be introduced in the UCITS Directive in 2011. More concretely, the consultation seeks:

- To clarify better the UCITS depositary function;

- To ensure consistency between the legislation applicable to the depositaries of UCITS and that applicable to the depositaries of alternative investment funds, with a view also to improving the levels of investor protection afforded;
To review of the regulation on remuneration policies for UCITS managers and investment companies with a view to addressing long-term objectives and needs.

Interested parties are invited to submit their Responses by January 31, 2011.


### 2.6 Consultation on the Harmonisation of Securities Law

In October 2010, the European Commission opened a consultation seeking advice from Member States, market participants and other stakeholders, in particular investors, on a certain number of principles, on which the Commission could base its future legislative proposals in order to improve the EU-wide legal framework for cross-border transfers of securities.

Some questions raised for consultation include:

- Transparency issues in regards to the ‘account holders’ and ‘account operators’ along the investment chain;
- Responsibilities of national laws on security holdings;
- Issues on the legal effectiveness of acquisitions and dispositions.

The deadline for submitting Responses is January 1, 2011.


### 2.7 Consultation on Credit Rating Agencies (CRAs)

The purpose of the public consultation is to open a wider debate and get input from investors, market participants, governments, regulators and other stakeholders, in order to calibrate the scope and ambition on possible provisions to be considered in a forthcoming Commission proposal. This proposal will discuss potential risks arising from over-reliance on credit rating by financial markets participants, the high degree of concentration in the rating market, absence of civil liability of credit rating agencies in the CRA Regulation and conflicts of interest due to the remuneration models used by the credit rating agencies.

Some of the issues addressed in the consultation document are:

- The reference to external ratings in regulatory frameworks for credit institutions, investment firms, insurance and reinsurance undertakings: how can standardised approaches be used to reduce risk of overreliance on CRAs;
- Firms possibly being obliged to carry out their own internal risk management processes without exclusively relying on external ratings;
- Solutions that could be found in order to limit references to external credit rating in investment policies and mandates;
- Enhancing transparency and monitoring of sovereign debt ratings;
- How to enhance competition in the credit rating industry.

Interested parties are invited to submit their suggestions and propositions by January 7, 2011.


For any questions on Eurosif’s lobbying efforts or topics in this EU Insider, please contact lobbying@eurosif.org.