Capital Markets Union Consultation: Final Discussion

François Passant
March 2015, Brussels
2015/02
Publication of Green Paper & Consultation(s) starts

Summer 2014
First mention By JC Juncker

March 16th: 1st call with affiliates

March 25th:
Deadline for MA feedback on €SIF CMU Paper

April 17th:
Finalisation of €SIF CMU Paper

April 21st:
Last call with affiliates

April 30th:
Finalisation of €SIF response to consultation

May 13th 2015
Deadline for consultation(s)

May 5th
€SIF Board Approval

May 6 or 7th?
€SIF Press Release

May / June
Meetings with Commission + Letter to Juncker / Hill

Luxemburg Presidency

Sept/Oct. 2015:
First Proposals by Commission?

Summer 2015
Publication of results of consultation
5 Key Eurosif Demands

1. Incorporate a strong and comprehensive corporate disclosure package.
2. Ensure that environmental, social and governance considerations transcend all investment practices and asset classes.
3. Align incentives to reward practices reinforcing the long-term dimension of capital markets.
4. Promote active and long-term oriented share-ownership
5. Scale-up financial innovation and instruments serving sustainable growth.

Detailed policy recommendations underlying each point
Incorporate a strong and comprehensive corporate disclosure package

- Ensure the success of Directive 2014/95/EU by (a) ensuring consistent implementation at Member State level and (b) by providing practical “Level 2” measures and guidance to companies
- Continue to progress legislation that ensures that corporate non-financial information is comparable, timely (i.e. simultaneous to financial disclosure), and mandating a short set of Key Performance Indicators
- Mandate relevant corporate climate information disclosure
- Support the wider adoption of <Integrated Reporting>,

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Ensure that environmental, social and governance considerations transcend all investment practices and asset classes

- Introduce detailed transparency on SRI policies of institutional investors, via a mandatory Statement of Investment Principles (“SIP”)
- Clarify the ambiguity around the notion of fiduciary duty
- Be more explicit and specific in the IORP II (Pension) Directive proposal about the importance of taking into account non-financial (ESG) risks.
- Ensure that key advisors in the investment chain also disclose how sustainability has been taken into consideration in their recommendations
- As part of investment management contracts, asset managers should also offer ESG options
- Promote sustainable and responsible investment by public institutional investors
Align incentives to reward practices reinforcing the long-term dimension of capital markets

- Remuneration strategies of corporate Boards and senior management, including those of financial institutions, should include ESG-performance related criteria.
- Encourage fee and incentive structures that better align interests of portfolio management staff of mutual and pension funds with those of their clients or beneficiaries.
- Publish a Recommendation supporting that all corporate governance and investor stewardship codes, be they national or pan-European, must incorporate considerations about ESG on a comply-or-explain basis.
- Expand the concept of stewardship codes, according to existing best practices, to other players of the investment chain, in particular investment consultants.
- Support existing initiatives to incentivise stock exchanges, in the EU but also beyond, to set minimal standards for sustainability disclosure.
Promote a sound corporate governance framework via active and long-term oriented share-ownership

- Progress an ambitious revision of the shareholder rights directive
- Make securities lending a more transparent practice
- Address operational barriers to EU cross-border voting
- Ensure that all Member States have a stewardship code
- As part of investment management contracts, asset managers should offer active share ownership measures and advice for asset owners
Scale up financial innovation and instruments serving sustainable growth

- Make environmental and social screening a standard feature of all the investment vehicles and financial instruments aligned with the CMU objective
- Build a larger green bond market, by focusing on markets standards and growing demand
- Revitalise securitization in a sustainable way
- Consider tax incentives and disincentives
- Launch a high-level forum on “Capital Stewardship” to progress financial innovation that serves infrastructure and other long-term investments
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François Passant, Executive Director
francois@eurosif.org

www.twitter.com/eurosif

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