Response to the European Commission's Green Paper on Corporate Governance in Financial Institutions and Remuneration Policies

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Title: **Consultation Reply on Corporate Governance – from registered organisation**
Subject: **Eurosif's Response to the Green Paper on Corporate Governance in Financial Institutions and Remuneration Policies**
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Context:

The present financial crisis offers an historic opportunity to adopt policies encouraging longer-term thinking in financial markets. Given the important role financial institutions play in creating an environment for companies to access capital, it is critical that they are properly governed and incentivised in a manner that encourages sustainable risk taking, as suggested by Mr. Michel Barnier, EU Internal Market and Services Commissioner.

Eurosif welcomes the opportunity to comment on the European Commission's Green Paper on Corporate Governance in Financial Institutions, an extremely important step in improving Corporate Governance in view of safer and more long-term oriented financial markets.

Eurosif (the European Sustainable Investment Forum) is a pan-European network and think-tank of national Sustainable Investment Forums whose mission is to **Develop Sustainability through European Financial Markets.**[1] Current member affiliates of Eurosif include institutional investors, financial service providers, academic institutes, research associations and NGO's. The association is a not-for-profit entity that represents assets totalling over €1 trillion through its 80 affiliate members.

Eurosif's position concerning Corporate Governance in Financial Institutions is that there should be mandatory requirements **for financial institutions to better disclose their practices** - including the ones regarding environmental, social and governance (ESG) performance. Additionally, financial institutions should **disclose how they use this information to make investment decisions.** As stated in previous Eurosif position papers and responses to various initiatives *(i.e. The Public Policy Position Paper related to Sustainable and Responsible Investment-SRI, 2009),* **mandatory disclosure of corporate governance practices** is an essential aspect of avoiding future financial crises caused by short-termism, inadequate use of governance powers by investors, poor shareholder engagement, unenforced regulation, misaligned compensation and/or incentive systems and a lack of transparency.

The Commission's initiative to make capital markets safer through sound corporate governance practices joins other global initiatives meant to restore the integrity and long term development of the financial services sector. The recent initiative of the Obama Administration through the adoption of **the Wall Street Reform and Consumer Protection Act** is regarded as the most comprehensive change in the US financial regulation since the Great Depression.[2] Already in some European countries, significant steps have been taken to improve corporate governance, such as the UK's Stewardship Code or France's June 23 2010 Decree on the voting rights of shareholders of listed companies to which we refer in the present Response.

[1] Please see Appendix for information on Eurosif and its activities.

[2] The Dodd-Frank Wall Street Reform and Consumer Protection Act approved by President Obama on July 21, 2010 is a comprehensive set of financial rules proposing 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.

Now is an important moment for the Commission to learn from the crisis, observe the best policy decisions of other jurisdictions and ensure appropriate measures are implemented to better harmonise the corporate governance of financial institutions across the EU Member States.

While finding the issues discussed in the Green Paper extremely relevant as potential tools for improving corporate governance in financial institutions, Eurosif wishes to address topics from the Green Paper in which it has the most expertise and background. Therefore, in our Response, Eurosif addresses the following topics:

1. Board of Directors' roles and responsibilities and Risk Management recommendations
2. Shareholders engagement in corporate governance;
3. Remuneration.

1. Board of Directors' roles and responsibilities and Risk Control Management recommendations

Considerations:

The current financial crisis has highlighted the need for improved and relevant transparency of a broad range of issues at Board[3] level in order to act as a proper check as well as a guide for management. It is a fact highlighted in most European initiatives assessing the causes of the current financial crisis. The High Level Group on Financial Supervision (De Larosière Group)[4] draws the attention in their 2009 report to the lack of Board of Directors' oversight or control of management as being one of the main corporate governance failures leading to the current financial crisis (paragraph 23 of the Report).

Eurosif's Recommendations in regards to Board of Directors' roles and responsibilities:

Eurosif asks the European Commission to create a framework that **strengthens the role and responsibilities of the Board of Directors especially on risk supervision and management**, as this is one of the key aspects of governance, particularly in financial institutions. Considering the importance of long-term effects of management practices, Eurosif believes that **the duties of Board of Directors should include their greater supervision and involvement in addressing longer term issues such as environmental, social and governance (ESG) risks**, areas which are highly important in order to ensure the oversight of all possible risk areas.

It is increasingly understood that financial statements capture less than 20% of corporate risks and value creation potential, with the balance deriving from intangible factors such as human capital and resource efficiency. ESG data are relevant, material information that investors should have and increasingly want as a means to better gauge longer-term risks.

The availability of ESG data tracking the sustainability performance of financial institutions could have a beneficial effect on corporate, investment and market performance. Should investors conclude that companies with thoughtful long-term management of ESG issues are better-run companies, a sort of virtuous circle could be created: in this scenario, investors would reward stock prices where sustainability is integrated, and companies would respond by further improving their sustainability performance. Accordingly, a fixation on meeting quarterly earnings estimates and other short-term measures would give way to longer-term thinking as a broader business agenda is recognised and rewarded by investors. **The mandatory disclosure of ESG information by publicly listed and large companies could go a long way toward a sustainable economy.**

[3] The term "Board of Directors" as stated in the Green Paper refers to the supervisory role of directors in a company which, in a dual structure, generally falls within the scope of the supervisory board.
[4] The High Level Group on Financial Supervision or De Larosière Group (named after its chairman, Mr. Jacques Larosière) was mandated in 2009 by the European Commission to assess the causes that led to the Financial Crisis and the future of European supervision. The results of the assessment are available in the De Larosière report, available at the following link.

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Although companies improved overall ESG risk management and disclosure between 2005 and 2008, *the financial sector showed the poorest performance of all the sectors in 2008 with 24.2% of companies disclosing no evidence of ESG risk management* which is at least twice that of any sector, according to a study published by EIRIS in 2009.[5] In addition, according to the same study, 45.3% of companies display no evidence of Board responsibility for ESG risk management, which validates the need for a shift in the duties of the Boards.

With regards to Board diversity, **Eurosif strongly urges the European Commission to establish mechanisms to increase the diversity within the Board of Directors, particularly around gender equality and diversity of backgrounds.** As an illustration of the need for EC intervention, a study conducted from 2005 to 2009 showed that the gender balance within the Boards of internationally operating companies only slightly increased in the favour of women participation, with just 26% of companies having more than 20% women in their Boards of Directors.[6] This reveals the persistence of discriminatory practices in promotion policies despite the negative legislative and reputational effects that this may have on companies. Bolstering the argument for improved diversity at the Board level are the increasing academic papers being published that suggest diversity at Board level improves risk-management and long term financial performance.

However, Eurosif considers that introducing compulsory gender quotas in companies[7] (including financial institutions) may be just another artificial criterion and may create another form of discrimination with unintended consequences and should thus be avoided. Therefore, **Eurosif recommends that the European Commission should put in place mechanisms to facilitate the explicit disclosure by Financial Institutions of how diversity within the Board of Directors is addressed.**

An important factor the Commission should also consider is the number of Directorships a single individual can hold while remaining effective and knowledgeable about each company's key issues. As suggested by currently existing guidelines in Europe,[8] Eurosif contends that non-executive directors of banks and other financial institutions should have the ability to allocate greater time commitments for their respective boards. To this end, **Eurosif urges the European Commission to establish mechanisms that limit the number of boards on which a director may serve or alternatively, that increase the number of days per year a director dedicates to a respective Board.**

A final issue around Board roles that Eurosif would like to address from the Green Paper is the separation of the functions of Chairman of the Board and Chief Executive Officer. Some of the existing guidelines[9] in Europe already recommend the clear separation of the Chairman of the Board and the Chief Executive Officer. Eurosif considers that **the tenure of these two functions by one person should clearly be prohibited in financial institutions** as there must be a clear distinction between the management of the institution (ensured by the CEO and the Executive Board) and its governance (ensured by the Board of Directors) to prevent any conflicts of interests, and/or too much power in the hands of one person.

Eurosif's Recommendations on Risk Control Management:

As mentioned earlier (see footnote n°5), disclosure of risks in the financial sector is still poor while transparency of risk management practices is extremely important in view of avoiding future financial calamities. Also, as highlighted by the De Larosière Group in its 2009 report, faulty risk management has been a key factor in the run-up to the current financial crisis.

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[5] Study available at this link.

[6] According to a study carried out by Ernst&Young in partnership with Le Monde and Die Zeit. Available at this link.

[7] Gender quotas have been suggested by EU Fundamental Rights Commissionner, Ms. Viviane Reding during the July 14 hearing of the European Parliament's women's rights and gender equality committee.

[8] The UK Walker Review, 2009, recommendation n°3.

[9] The UK Corporate Governance Code as of June 2010 and the Walker Review, "A review of corporate governance in UK banks and other financial industry entities" (2009).

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Eurosif thinks that **the implementation of a policy to increase awareness of long-term risk problems - including ESG risks - should be a requirement** for all financial institutions and asks the Commission to consider a **mandatory risk control declaration by financial institutions to be put in place and published**.

In addition, Eurosif strongly considers that **reporting the environmental, social and governance (ESG) risks and how they are controlled should be mandatory too**, along with the disclosure of financial risk control methods. Initiatives such as the *Transparency Directive*[10] make the periodical financial reporting compulsory for companies; however, non-financial data disclosure (ESG) remains the decision of companies which slows the progress in the field.

In order for the policy instrument to be market oriented rather than overly prescriptive, Eurosif believes that an **ESG risk control reporting approach should be principle-based**[11] **and should be simple for financial institutions to adopt.** As to the **exact mechanisms of ensuring the risk control** duty by the Board of Directors, Eurosif considers that this should be left to each institution to decide (*i.e:* setting up risk-committees, internal reporting procedures, etc) as a "one size fits all" approach without taking into consideration the diversity of each institution can prove dangerous.

2. Shareholders

Considerations:

The High Level Group on Financial Supervision (de Larosière group) and the UK Walker Review[12] highlighted shareholders' general lack of interest in corporate governance and the role that this may have had in provoking the present financial crisis. While agreeing to stakeholders' general lack of interest in corporate governance and the role that this may have had in developing the conditions which failed to prevent the present financial crisis, Eurosif believes that **the European Commission should continue regarding shareholder engagement as a model for mitigating future governance failures.**

Given the current context of the global financial crisis, Eurosif asks the European Commission take action for enhanced regulation that encourages shareholders to focus greater attention towards long-term performance. Within this agenda, Environmental, Social and Governance (ESG) issues have an important role to play. There is a growing consensus in the financial community that **taking ESG issues into consideration is consistent with the fiduciary duty of investors when it impacts profitability**, and is further relevant when there is a consensus to do so by participants /members /stakeholders.[13] **Ownership and power imply responsibility from investors and trustees**. ESG issues such as climate change, working conditions at suppliers' factories, misaligned executive compensation, corruption and human rights have material impacts on stock values and investment portfolio performance.

Eurosif's Recommendations:

Recent initiatives such as the UK Stewardship Code[14] should be taken as a positive step forward to a stakeholder-oversight approach to governance, and Eurosif **encourages the Commission to assess**

[10] The Transparency Directive is designed to enhance transparency on EU capital markets and is currently being modernised by the European Commission through a public consultation open between May 27-Aug 20, 2010. More details here.

[11] A principles-based reporting approach provides a conceptual basis to follow instead of a list of detailed rules. Under a principles-based approach, one starts with laying out the key objectives of good reporting in the subject area and then provides guidance explaining the objective and relating it to some common examples.

[12] In 2009, the former UK Prime Minster Mr. Gordon Brown commissioned Sir David Walker to review UK's Banking Industry and make recommendations for improvement. The Walker Review, issued on July 16, 2009, available here.

[13] UNEP FI, Freshfields, Bruckhaus, Deringer : a legal framework for the integration of environmental, social and governance issues into institutional investment, October 2005.

[14] The UK Stewardship Code, issued by the Financial Reporting Council on July 2, 2010 sets a list of 7 principles for institutional investors to be more engaged in the corporate governance of their investee companies. Available here.

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how this Code can feed into this process towards the improvement of corporate governance in financial institutions. Eurosif supports such adherence to "Stewardship Codes" of best practice based on the "comply or explain" approach as a starting point. **Nevertheless, Eurosif also encourages the Commission to explore how the UK Stewardship Code can be taken one step further at an EU level – for example, by including the responsibilities of proxy-agencies, research providers and investment consultants within an enlarged framework.**

There are also national initiatives underway to improve shareholder involvement through mandatory schemes. **Eurosif encourages the European Commission to assess the recent example of the French Financial Market Authority regulation with regards to the disclosure of voting procedures by asset managers and how it may be applied in a European wide setting.[15]**

Eurosif considers that improving the voting chain will significantly improve the quality of shareholder engagement and that in view of this, several strategies are needed:

1) *Improving the transparency along the voting chain*

Eurosif considers that disclosure by institutional investors and asset managers on **how they use the information published by companies in their investment practices should be mandatory. Furthermore Eurosif considers that institutional investors should disclose their voting practices (how they voted) and how they use third-parties in their investment management (proxy-voting agencies), rather than only the agents used (simply stating the agency appointed to vote the shares leaves meaningless disclosure that is of little use to anyone).**

From an intermediaries point of view (custodians and proxy-voting agencies) there is clear need for greater transparency along the ownership chain: custodians should be required to ensure that every client account is individually identifiable at all points in the chain of custodians so that the "votable" positions can be easily identified for each investor at an individual rather than aggregated level.

Some examples of **concrete initiatives that the custodian banks could take** in order to improve transparency along the ownership chain could be:

- Mandatory facilitation of voting for shareholders within the EU.
- Custodian banks should not be allowed to vote without explicit instructions from the client.
- Share lending should be forbidden without explicit customer agreement. In case of a customer agreement, custodians should explain how the vote was used if lending occurred within a general meeting.

2) *Reviewing the responsibilities of third-parties in the voting chain*

Where intermediaries (custodians and proxy-voting agencies) are involved in the shares voting chain, they must be accountable for clear reporting of how shares are voted and for providing investee companies with up-to-date registers of all their shareholders.

3) *Improving cross-border voting*

Eurosif strongly believes that facilitating cross-border voting would help to improve the quality of shareholder engagement, as more and more investors own shares of foreign listed companies. **A letter was recently sent to the Internal Markets and Services DG Commissioner, Mr. Michel Barnier,** by the Association of British Insurers, Eumedion, Robeco and Eurosif as part of the ongoing negotiations on the Securities Law Directive.[16] As stated in the letter, by the end of 2007 foreign investors owned 37% of total market capitalization in EC countries.[17] Under such circumstances, the existing barriers in cross-border voting tend to have serious consequences on the voting turnout at shareholder meetings.

Additionally, Eurosif welcomes any additional non-legislative measures that could help improve the transparency along the voting chain. To this end, Eurosif asks the European Commission to facilitate

[15] http://www.amf-france.org/documents/general/7775_1.pdf, article 322-75 3°

[16] Letter available at http://www.eurosif.org/eu_eurosif/position_papers

[17] Federation of European Securities Exchanges (FESE), "Share Ownership Structure in Europe" (December 2008).

dialogue leading to the implementation of some simple best practices that already exist in some jurisdictions. One example is to ensure the transparency of the annual general meetings of financial institutions; another would be to make results of the voting public. Both are measures that are easy to implement and although they do not guarantee the effectiveness of the voting chain, they can certainly help to improve it. **Eurosif urges the European Commission to explore how recently implemented legislation in France[18] on the transparency of annual general meetings can lead to further steps in improving corporate governance in financial institutions in Europe.**

3. Remuneration

Considerations:

The current financial crisis has launched a more intensive debate on remuneration although guidelines aiming at improving remuneration practices in financial institutions had been considered before the current global financial crisis.[19] In the aftermath of the crisis, remuneration policies and particularly the bonuses of senior executives of companies and traders in the financial sector are thus being challenged, as there is growing consensus that inappropriate remuneration practices in financial institutions also induces excessive risk-taking and short-termism.

As the High Level Group on Financial Supervision (de Larosière) report states:

> *"It is extremely important to re-align compensation incentives with shareholder interests and long-term, firm-wide profitability. Compensation schemes must become fully transparent."*

In Europe, the inclusion of **disclosure of remuneration is recommended** in financial statements.[20] Along with the new rules voted in July 2010 by the European Parliament on the financial sector bonuses,[21] appetite for excessive risk in the sector may be reduced.

Presently, the Recommendation on remuneration policies in the financial services sector (2009/384/EC) is partially implemented in EU Member States with worrying implementation differences in fundamental areas such as the structure of the remuneration (fixed versus variable) or how remuneration policies are designed and by whom.[22]

Furthermore, environmental, social and governance (ESG) issues are increasingly recognised as linked to companies' long term financial stability and value creation for shareholders. However, a cross-sectoral analysis shows that most **financial institutions fail in linking remuneration systems to ESG performance**, as outlined in Eurosif's Remuneration theme report published in January 2010.[23] The same report indicated that financial institutions (including banks, general financials and insurance sectors) account for 23% of the FTSE Eurofirst 300 index however only 16% of financial institutions have an ESG-linked remuneration systems.

The lack of transparency and the limited EU harmonisation in regards to remuneration policies can thus become problematic without taking the appropriate measures both by the EU on one side and the EU Member States on the other.

Eurosif's Recommendations:

1) *Transparency on remuneration policies*

[18] Decree n°2010-684 of June 23, 2010 on shareholde rs rights.

[19] The European Commission's Recommendation on Director's Pay, 2004. More information at this link.

[20] Eurosif Remuneration theme report, January 2010.

[21] On July 8, the European Parliament has voted a new regulation that imposes limits on bankers bonuses and links the variably pay to risk-taking . Click here for more information.

[22] The 2010 evaluation report on the application by Member States of the EU of the Commission 2009/384/EC

[23] Report available here.

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Considering that one of the aims of remuneration is to incentivise and reward appropriate performance, risk management and behaviour (both short and long term) Eurosif believes that there should be increased transparency of remuneration for directors of both financial institutions as well as for all listed companies to shareholders.

As shown in the evaluation report on the application by the EU member states of the Remuneration Recommendation EC/2009/384, only 8 EU Member States fully implement the recommendations related to disclosure of the remuneration policies. As illustrated in the above mentioned Recommendation, the control of the design and implementation of the remuneration policy is more likely to be effective if the relevant stakeholders are properly informed and engaged in the process. To this end, Eurosif considers that the remuneration policies in all financial institutions should be fully transparent both internally and where relevant, to their shareholders. Furthermore, **Eurosif considers that the disclosure to the shareholders of the decision making–process used for determining the remuneration strategies should be mandatory.**

Finally, Eurosif supports the previously submitted recommendation by the Group of 20 leading economic countries (G20) on the occasion of the London 2009 summit[24] where it was advised that the setting up of remuneration committees in all financial institutions should be mandatory as this ensures greater transparency and periodical review of the remuneration policies and practices.

2) Linking remuneration to long-term performance

Given the important link that should exist between senior executives' and directors' remuneration and long term stable value creation, remuneration policies should be linked to meeting longer-term non-financial targets. On June 22 2010, Eurosif in collaboration with the ABP Pension Fund, hosted a workshop in Amsterdam to discuss how to integrate environmental, social and governance (ESG) performance in remuneration strategies, with participants representing investors, non-governmental organisations, advisors and internationally operating companies.

Eurosif wishes to bring forward the main suggestion coming out of the meeting in regards to remuneration which is **that remuneration strategies should be linked to ESG performance based on a "comply or explain approach" whereby financial institutions disclose the extent to which ESG targets are incorporated or explain the lack of ESG targets integrated in remuneration strategies.**

Regarding concrete actions that can be taken in order to link remuneration to ESG performance, **Eurosif recommends that the European Commission review the already developed guidelines in Europe[25] and explore how they can feed to further actions on improving sound remuneration practices.**

3) Shareholder vote on remuneration policies

Greater involvement of relevant stakeholders in the design and implementation of remuneration policies is more likely to create an effective control over the process. To this end, shareholder involvement in the remuneration policies is important. Eurosif considers that a shareholder vote on Directors' remuneration packages should become mandatory at an EU level, as recommended in the EC Recommendation 2009/385/EC complementing Recommendations 2004/913/EC and 2005/162/EC.

[24] Published recommended remuneration reforms among other recommendations for reform of financial supervision at the London meeting of G20 Leaders in April 2009.

[25] Sustainable Remuneration Guide, « A guide for linking sustainable goals to executive incentives » by the Dutch Association of Investors for Sustainable Development (VBDO), available here.

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CONCLUSIONS

Eurosif has addressed in the present Response those areas that are most consistent with our expertise. In order to better harmonise and strengthen the European market, the suggestions here will certainly help buttress financial institutions while ensuring a more solid risk management culture. This will better protect investors and ultimately, European citizens. At the same time, the suggestions within this Response should be viewed as a means to create opportunities through an improved system. Improvements in Board diversity, the smoother functioning of the cross-border voting chain, more comprehensive remuneration plans – each of these tools will help to create a smoother system where financial institutions can play a vital role in creating business opportunities that may be unforeseen today through improved access to capital and more effective uses of capital.

To conclude, Eurosif's overall position concerning Corporate Governance in Financial Institutions is that there should be mandatory requirements **for financial institutions to better disclose their practices** - including the ones regarding environmental, social and governance (ESG) performance. **Mandatory disclosure of corporate governance practices** is an essential aspect of avoiding future financial crises caused by short-termism, inadequate use of governance powers by investors, poor shareholder engagement, unenforced regulation, misaligned compensation and/or incentive systems and a lack of transparency.

Now is an important moment for the Commission to learn from the crisis, observe the best policy decisions of other jurisdictions and ensure appropriate measures are implemented to better harmonise the corporate governance of financial institutions across the EU Member States. Eurosif politely and firmly asks the Commission to not let go of this important opportunity.

Yours sincerely,

Eurosif (European Sustainable Investment Forum)

This response has been developed as a part of Eurosif's aims to encourage disclosure, transparency and responsible ownership, and to promote the integration of social, environmental and governance issues into financial services. It does not necessarily reflect the views of all of its Member Affiliates.

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APPENDIX

About Eurosif

EUROSIF, the European Sustainable Investment Forum, is the pan-European network whose mission is to develop sustainability through European financial markets. Eurosif works as a partnership of the national Sustainable Investment Forums (SIFs) within the EU and with the support and involvement of Member Affiliates. Recognised as the premier European forum for sustainable investment, Eurosif's Member Affiliates are drawn from leading pension funds, asset managers, NGO's, trade unions, academic institutes and research providers, together representing assets totalling over €1 trillion. Eurosif's work includes a focus across asset classes - equity and fixed income markets, microfinance, renewable energy, property, private equity and hedge funds - all centred around the industry trends and future legislation affecting this space. The key benefits that Eurosif affiliate members receive include EU interfacing, SRI information and European wide initiatives that integrate Environmental, Social and Governance (ESG) issues into the financial services sector.

For the full list of Eurosif Member Affiliates, please see www.eurosif.org

Eurosif has two main roles: (1) to provide an international forum that allows members and member affiliates to work together on issues pertaining to Sustainable & Responsible Investment (SRI, see below for definition of SRI and its market size in Europe) and Corporate Governance in the EU financial services sector, and (2) to collect input from members and member affiliates and then communicate their ideas and initiatives to European policy makers, including the European Commission as well as the European Parliament. Therefore, this note is mainly driven from and by the interest and expertise of our membership.

Sustainable and Responsible Investment Definition

Eurosif continues to use the term "SRI" as the most readily acknowledged expression for this field and defines SRI as follows:

> SRI, a generic term covering ethical investments, responsible investments, sustainable investments, and any other **investment process that combines investors' financial objectives with their concerns about environmental, social and governance (ESG) issues.**

To do so, different approaches exists:

- Best-In-Class approach: Selection of the best companies in their sector with regard to sustainable development.
- Thematic approach: Selection of the best companies according to a specific sustainable development theme (renewable energies, water, job creation, etc.).
- Norms-Based approach: Selection of companies according to their observance of the main international treaties/conventions (e.g. ILO).
- Exclusion approach: Exclusion of companies involved in controversial activities or issues (alcohol, gambling, animal testing, etc.).
- Engagement: this includes proxy voting, collaborative engagement, direct private dialogue with companies, and public engagement. Engagement is often considered as an extra overlay to other SRI approaches or traditional management.
- Microfinance approach: financing Microfinance institutions (bonds or equity) favoring economic empowerment.

Market Size

In its latest European SRI Study 2008, Eurosif published the latest Sustainable and Responsible Investment (SRI) figures and trends. The 2010 edition of the SRI Study will be published on October 13, 2010. This unique study will highlight the scale of European SRI as well as European and National trends across eighteen countries. Based on a survey of asset managers and self-managed asset owners, Eurosif assessed the total European SRI assets under management (AuMs) to be €2.7 trillion as of December 31, 2007 and represent as much as 17.5% of the asset management industry in Europe.

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