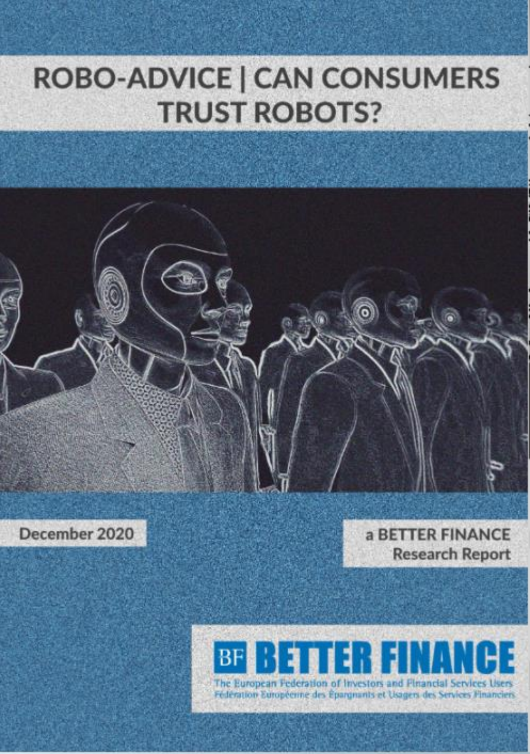
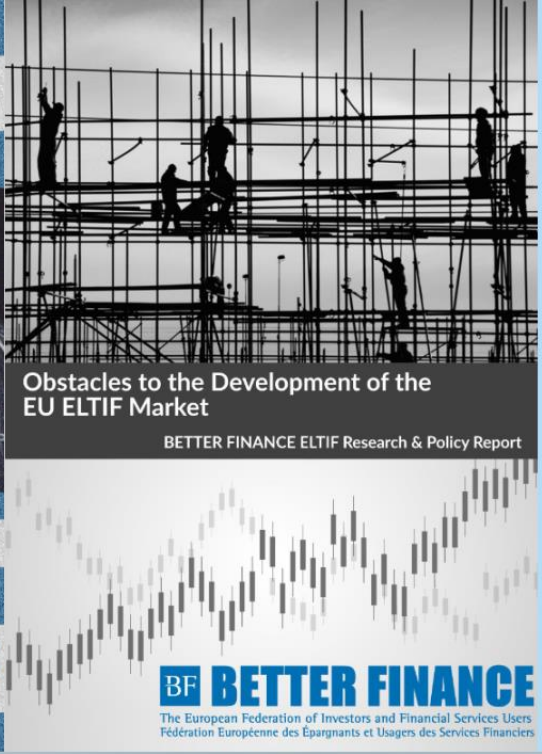
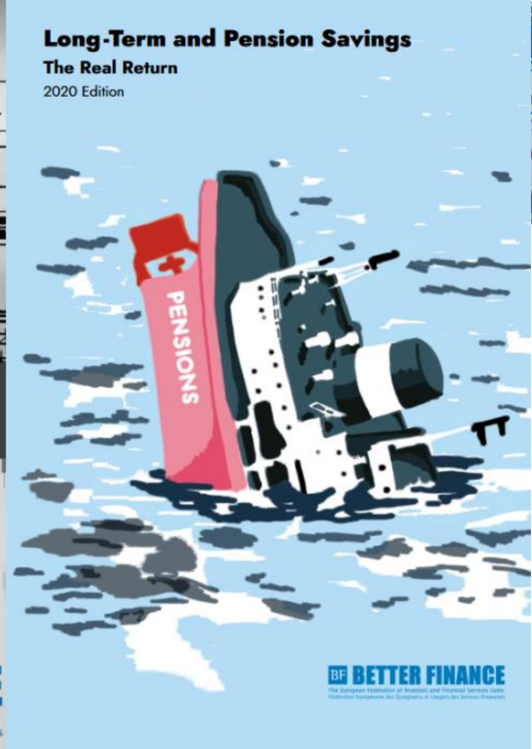


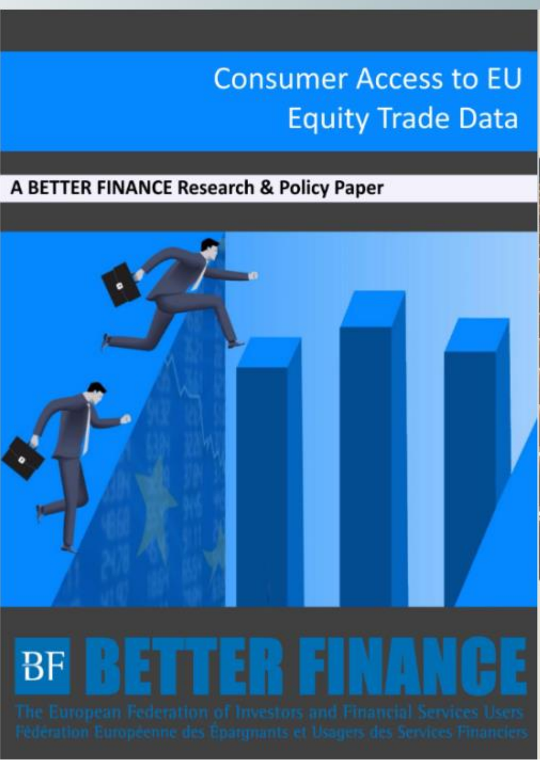


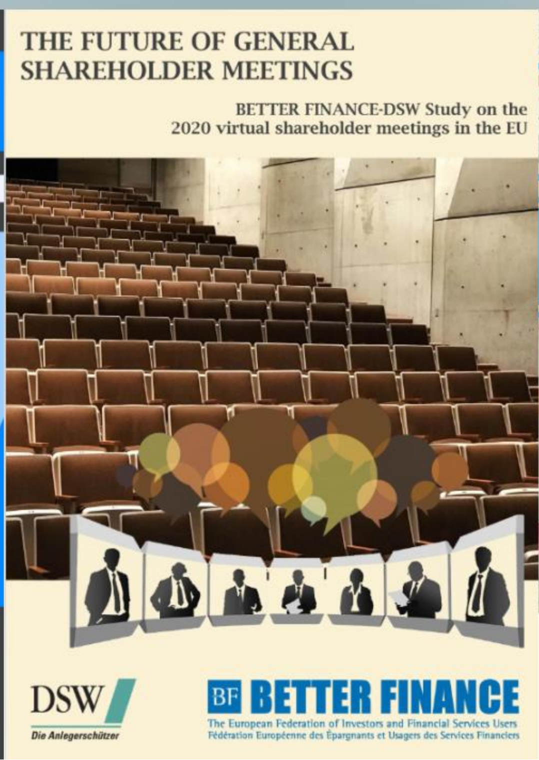


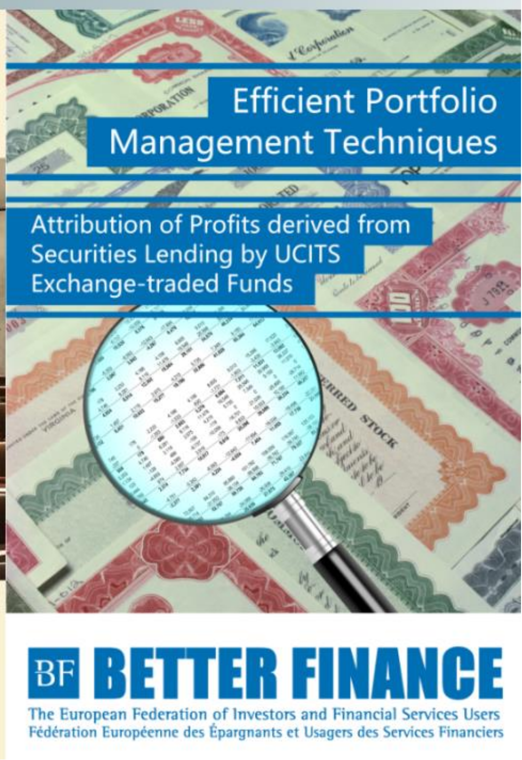
Annual Report 2020

BETTER FINANCE

The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers







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2020 | AN OVERVIEW

"European citizens as long-term savers and individual investors – who are one of the primary funders of the capital markets and of the economy – too often get poor net long-term real returns. Providing cross-border access to simple, comparable, cost-efficient and transparent products that provide sustainable value for money is key for savings, and key for investments."

| Thomas Wieser - Chair of the High-Level Forum on Capital Markets Union |

Even though 2020 was a difficult year for everyone, it also brought some good news for EU Citizens in their capacity as savers, investors and users of financial products and services: the European Commission's (EC) High-Level Forum (HLF) on the Future of CMU, published its "New Vision for Europe's Capital Markets" with a list of key recommendations, taking up several proposals put forward by BETTER FINANCE.

Despite being dwarfed by those HLF members representing financial intermediaries or working for them, BETTER FINANCE is happy that it could get through – at least partly – many of its Key Priorities published last year. A majority of those then made it into the EC's CMU Action Plan published in September 2020.

Crucially, even though the HLF stopped short of recommending a ban on sale kickbacks ("inducements" in EU jargon) to retail distributors ("advisors"), it asked the EC to examine, in particular, "*the role of inducements for the adequacy of advice*".

The report also heeded BETTER FINANCE's calls to improve the disclosure of key information for packaged retail and insurance-based investment products ("PRIIPs") calling for a review of *the PRIIPs Regulation especially as regards the intelligibility and comparability of performance and cost disclosure information*."

This is key, since proper and clear disclosure documents are a prerequisite to enable consumers to compare products and make informed investment decisions.

Aligning itself with BETTER FINANCE, the HLF also calls for an end to the exclusion of individual investors in listed equities and bonds from the current EU collective redress directive, and to promote employee share ownership (ESO) as a powerful way to better fund SMEs and to revive the equity culture, damaged by decades of biased retail advice.

So, EU Citizens are slowly finding their rightful place at the heart of the CMU, but some misunderstanding of the "raison d'être" of capital markets, and who they are for, remains. Capital markets are not just for financial intermediaries but should serve the needs of the real economy users and providers of capital: the businesses in need of capital to grow and the end investors who provide this capital. And who are these providers of capital, investing directly or via pension funds, investment funds or insurance-based investment products? The EU citizens as savers. 2020 saw steps in the right direction, let's stay on this path into 2021!

Guillaume Prache, Managing Director

OUR MISSION

The goal of the European Federation of Investors and Financial Services Users ("BETTER FINANCE") is to act as an independent financial expertise and advocacy centre to the direct benefit of European financial services users.

Since the BETTER FINANCE constituency includes individual and small shareholders, fund and retail investors, savers, pension fund participants, life insurance policy holders, borrowers, and other financial services users, we have the best interest of all European citizens at heart.

BETTER FINANCE believes that the financial system exists to serve the real economy. For this reason, our mission is focused on restoring confidence in capital markets and financial intermediaries and promoting a sustainable finance for its users.

BETTER FINANCE tries to balance the influence of financial institutions in the EU financial policy-making process. To achieve this, we:

- successfully engage in EU financial policy advisory groups and processes,
- in campaigns to provide relevant information and better protection for end-users,
- promote market integrity and transparency for individual investors and non-industry stakeholders,
- and push for better governance of financial supervision for all European citizens

Who we are

WHO WE ARE

1992	Euroshareholders created
2009	BETTER FINANCE created under the name of EuroInvestors in the aftermath of the Financial Crisis
2012	Euroshareholders merged into BETTER FINANCE. Scope extended to include other users of financial services.
2020	

BETTER FINANCE was created in 2009 in the aftermath of the 2008 financial crisis to give consumers of financial services a voice.

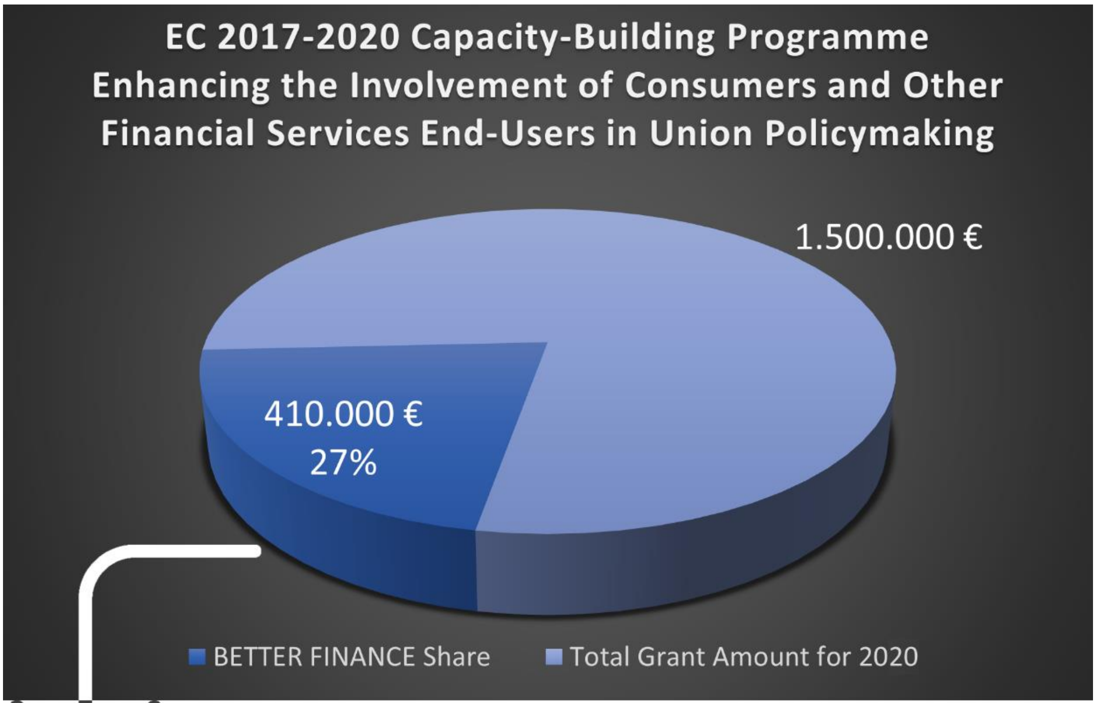
BETTER FINANCE's predecessor, Euroshareholders, was created in 1992 and gathered about 30 individual shareholder organisations in Europe. Euroshareholders joined BETTER FINANCE in 2012.

This constituted a very important landmark towards a fully unified representation of the interests of all financial users at the European level. Thus, BETTER FINANCE is one of the very few organisations working "in the interests of the many, and not the few".

BETTER FINANCE directly benefits European end-users of financial services (and non-industry stakeholders) as its members are dedicated non-profit European financial services user organisations themselves. They act as representatives of financial services users in their respective EU Member States, thereby ensuring proper governance, independence and prevention of conflicts of interests.

BETTER FINANCE represents about 4 million financial services users through 37 organisations in 25 countries, including 18 European Member States.

+4 million users → from 37 members → in 25 countries



2020 | EFFICIENT USE OF PUBLIC MONEY

8 staff members in Brussels

25 experts in EU advisory groups

6 events & conferences across the EU

26 press releases

20 responses to consultations from EU authorities and 4 own initiative position papers

BETTER FINANCE defended savers' and investors' interests in 20 public debates and events

5 newsletters: EU Financial Policy News and Analysis

6 Research Reports

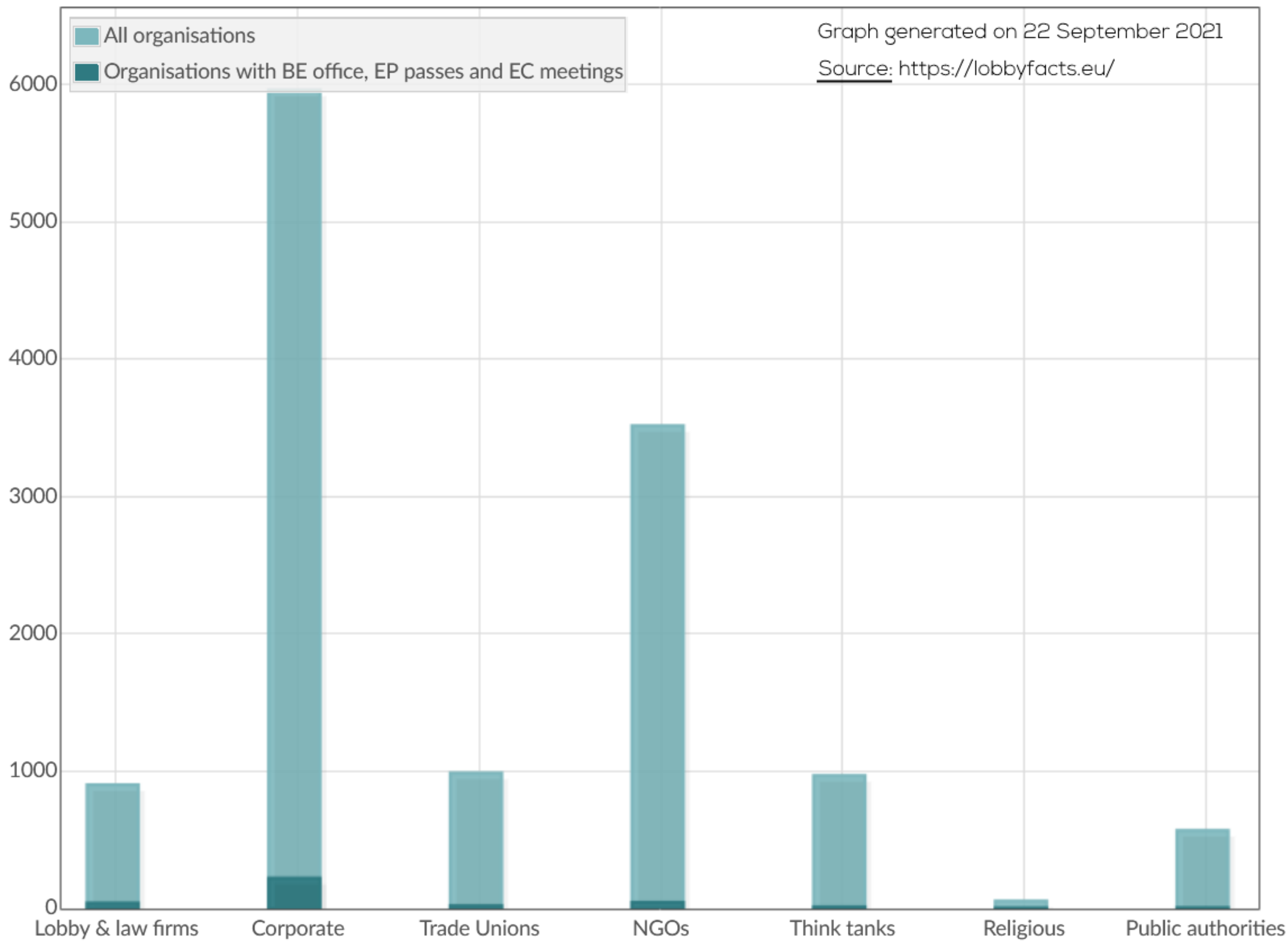
STATE OF PLAY

Prior to the creation of BETTER FINANCE, European financial policymakers were almost exclusively confronted with, and advised by, financial industry representatives.

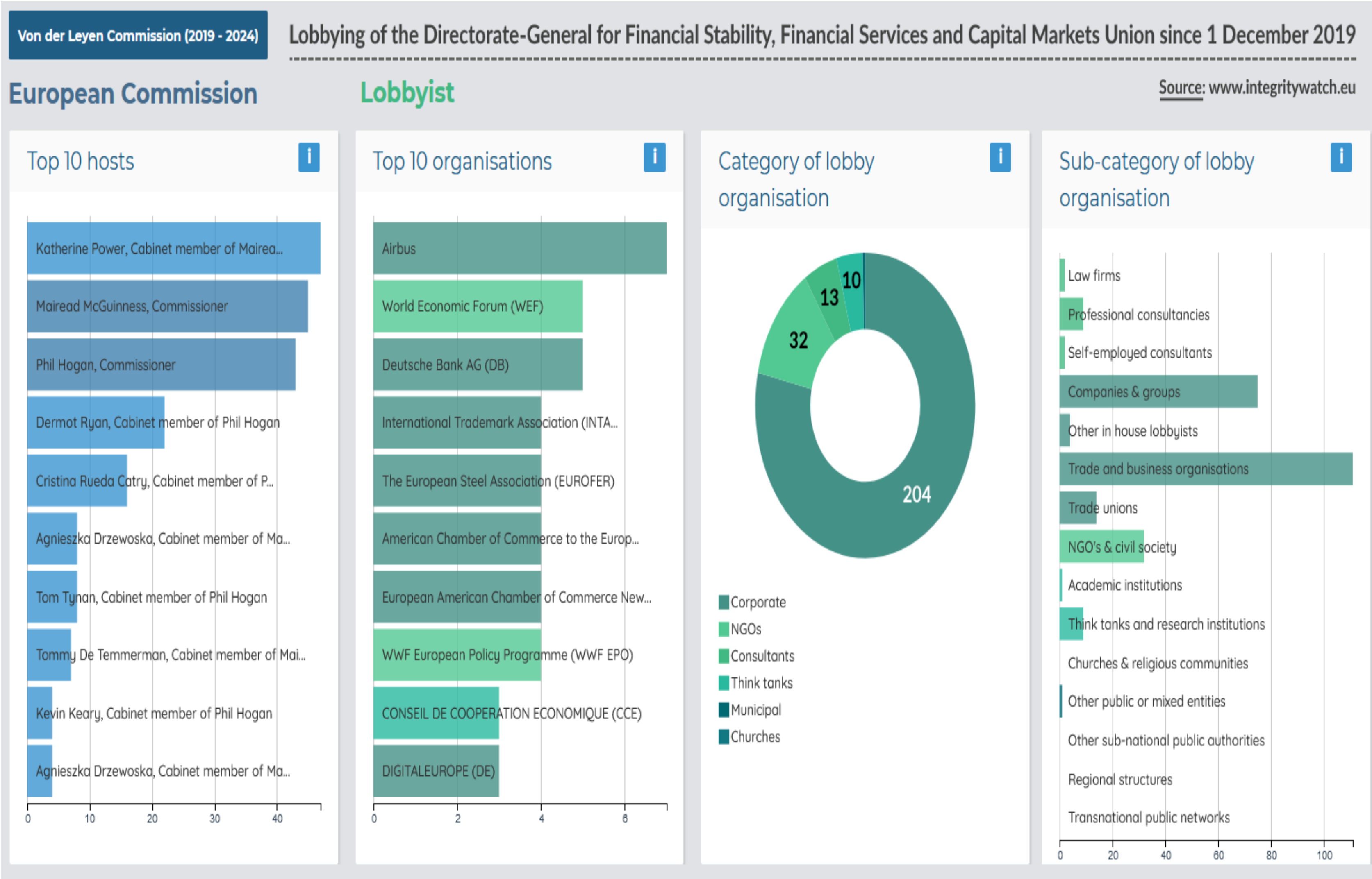
Since 2012, the European Union has been supporting BETTER FINANCE to enhance the involvement of financial services users in EU policymaking in the area of financial services.

To this day, the need for rebalancing hasn't been fully met: the few financial user-side advocates at EU level are still dwarfed by the thousands of lobbyists working for the financial industry.

Distribution of different types of organisation on the EU lobby register




Efficient Portfolio Management Techniques
Attribution of Profits derived from Securities Lending by UCITS Exchange-traded Funds
BETTER FINANCE
THE FUTURE OF GENERAL SHAREHOLDER MEETINGS
BETTER FINANCE
Consumer Access to EU Equity Trade Data
A BETTER FINANCE Research & Policy Paper
BETTER FINANCE
Long-Term and Pension Savings
The Real Return
2020 Edition
PENSIONS
BETTER FINANCE
Obstacles to the Development of the EU ELTIF Market
BETTER FINANCE
ROBO-ADVICE | CAN CONSUMERS TRUST ROBOTS?
December 2020
BETTER FINANCE

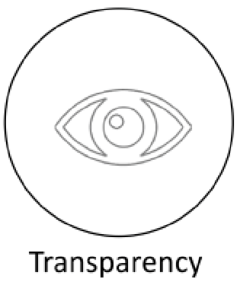

Von der Leyen Commission (2019 - 2024)
Lobbying of the Directorate-General for Financial Stability, Financial Services and Capital Markets Union since 1 December 2019
European Commission
Lobbyist
Source: www.integritywatch.eu
Top 10 hosts
Katherine Power, Cabinet member of Mairea...
Mairead McGuinness, Commissioner
Phil Hogan, Commissioner
Dermot Ryan, Cabinet member of Phil Hogan
Cristina Rueda Catry, Cabinet member of P...
Agnieszka Drzewoska, Cabinet member of Ma...
Tom Tynan, Cabinet member of Phil Hogan
Tommy De Temmerman, Cabinet member of Mai...
Kevin Keary, Cabinet member of Phil Hogan
Agnieszka Drzewoska, Cabinet member of Ma...
0
10
20
30
40
Top 10 organisations
Airbus
World Economic Forum (WEF)
Deutsche Bank AG (DB)
International Trademark Association (INTA...
The European Steel Association (EUROFER)
American Chamber of Commerce to the Europ...
European American Chamber of Commerce New...
WWF European Policy Programme (WWF EPO)
CONSEIL DE COOPERATION ECONOMIQUE (CCE)
DIGITALEUROPE (DE)
0
2
4
6
Category of lobby organisation
10
13
32
204
Corporate
NGOs
Consultants
Think tanks
Municipal
Churches
Sub-category of lobby organisation
Law firms
Professional consultancies
Self-employed consultants
Companies & groups
Other in house lobbyists
Trade and business organisations
Trade unions
NGO's & civil society
Academic institutions
Think tanks and research institutions
Churches & religious communities
Other public or mixed entities
Other sub-national public authorities
Regional structures
Transnational public networks
0
20
40
60
80
100

KEY PRIORITIES 2019-2024

Key Priorities for the Next Five Years | 2019-2024

2019 European Elections: BETTER FINANCE calls for a NEW DEAL for EU Citizens as Savers and Investors! To this end it has outlined 10 key financial policy priorities for 2019 – 2024 and is asking EU Politicians to address the critical issues we are confronted with through this online questionnaire.

1. Better access to simple and transparent products



One main aim of CMU 1.0 (2015) was to improve the EU economy's funding and offer better returns to EU long-term and pension savers by fostering retail investments into capital markets. BETTER FINANCE recommends the following measures:

a. Direct access to **simple** investment products (such as **equities, bonds, index ETFs and UCITS funds**) that are getting EU citizens as investors closer to real economy assets, instead of estranging them further into more packaged, complex, opaque and fee-laden products.
In particular, at least one alternative investment option in PEPP should allow for the direct investment in equities, bonds and plain vanilla index ETFs. MIFID II should clearly allow

intermediaries to advise clients on such simple and direct products and PRIIPs should not apply to plain vanilla corporate bonds and the like as those are already subject to the prospectus disclosures.

b. A better alignment of distributors' incentives with clients' returns by **minimising conflicts of interests** in the distribution, in particular by following up on the retail investment markets assessment conducted by the EC in 2017 with an Action Plan, and by addressing short-termism.

2. Make the European capital markets more attractive for EU citizens as savers and investors

Attractiveness

The CMU can only succeed if individual investors invest more into the real economy. BETTER FINANCE recommends the following measures:

a. **Ensure proper enforcement of EU rules against mis-selling.** As European Parliament's and BETTER FINANCE's studies show, several key EU rules regarding retail investors', policyholders', savers' and mortgage borrowers' protection are not adequately and consistently enforced. European Supervisory Authorities (ESAs) must use their new product intervention powers.

b. **Use taxes as an incentive, not as a punishment**: Provide tax incentives for long-term and pension investors and eliminate existing tax discriminations for individual investors in the EU such as double taxation of dividends, etc.

c. **Increase the responsibility of institutional investors,** e.g., by establishing a fiduciary duty to exercise all voting rights, disclose securities lending/collateralisation and short selling to the end investor/beneficial owner, and ban the re-lending or re-collateralisation of securities.

d. Impose **consistent investor protection and level playing field between the regulated capital markets and the "dark" venues** generated by MiFID I, which now capture more than half of capital market transactions.

e. **Introduce cost-free cross-border voting for retail investors within the EU,** reflecting the increasingly international portfolios of individual investors to help regain their trust and to ensure stronger governance of companies.

f. Introduce the same level of shareholder protection as a standard all over the EU. **Introduce common delisting rules for all EU-Member States.**

3. Improve the competitiveness of European capital markets for SMEs

Competitiveness

Despite the benefits of public listings, EU markets struggle to attract new issuers. BETTER FINANCE recommends the following measures:

a. **Increase the attractiveness of EU stock exchanges for EU SMEs in general, e.g., through tax incentives.** EU stock markets are still struggling to attract IPOs and London is still the most important market for IPOs in the EU. Therefore, BETTER FINANCE suggests that the Commission builds on the experience and expertise built up in well-established capital markets to find out how to make EU stock exchanges more attractive.

b. Strengthen the IPO market in Continental Europe. The Commission should review the regulatory barriers to small firms for their admission to trading on public markets to ensure that the regulatory environment for the SME Growth Markets is fit for purpose.

4. Better access to comparable, fair, clear and not misleading information

Clarity

To be an individual investor is not a full-time job. Therefore, essential information should be provided in the easiest way possible to allow individual investors to understand and compare investment offers. BETTER FINANCE recommends the following measures:

a. **Improve transparency on performance and fees** of all investment products by developing the initial work of the ESAs, and by **urgently reviewing the PRIIPS Regulations**: reinstate the comparable disclosure of long-term past performances relative to the benchmarks of the providers, eliminate the unreliable future scenarios, reinstate intelligible, comparable and comprehensive disclosures on costs and fees.

b. For **Insurance-Based Investment Products** (IBIPs), key cost disclosures should distinguish between performance-related ones and risk coverage ones, and disclosures on annuities (pay-outs) must be much clearer and include if/how they will protect clients against inflation.

c. **Simplify** and standardise as much as possible the information included in the various key information documents (KIID, KID, PBS, summary prospectus, etc.), which should be short, simple and comparable and thereby easy to understand for investors. It is also the prerequisite for reliable web comparing tools.

d. Create public or at least independent **EU-wide web-based comparison tools** to enable an objective comparison of all investment products.

e. **Differentiate between inexperienced and experienced investors**. MIFID rules led to **overprotectiveness** of investors regardless of their experience. Experienced investors should be able to act as semi-professionals and should be able to opt-out of the high protective mechanisms introduced for inexperienced investors.

5. Improve long-term and sustainable value creation

Sustainability

Scientists, governments, companies and investors first need to have a common understanding about which economic activities are deemed sustainable. BETTER FINANCE recommends the following measures:

a. Introduce a clear and compulsory **taxonomy** for "green" products, and progressively widen the taxonomy; not be limited to only "E" (Environment) but also extended to the "S" (Social) and "G" (Governance) criteria.

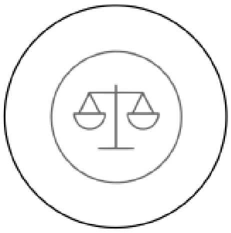
b. Adopt a well-designed and controlled **ecolabel** based on the taxonomy.

c. Improve the long-term engagement of asset managers ("other people's money") with investee companies and introduce a better alignment of asset managers 'and distributors' incentives with clients' long-term returns.

d. "Green" products must deliver decent returns for long-term and pension savers and a high degree of transparency on how the money invested has been used. In particular, insurers' Asset/Liabilities Management (ALM) must end its over-reliance on Sovereign debt investing and provide decent real long-term returns ("value for money") to pension savers, including during the pay-out phase.

e. Follow up on **employee share ownership best practices** with a CMU "Action".

6. Ensure fair and equal access to redress



Fairness

Creating a more favourable environment for companies to list on EU public markets needs to go in line with a strong protection of EU citizens investing in listed companies – not only during the listing but also where companies seek to exit the public markets via a delisting. BETTER FINANCE recommends to:

a. **Introduce common rules for collective redress for all EU investors: Improve the EC's "New Deal for Consumers"** and the new collective redress mechanism by including direct investors in the proposed collective redress scheme,
b. Introduce compulsory collective redress schemes comparable to the Dutch system across all Member States.

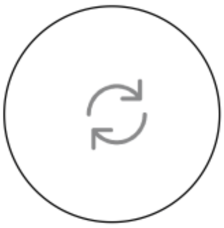
7. Promote investor education as the key to the success of a real CMU

Knowledge

OECD surveys on financial literacy show that less than 40% of the adult population is able to understand very basic notions such as compound interest or return. BETTER FINANCE recommends the following measures:

a. **Provide basic financial math and investment education already at school.**
b. **Require the distributors of retail investment products** to improve the financial education of their staff members, especially concerning equities, bonds and ETFs, and minimise their conflicts of interests with regard to more indirect, more complex and more commission-laden investment products.
c. Financial education efforts from the industry should be monitored and supervised by independent bodies.
c. **Introduce an investors' license** as an important tool for investing.

8. Ensure the consistency of all EU financial user protection rules



Consistency

The various new regulations, e.g., MiFID II, PRIIPs, IDD, Solvency II, IORP II, and rules applicable to banking products (savings accounts, structured notes, etc.) led to inconsistent standards of disclosure which creates confusion among investors and unnecessarily increases the workload for distributors and manufacturers and by that costs for investors. BETTER FINANCE recommends to:

a. Eliminate inconsistencies between existing investor and policyholder protection rules (e.g., between MIFID II and PRIIPs, IDD and IBIPs) as well as between various conduct of business rules, in particular on conflicts of interests ("inducements") and on cross-selling.
b. Harmonise all pre-contractual key information documents of substitutable investment, insurance and pension products at the points of sale.

9. Sustain the EU support to the involvement of financial services users in EU policymaking

Support

BETTER FINANCE recommends:

a. To fairly assess and sustain the EU support – started following the 2008 crisis – to better involve investors and other users of financial services in the EU financial policymaking process.

b. To ensure that independent experts from User Organisations are **adequately represented and compensated** at all expert consultative groups of the EU institutions (especially ESAs and Commission).

10. Increase the efficiency of EU institutions' procedures

Efficiency

The legislative process of PRIIPs illustrates the difficulties of introducing effective EU regulations and reduces the credibility of the work of the EU Authorities vis-à-vis its citizens. BETTER FINANCE recommends the following **steps to increase the efficiency** of the work of the EU institutions:

a. Enhance supervision of Product Oversight and Governance requirements: The ESAs should be encouraged to fully use their new product intervention powers and sanction any kind of misbehaviour by manufacturers and distributors.

b. Introduce the possibility to give certain EU institutions, such as ESMA or EIOPA, **the right to ask for minor corrections of a directive** when it becomes clear that there are practical obstacles coming up once a directive is implemented.

c. **Solve fundamental and structural problems during the Level 1 procedure**, not postponed to the Level 2 and Level 3 discussions.

d. The European Commission, Parliament and Council should regularly **publish the state of their "Trialogue "**negotiations in order to inform the public in a timely manner and prevent any possible unilateral lobbyism by the industry.

e. **Provide for reasonable transition periods for each EU legislative measure**.

High-Level Forum on the European Capital Markets Union: European Savers one step closer to getting Sustainable Value for their Money

In November 2019, BETTER FINANCE's Managing Director, Guillaume Prache, was appointed to the European Commission's High-Level Forum on the Future of CMU (HLF CMU) as one of the only two representatives of EU Citizens as Savers and Investors out of the 28 HLF members. Despite being dwarfed by the at least 18 members representing financial institutions and intermediaries, BETTER FINANCE was able to, at least partially, get through many of its Key Priorities outlined above.

The HLF CMU published its "New Vision for Europe's Capital Markets" with a list of key recommendations, of which several were proposed by BETTER FINANCE, including:

-Curbing conflicts of interest in financial advice and distribution
-Clear, fair, non-misleading and comparable key information disclosures
-Stop excluding individual investors in listed equities and bonds from the EU collective redress regulatory project
-Promoting employee share ownership plans (ESOPs) as a powerful way to better fund SMEs

This is good news for EU Citizens as Financial Users, although it is too early to declare victory. Restoring much-needed trust amongst individual investors will only be possible if policymakers take this report into account and seriously engage with its "game changing" proposals.

Support

SUPPORT FOR OUR CAUSE

BETTER FINANCE enjoys the support of the European Commission. Even though it partly funds BETTER FINANCE activities, there is no implied endorsement by the EU, or the European Commission, of work carried out by BETTER FINANCE, which remains the sole responsibility of BETTER FINANCE.

"I want to establish a framework that empowers retail investors to take the right financial decisions, one they can trust [...] Putting people at the heart of the financial system is part of my vision and I know this is an aim shared by BETTER FINANCE."

Mairead McGuinness - European Commissioner for Financial Stability, Financial Services and the Capital Markets Union

"BETTER FINANCE does a great job of creating a public discussion around finance, making it accessible and furthering common knowledge, whilst also ensuring a legal framework to create a secure environment for investors."

Isabel Benjumea Member of the European Parliament

"I will continue to listen carefully to what BETTER FINANCE and its member organisations are saying."

Sven Giegold, Member of the European Parliament

"I really think that it is very important for us... to have both views [of the industry and financial services users]."

Gabriel Bernardino, Chair of the European Insurance and Occupational Pensions Authority (EIOPA)

"Retail investors need to make sure that they have an impact on the public debate... in that sense I think BETTER FINANCE has done an excellent job."

Steven Maijoor, Chair of the European Securities and Markets Authority (ESMA)

"The voice of retail investors is being heard. They are... like you, BETTER FINANCE... you participate in most of the panels that I can think of."

Wolf Klinz, Member of the European Parliament

OUR SCOPE

The scope of retail financial services covered by the activities of BETTER FINANCE is – to our knowledge – the broadest of all European end-user and civil Society organisations involved in financial services. Among others, our activities focus on the interest of the following constituents:

2020 CAMPAIGNS

Pension Savings: The Real Returns, 2020 Edition

The Advent of Corona Pensions: BETTER FINANCE released the eighth edition of its report on the "Real Return of Long-Term and Pension Savings", which marked a new milestone for the series since it was the first to cover 20 years of the historical track record for retirement provision vehicles. At the same time, the report came against the background of a pandemic that is taking its toll on pensions as well. What happens now will dictate the pensions outlook for decades to come.

Although all returns improved in 2019 thanks to strong equity and bond market performances, too many pension schemes covered by the report still revealed either negative or very low long-term returns once charges and inflation are deducted. Furthermore, since the end of 2019,

these assets have dropped in value, most likely cancelling out a big part of the prior year's gains. The ongoing recession also generates a slowdown in pension contributions.

With as much as two decades worth of returns, charges and asset allocation data, BETTER FINANCE once again raised the alarm and stressed that reform of pension and capital market policies is necessary in order to mitigate the effects of the health crisis on pension adequacy.

Some key issues we continued to observe:

- Supplementary – mostly individual (pillar III) – schemes underperformed on average occupational – collective (pillar II) – pension plans;
- The vast majority of pension products have underperformed a simple capital market benchmark (50% equity – 50% bonds);
- Fees continued to weigh heavily on nominal returns as conflicts of interests in distribution continued unabated; and
- The asset allocation of pension funds has increasingly shifted to fixed income and packaged assets (collective investment undertakings) versus direct holdings in securities.

This, unfortunately, constitutes the perfect mix to destroy the real value of pension savings over the long-term, especially as we have entered a new period of maximum financial repression, with Public Authorities having explicitly chosen to sacrifice the protection of long-term savers to the artificial reduction of the Member States' debt costs, by granting unprecedented subsidies to governments and banks (in the form of negative interest rates and massive public debt purchases). Some Member States have even allowed pension savers to dip into their pension piggy banks by authorising early withdrawals, and some pension schemes have already announced that Covid-19 may well force them to lower even nominal pension rights.

The advent of "Corona Pensions" is another blow for European pension savers."

BETTER FINANCE put forward 11 key policy recommendations to address the most pressing issues for private pensions and create an environment that stimulates decent long-term returns. Among those, we reiterated the most important ones below:

1. Harmonise and reinforce rules to effectively curb conflicts of interests in the distribution of long-term and pension savings products.
2. Restore standardised long-term and relative past performance disclosure for all long-term and retirement savings products.
3. Grant special treatment through prudential regulations for all long-term & pension liabilities (eliminate the debt bias).
4. Simplify the "basic PEPP" and allow direct investments into capital markets (plain vanilla stocks, bonds index ETF) for PEPP savers.
5. Urgently impose harmonised and comprehensive insurance guarantee schemes across the EU since a majority of personal pensions are insurance-based and -regulated.

2020 CAMPAIGNS

Robo-advice and Robo-Investing 2020

BETTER FINANCE published the fifth edition of its research into Robo Advisors following a mystery-shopping spree covering 13 Europe-based platforms and 4 non-European ones. The Robo Advice sector continues to grow and is well placed to provide a wide range of benefits for individual investors, such as considerably lower fees, better accessibility and availability, and less biased advice compared to traditional advisors. Yet, the market did not grow as fast as expected, due to a generalised distrust in financial services and low financial literacy levels amongst individual investors, as well as a limited public awareness of the service.

In many ways, Robo Advice can be said to democratise finance and foster financial inclusion, allowing savers to access

investment products at the click of a mouse without having to pay the many layers of fees usually associated with packaged, actively managed financial products and non-independent financial advice. Most of the Robo Advisors investigated for the 2020 BETTER FINANCE Report do not come with the same conflicts of interests as traditional advisors, who are frequently paid commissions or inducements for pushing certain products. This 'independence' generally translates into less expensive products, in addition to the cheap service cost of Robo Advisors, with overall Robo Advice fees in Europe situated in between 0.55% and 1.65% and between 0.11% and 1.55% in the US, Australia and Singapore. This compares very favourably with traditional players who typically charge fees far above 1%.

There was also a marked improvement in terms of user-friendliness of the platforms, with platforms providing additional features such as tutorials on how to use their services or educational videos and webinars on key financial concepts for individual investors.

Some important caveats are in order and it is crucial to keep in mind that some of the attractive features of Robo Advice, such as the ease of use and access, come with their own risks.

In as far as transparency is concerned, despite some minor improvements, some Robo Advisors continue to disappoint. Although transparency should be the cornerstone for a sound financial industry, only 65% of the platforms covered by this report disclose past performance in their investment advice and just five out of 17 warn non-professional clients that performance projections or estimations, based on past performance, are not reliable indicators of future performance.

Most worryingly, perhaps, are the extreme divergences between platforms in terms of asset allocation and expected returns. It is astounding to find that, for instance, the recommended equity exposure ranges from 9% to 95% between platforms for the exact same investor profile. Add in the fact that most of the Robo Advisors project lower returns for longer investment horizons, and there is ample reason for concern.

Even though some of the platforms improved somewhat in terms of "suitability", the very high discrepancy between the different asset allocations, risk profiles and expected returns – both between platforms and between investor profiles – remains alarmingly high and raises concerns about the methodologies used to determine suitability and expected returns.

Disappointingly only a small minority of the Robo Advisors covered by the BETTER FINANCE Report also try to keep up with the times and propose sustainable investments.

Robo Advice holds great promise, but much more can be done to help investors understand the products on offer and their related risks, especially with regards to sustainable finance, which in most cases seems to have been added as a trendy afterthought.

Note: We are pleased to see that this report serves as a major reference for a study on robo-advisors commissioned by the European Parliament's ECON Committee.

2020 CAMPAIGNS

Ensure a Level Playing Field for ELTIFs to Take Off

ELTIF Research & Policy Report – With merely 22 active funds, of which just a handful are marketed and distributed to individual, non-professional ("retail") investors, the EU Long-Term Investment Funds (ELTIF) market is still struggling to develop more than five years after the adoption of its Regulation. The uptake of ELTIFs by investors is hampered by similar but more attractive domestic labels, a lack of public promotion, a shortage of "affluent" investors and more stringent investment rules compared to other funds of the same type.

A research and policy report by BETTER FINANCE into the underdeveloped EU market for long-term investment funds set out to identify what deterred investors from pooling capital into this safe, long-term investment vehicle. The report gathered views from BETTER FINANCE's members

and evidence from desk research on what hampered the development of the ELTIF market and what can be done to ensure that this fund label also turns into a success story, like the UCITS.

The ELTIF was created to address the lack of available financing for private equity, infrastructure, or sustainable projects (such as renewable energy, climate change or eco-friendly technologies). Such projects, by their nature, are far less liquid than other investments and require large-scale financing and "patient capital" (long-term commitments). Creating a safe vehicle for investments in riskier, illiquid assets at EU level is very difficult, especially since some national laws "compete" with each other through various types of tax-incentivised private equity funds.

Besides the challenges of setting up such a vehicle, another factor affecting the development of the ELTIF market is simply the lack of an "affluent "retail investor base, due to low financial literacy, awareness and trust in capital markets. Finally, the more stringent investment rules for ELTIFs, and the lack of tax incentives, can deter even asset managers from setting up such long-term funds.

Among other recommendations in its report, BETTER FINANCE pleads for granting ELTIFs the most favourable tax regime for "retail" investment products investing in illiquid assets across the EU and making listed small-cap equity an eligible asset class. A swift follow-up to the Recommendations of the Final Report of the High-Level Forum on the Future of the Capital Markets Union pertaining to ELTIFs is also key.

Unfortunately, this EU label faces uneven competition from domestic products at the national level, putting cross-border investments at a disadvantage and holding back the creation of a true internal market for capital and financial services. EU Member States must – at the very least – not hamper the uptake of EU-regulated investment vehicles, such as the ELTIF, and grant them the same treatment.

2020 CAMPAIGNS

2020 Shareholder Meetings | A survey of EU individual shareholders

The annual general meeting (AGM) is the cornerstone of shareholder democracy and an essential part of sound corporate governance. Not only are AGMs the place where shareholders get to vote on key decisions, it is also the only time board members and management are held to account, having to answer directly to their shareholders and report on their performance and decisions. In 2020 the Corona pandemic and the ensuing stringent limitations to gatherings of people and freedom of movement, had a dramatic impact on AGMs across Europe

Together with its German Member organisation DSW, BETTER FINANCE investigated how selected EU Member States reacted to the Corona pandemic with

regard to the general meetings of listed companies and how the measures taken in each case have been perceived by shareholders.

Emergency laws in most EU member states prohibited physical attendance at general meetings. In response, governments decided to relax the rules governing the participation in general meetings, allowing companies to hold purely virtual general meetings, leading to an unprecedented rise in virtual or totally closed-door AGMs across the EU. In most cases, this has resulted, one way or another, in an infringement of shareholders' rights.

A survey conducted among individual shareholders and their representative organisations throughout the EU indicates that shareholders had mixed experiences, citing both advantages and weaknesses for both traditional on-site AGMs and their virtual counterparts.

While shareholders shared concerns that conventional on-site meetings are not easily accessible for non-residents, involve costs and are time-consuming, they agreed that physical meetings give individual, non-professional shareholders a unique opportunity for "in-person" direct interaction with both management and other shareholders.

Virtual-only meetings, on the other hand, are not conducive to transparent and open discussions and, to some extent, reduce shareholders' rights to speak and ask questions, in particular during the meetings. But they also have their advantages such as the fact that they can be accessed from anywhere in the world, have a lower environmental impact, are less costly and time-consuming for shareholders and can be recorded for future reference.

It would seem, from the mixed responses to the survey, that hybrid AGMs would be the best way forward, combining the best of both worlds by incorporating the positive aspects of both virtual and physical meetings and removing the barriers to the exercise of shareholders' rights that exist in both models.

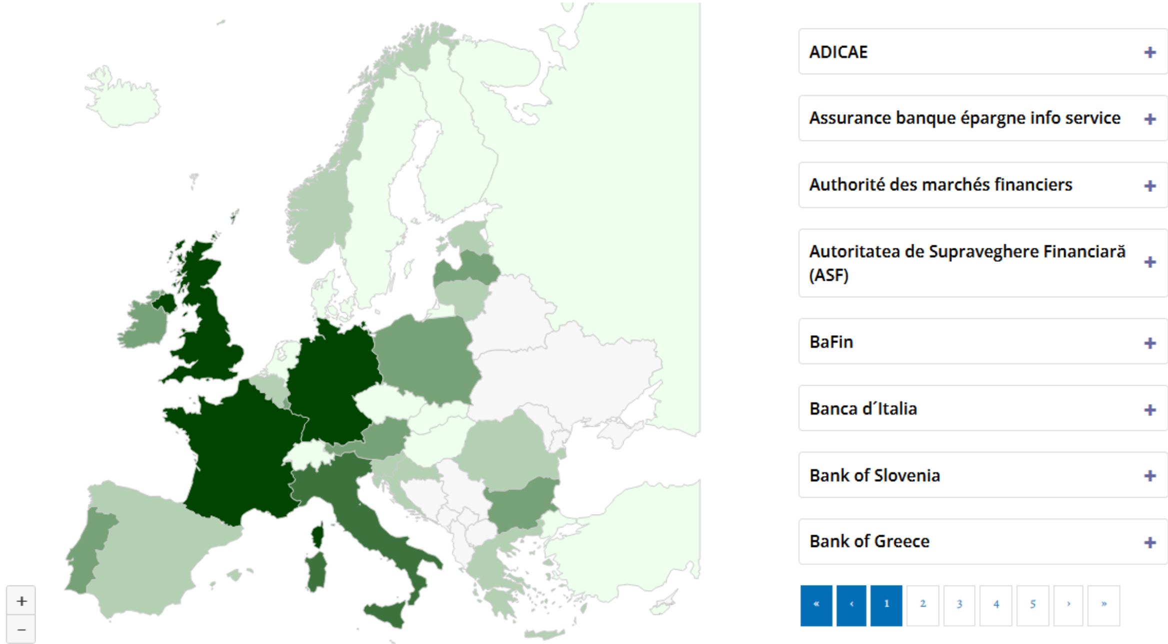
One weakness with virtual AGMs, reiterated by many survey respondents, was the failure by many companies to provide the necessary technical infrastructure to accommodate all shareholder rights in good time, hampering constructive exchanges and their right to vote based on appropriate information.

Whereas emergency laws instated by member states in response to the health crisis negatively impacted fundamental shareholders' rights, they were supposed to be temporary in nature in response to an emergency. Going forward, the format of the AGMs needs to return to one that acknowledges and ensures their deliberative function and which enables shareholders to exercise all of their rights regardless of their means of participation, including the rights to ask questions during AGMs and to vote after having heard the replies from the management.

What shapes should future AGMs take then? The view of shareholders and their representatives is very clear in that respect: an overwhelming majority of both groups prefers to maintain on-site annual general meetings, ideally, but not necessarily, coupled with virtual components.

2020 CAMPAIGNS

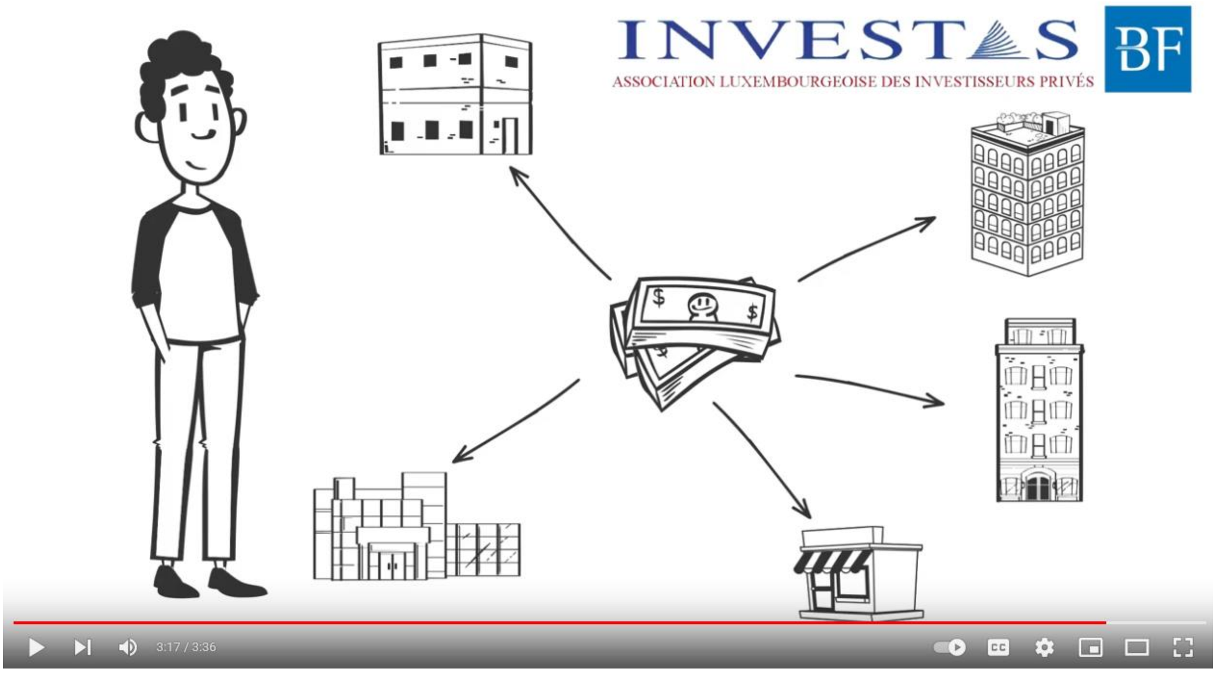
Financial Education: An Interactive Map of Independent Providers of Financial Education



In 2020, BETTER FINANCE created an interactive map where financial services users can find information on independent providers of financial education in their own EU countries and languages. The map was published on the BETTER FINANCE website in 2020. BETTER FINANCE involved its national member organisations to cross-check its own desk research with their databases, enabling an assessment of the providers and their affiliations in different languages. The interactive map includes 76 independent financial education providers in 29 European countries.

2020 CAMPAIGNS

Financial Education: "Why invest in equities?" educational video



In 2020 BETTER FINANCE ramped up its financial education activities, in particular with a view on producing educational videos and other visual materials. BETTER FINANCE continued its in-house production of videos and launched "Pourquoi investir en actions? (Why invest in equities?)" in the first half of 2020. The video is available on the BETTER FINANCE YouTube channel.

2020 CAMPAIGNS

A Pan-European Personal Pension or PEPP

The state's future ability to provide the necessary retirement replacement income is being called into question. European citizens are therefore becoming increasingly responsible themselves for their retirement income. With the shift from defined-benefit (DB) to defined-contribution (DC) plans, savers are now also responsible for making the appropriate financial decision.

But the market is very complex, the product offering is vast, and it's very difficult for them to discern what these products will cost them. On top of it, past performance is only available for "mainstream" investment funds, so

individual investors can't even know whether a product manager can be trusted or not.

Distribution channels are – mostly – captive networks, where savers are either sold a product or advised by non-independent advisors to buy a (probably) unsuitable product.

Whereas markets are performing well, many of our pension products are not, with some asset managers blaming this reality on "negative interest rates".

Moreover, citizens are subject to "monetary illusion" and are usually not aware of the very negative impact of inflation on the real value of their savings. This reality is conveniently ignored by policymakers and professionals alike, even though over 40 years, inflation can cut the purchasing power of savings by more than half.

A change is overdue, and the "tool" to deliver it is already laid down via the Regulation on a Pan-European Personal Pension (PEPP) product. The PEPP must take off as an EU quality label for retirement savings products, providing value for money (decent real net returns) and restoring consumers' trust in capital markets. The PEPP must be safe, simple, transparent and cost-efficient.

The PEPP must be accessible to all, even to those who cannot or do not want to make a financial decision right away. The PEPP must allow simple, direct investments in capital markets.

The window of opportunity is now, and the EU must make the best of it.

This Position Paper of BETTER FINANCE on PEPP and the Level 2 implementing provisions sets out the key elements that would allow the PEPP to deliver on its inherent promise to savers: to ensure real net long-term and sustainable returns for retirement.

OUTREACH & ADVOCACY

CONFERENCES & EVENTS 2020

BETTER FINANCE organised or co-organised six international events in 2020. As usual, BETTER FINANCE's members played an important role in helping organise conferences in their respective countries, bringing a national perspective to the ongoing European debates and bringing EU financial policy closer to local stakeholders, national press, and the public at large.

24 March — Sustainable Finance & Consumer Protection

Online seminar with 2°Investment Initiative

18 Sept. — EU Pension Savers under Financial Repression: is PEPP a solution?

Virtual conference with BdV

3 October — Insurtech Conference 2020

Virtual conference with Fintech Guardian

23-27 Nov. — Lifting the Lid on the FRC

Joint BETTER FINANCE & UKSA Virtual Seminars Series with the Financial Reporting Council

2 December — European Capital Markets' Union & the new Green Deal

Online Conference with the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW)

15 Dec. — Experiences with virtual AGMs in Europe in 2020

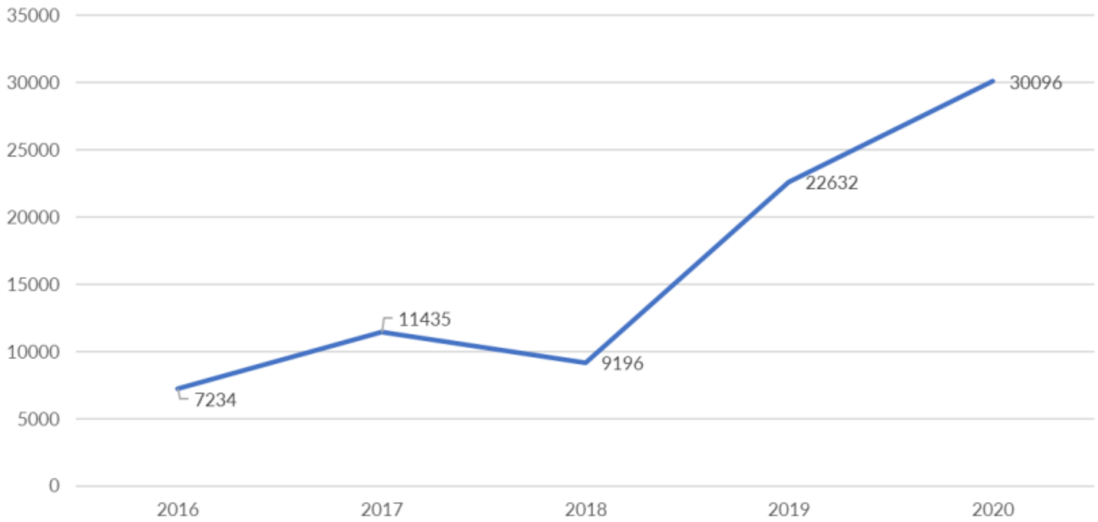
Press Conference with the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW).

COMMUNICATION

2020 OVERVIEW - BETTER FINANCE OUTREACH IN NUMBERS

- **134** Media Articles (incl. 10 Financial Times Articles)
- **26** Press Releases
- **2548** Followers on Social Media
- **1100** Newsletter Subscribers
- **20** Responses to Public Consultations
- **6** Events throughout Europe
- **6224** Research Report downloads
- **30096** Website visitors

Evolution over a 5-year from 2016 to 2020: 316% increase in website visitors



MEMBER ORGANISATIONS

Country	Member Organisation	Website
Austria	IVA - Interessenverband für Anleger	www.anlegerschutz.at
Belgium	VFB - Vlaamse Federatie van Beleggers	www.vfb.be
Bulgaria	Fintech Guardian	www.fintechguardian.eu
Cameroon	Association de Défense des Actionnaires Minoritaires	No website
Czech Rep.	SCS - Sdružení českých spotřebitelů, o.s.	www.konzument.cz
Denmark	DAF - Dansk Aktionærforening	www.shareholders.dk
European Union	EFES - European Federation of Employee Share Ownership	www.efesonline.org
Finland	Finnish Shareholders Federation (Osakesäästäjien Keskusliitto ry)	www.osakeliitto.fi
France	A.D.A.M. - Association pour la défense des Actionnaires Minoritaires	No website
France	CGPC - Association française des Conseils en Gestion de Patrimoine Certifiés	www.cgpc.fr
France	F2iC - Fédération des investisseurs individuels et des clubs d'investissement	www.f2ic.fr
France	FAIDER - Fédération des Associations Indépendantes de Défense des Epargnants pour la Retraite	www.faider.org
France	GAIPARE - Association pour l'amélioration de la retraite et de l'épargne	www.gaipare.com
Germany	BdV - Bund der Versicherten	www.bunddeversicherten.de
Germany	DSW - Deutsche Schutzvereinigung für Wertpapierbesitz	www.dsw-info.de
Greece	Helinas - Hellenic Investors Association	www.helinas.gr
Iceland	Icelandic Savers Association (Samtök sparifjáreigenda)	www.sparife.is
International	ShareAction	www.shareaction.org
International	Transparency Taskforce	www.transparencytaskforce.org
Lebanon	Lebanese Investors Association	www.bouloslawoffice.com
Lithuania	Lithuanian Consumer Institute (Lietuvos Vartotojy Institutas)	www.vartotojai.lt

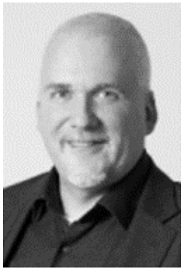
MEMBER ORGANISATIONS

Country	Member Organisation	Website
Lithuania	Lithuanian Investors Association	www.investuotojams.eu
Luxembourg	INVESTAS - Association Luxembourgeoise des Investisseurs Privés	www.investas.lu
Malta	MASS - Malta Association of Small Shareholders	www.mass.org.mt
Norway	Norwegian Shareholders Association (Aksjonaerforeningen i Norge)	www.aksjonaerforeningen.no
Poland	SII - Stowarzyszenie Inwestorów Indywidualnych	www.sii.org.pl
Portugal	ATM - Associacao dos Investidores e Analistas Técnicos do Mercado de Capitais	www.associacaodeinvestidores.com
Romania	AURSF – Asociata Utilizatorilor Romani de Servicii Financiare	www.aursf.ro
Russia	USIR - Russian Union of Shareholders and Investors	www.fingramota.com
Slovakia	Institute of Savings and Investment	www.mojeuspory.sk
Slovenia	VZMD - Vseslovensko združenje malih delničarjev	www.vzmd.si
Spain	ADICAE - Asociacion de Usuarios de Bancos Cajas y Seguros	www.adicae.net
Spain	AEMEC - Asociación Española de Accionistas Minoritarios de Empresas Cotizadas	www.aemec.eu
Sweden	Aktiespararna - Swedish Shareholders Association	www.aktiespararna.se
Turkey	BORYAD - Borsa Yatirimcilan Dernegi	www.boryad.org
UK	ShareSoc	www.sharesoc.org
UK	UKSA - UK Shareholders Association	www.uksa.org.uk

Financial Overview 2020

BETTER FINANCE Income for 2020		BETTER FINANCE Expenses for 2020	
Membership fees	174.028 €	Personnel costs	545.318 €
Partnering income	62.500 €	Travel and subsistence costs	20.802 €
EU Grant	410.000 €	Depreciation cost of assets	297 €
Other income	15.390 €	Other costs and services	119.513 €
Total income	**661.918 €**	**Total expenses**	**685.929 €**

MEET THE TEAM



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Annual Report 2020

BETTER FINANCE

The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

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