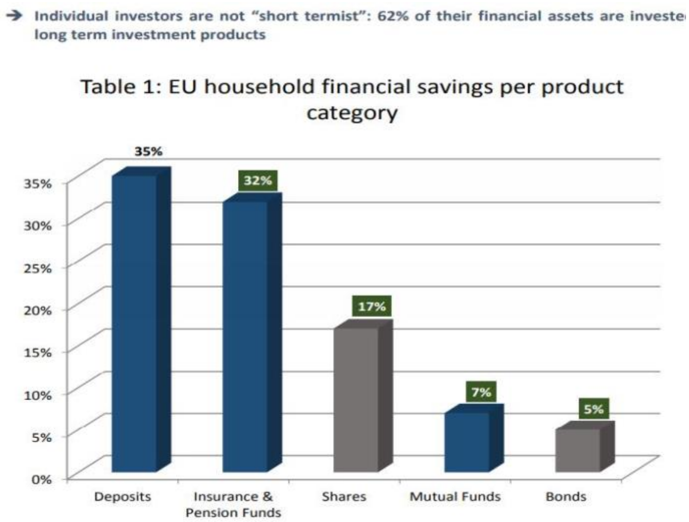
PRESS RELEASE

Empower the new generations of EU citizens as pension savers to engage corporations into a Sustainable Corporate Governance

Brussels, 3 May 2021 – BETTER FINANCE strongly supports the goals of the new initiative on Sustainable Corporate Governance launched by the European Commission in order to reconcile economic growth, social progress, corporate governance and environmental protection, which is a vital and very urgent necessity. But it has to be based on the right assumptions:

- EU citizens as pension savers are the main providers of funding for the EU economy, whether they invest directly (individual shareholders) or – for the majority – indirectly via the packaged investment products offered by financial intermediaries (funds, pension funds, life insurance, etc.).
- They are for the vast majority – contrary to a study used as a basis for the EC proposal – by nature long-term oriented because their investing horizon and savings needs are long term: pension, housing, child education, transmission of wealth. Accordingly, more than 80% of their total assets (including real estate) and more than 60% of their financial assets are long-term ones.



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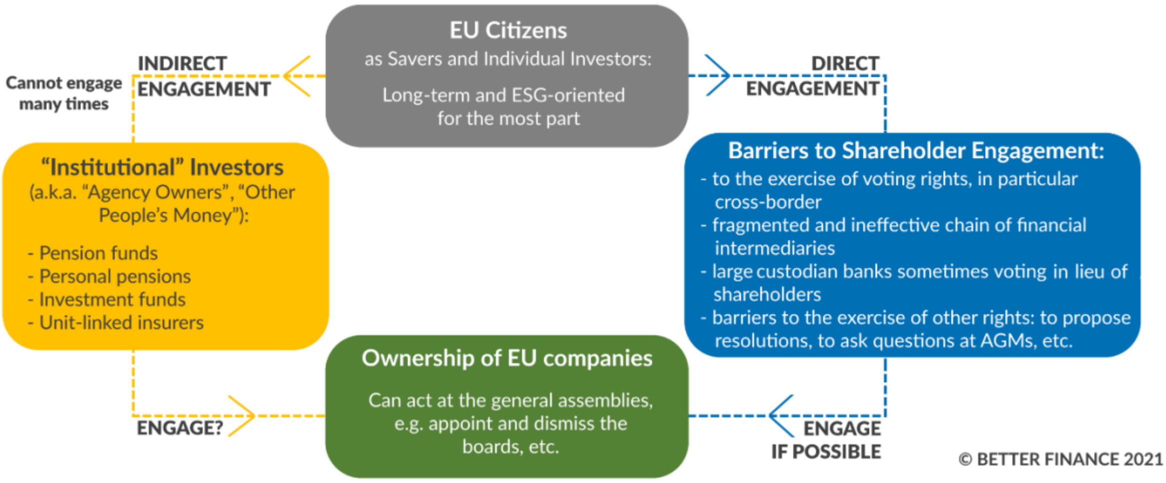
- All evidence shows that they are very sensitive to sustainability issues, and even more so the younger generations.
- Therefore, given the power, they are the key party to thoroughly improve the sustainability of corporate strategies while making it consistent with sustainable value for money, i.e. pension adequacy.
- <u>But they are most often from prevented from engaging</u> into investee companies, in particular cross-border as the infographic below shows:

BARRIERS TO RETAIL INVESTOR ENGAGEMENT



This means that the preferences of EU citizens as individual shareholders are largely overlooked.[1]

It is only to alert EU policymakers that these crucial facts are not yet taken into account in the EC proposals towards a "sustainable corporate governance" that BETTER FINANCE co-signed a letter today with investors and business organisations.

The empowerment for pension savers to get and use their voting rights or at least to have a say and engage directly or indirectly with investee companies is crucial for integrating sustainability into the governance of EU companies.

These aspects are also important for the creation of a **Capital Markets Union** (CMU) which is an essential initiative for a long-term growth and financing the green and digital transitions of the EU economy, and to overcome the economic crisis brought by the COVID-19 pandemic. The improvement of "retail" investor engagement is a necessary condition to have a true Capital Market Union that works for people.

For this reason, BETTER FINANCE–alongside with the EU Parliament[2]–actively promotes **Employee Share Ownership** which has proven to be a powerful tool to foster equity culture among citizens, and to make companies more resilient and more sensitive to sustainability issues. In France, companies with 3% employee ownership or more must offer them at least one board seat, but overall, employee ownership is one hundred times smaller for SMEs in the EU versus the less populated USA.

Once again, we reiterate our support for the EU Commission's initiative on Sustainable Corporate Governance, and we ask the European Commission to consider truly empowering individual investors to have a say (directly or indirectly) in the governance of investee companies and to be able to exercise their voting rights easily and freely within the EU when they have those.

[1] Please see also evidence from other studies on this topic: https://2degrees-investing.org/wp-content/uploads/2020/03/Retail-Clients-Want-to-Vote-for-Paris-1.pdf

[2] https://www.europarl.europa.eu/doceo/document/TA-9-2020-0266_EN.pdf

Guillaume Prache, Managing Director of BETTER FINANCE, stresses that "*sustainable corporate governance–and more broadly a sustainable capitalism–requires that EU citizens, who as pension savers largely 'own' the EU economy, should be able to engage and influence corporations towards sustainability on their smart phones. We are in the 21st digital century, are we not? Why does it still not apply to corporate governance processes?*"

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