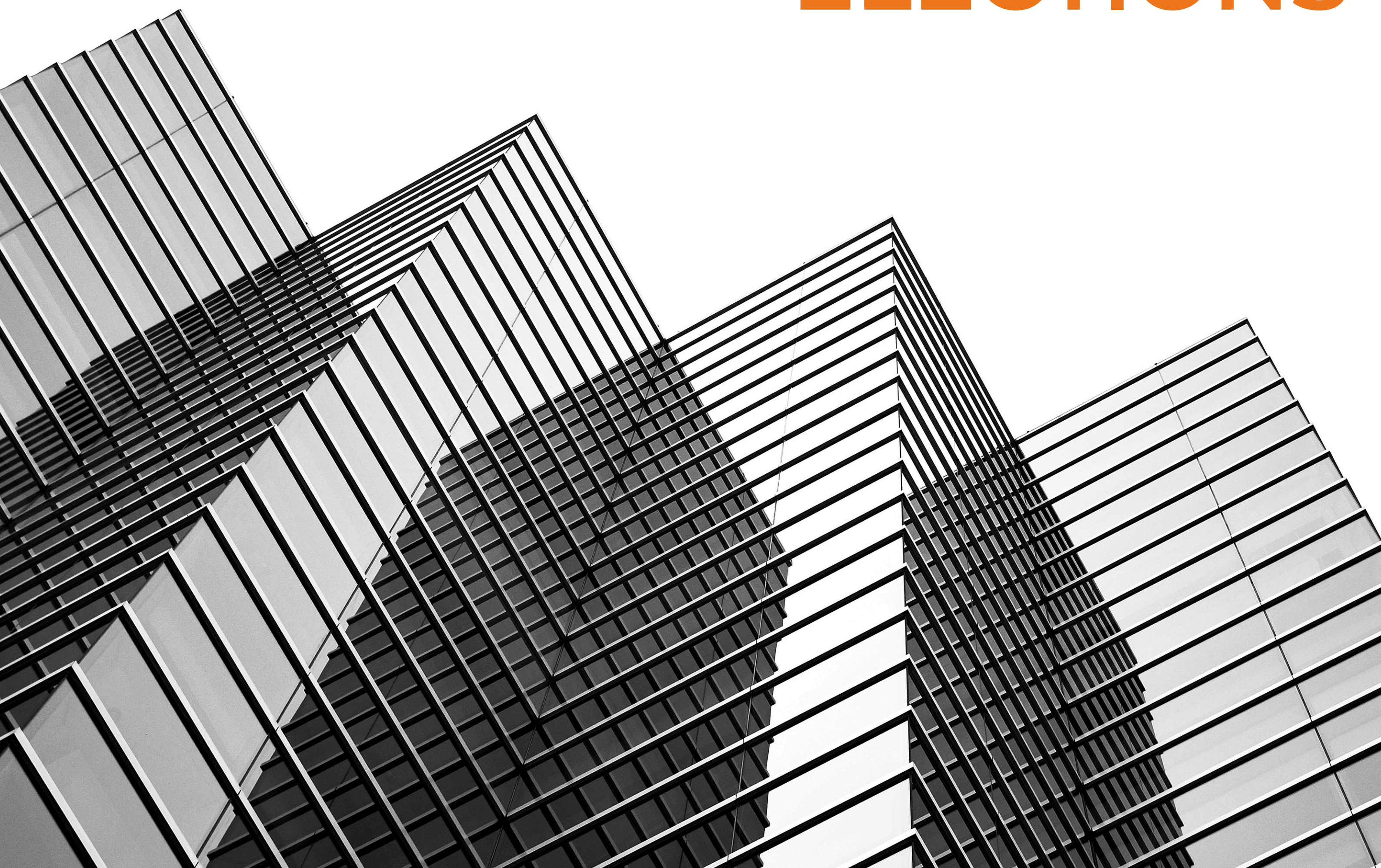
EuropeanIssuers

KEY MESSAGES AHEAD OF THE EUROPEAN ELECTIONS



As we approach the European elections, EuropeanIssuers urges European political parties and policy-markers to prioritise and implement these essential measures aimed at fortifying the economic resilience of Europe.

01 Boosting **competitiveness** by completing the **Capital Markets Union** to promote growth and innovation throughout the European Union.

02 Continue **reducing regulatory hurdles** to ensure easy market access and smooth market operation

03 **Sustainability** – Focus on efficient implementation and more practicable solutions

04 Improve the relationship between listed companies and their owners by ensuring **smooth shareholder communication** and professional standards

05 Developing a **European Capital Pool** is also a Member States' task

About EuropeanIssuers

***EuropeanIssuers** is the only pan-European organisation representing the interests of publicly quoted companies across Europe to the EU Institutions. Our members include both national associations and companies from all sectors in 15 European countries, covering markets worth € 7.6 trillion market capitalisation with approximately 8000 companies.*

We aim to ensure that EU policy creates an environment in which companies can raise capital through the public markets and can deliver growth over the longer-term. We seek capital markets that serve the interests of their end users, including issuers.

EuropeanIssuers

01 Boosting competitiveness by completing the Capital Markets Union to promote growth and innovation throughout the European Union.

A pivotal measure for boosting the global competitiveness of the European single market and the European economy is the Capital Markets Union.

The 2024 European election will be crucial for the future of the European Union.

The challenge is to establish appropriate conditions for promoting green and digital transition while also making Europe more attractive for investments in new and existing business. In order to achieve this, **competitiveness must be boosted**. This will enable companies to deliver growth and innovation.

Competitiveness is also key to reap the optimal benefits of the Single Market, which constitutes the basis of the wealth and future perspectives of the European people as the Single Market offers access to doing business with 27 Member States, rather than each state individually. [1]

While this project is admirable, the reality shows that the proliferation of new legislation, reporting requirements, fragmented rules and inconsistencies have reduced the ease of doing business in Europe and made it less attractive for outsiders. An overarching objective of the new legislative term must therefore be to **reshape the realities of the single market and doing business in the EU** by reducing barriers, rendering regulation more harmonious, reducing the cost of operating and securing cross-border funding. [2]

1. In accordance with other recommendations from the business community, for instance, ERT's Vision Paper . Please refer to page 14, 25, 28
2. In accordance with other recommendations from the business community, for instance, BusinessEurope's Priorities for the Single Market beyond 2024. Please refer to page 8, and Assonime's paper "The relaunch of the CMU as a priority for strengthening the European Single Market". Please refer to page 5.

“Against this background the project of the Capital Markets Union is not only a pivotal and still unfinished element of the European Single Market. It is also the perfect example for inconsistent and overly burdensome regulation, that needs to be reshaped in order to boost the global competitiveness of the European economy.”

EuropeanIssuers is convinced that the European Union will only be able to master the current challenges such as promoting innovation and job creation as well as the transition to a more sustainable economy with an attractive, liquid and efficient capital market. Therefore, EuropeanIssuers’ general objective is that companies can easily raise capital through public markets and deliver long term growth.

In order to be successful, the Capital Markets Union needs to be understood as a **project that makes it easier for companies to do business in the European Union and to cover their financing needs** for innovative and long-term projects, while at the same time ensuring that investors have appropriate incentives to invest funds in shares, bonds and other capital markets products.

Though we applaud the actions taken over the last legislative term and acknowledge that progress has been made, we must also underscore that the project is still unfinished and there is more potential that could and should be unleashed. [3] We therefore encourage the incoming institutions to keep this project high on the agenda, similarly to the Franco-German roadmap on the Capital Markets Union issued in September 2023 and a number of other recent high-level statements.[4]

3. In accordance with other recommendations from the business community, for instance, Assonime’s paper “The relaunch of the CMU as a priority for strengthening the European Single Market”, which highlights the low level of integration of the stock market. Please refer to page 3.
4. In accordance with other recommendations from the business community, for instance, BusinessEurope’s “Priorities for the Single Market beyond 2024.” Please refer to page 4.

Unfortunately, we observe that the objectives of the Capital Markets Union are sometimes contradicted by other political decisions or technical deficits in capital markets dossiers which results in additional bureaucracy with regard to the capital market rules, unaffordable compliance obligations and – as a consequence – avoidable business risks and a drain on companies' resources.

We are, therefore, convinced that the objectives of the Capital Markets Union (CMU) and a focus on better regulation deserve a higher de facto priority than they have had in the past. **We encourage incoming institutions to resolve potential conflicting objectives to the CMU as quickly as possible, to set clear priorities and to stay committed to a better regulation agenda** regarding both the political decisions and the technical work on specific dossiers.

Against this background, this short paper summarises some key points and guiding principles that EuropeanIssuers urges the incoming institutions to follow when setting policy priorities, drafting new legislation or reviewing existing legal acts. Some of these were already incorporated in our 2019-2024 vision paper, while others have been added in light of new developments.

02 Continue reducing regulatory hurdles to ensure easy market access and smooth market operation

Though progress has been made with legislations such as the Listing Act, we encourage the institutions **not to stop in dismantling unnecessary hurdles and freeing the potential of capital market finance**. The ultimate aim of incoming institutions must be to improve access to the capital market and a wide range of capital market instruments for companies of all sizes. We invite the European institutions, for example, to implement the recommendations put forward in 2017 by the European Commission's expert group on liquidity of European corporate bond markets.

EuropeanIssuers also wants to underline the importance of the **better regulation agenda** and regrets that this agenda is sometimes, if not often, de facto ignored when political compromises have to be finalised under time pressure during heated debates.

Against this background, we encourage the Commission to identify unintended additional bureaucracy or general side effects of existing legislation as well as good practices that currently exist in Member States.
Policymakers, unfortunately, still tend to create new legislation instead of focusing on assessing and adapting existing rules, in order to avoid inconsistencies and fragmentation. [5]

5. In accordance with other recommendations from the business community, for instance, BusinessEurope's "Priorities for the Single Market beyond 2024." Please refer to page 5-6 and ERT's Vision Paper in Part 2.

Although it comes (too) late, we applaud the project to **reduce reporting requirements by 25 percent** as an attempt to cut red tape, reduce compliance costs, free entrepreneurial resources and promote business development in the European Union. In our view, there is a lot of potential for reduction in, for example, the secondary market regulation for listed companies, financial and non-financial reporting requirements as well as compliance duties with regard to corporate governance.

We also support the Franco-German proposal to oblige the European Commission to prepare and present a **comprehensive competitiveness and fitness check for each piece of legislation both under preparation and existing**, including comparisons to highly developed international markets and to improve European competitiveness.

Besides the framework for sustainability reporting and sustainable finance (see below), a potential regulatory project that could serve as an example for this is the review of the Audit Regulation that was postponed last year.

We are concerned that this review might again result in additional and cumbersome compliance obligations of listed companies and their auditors that need to be avoided. However, the goal of reducing reporting requirements, compliance costs, and administrative burdens must be accomplished across the whole regulatory framework. This would require a holistic approach to competitiveness and the initiation of a "competitiveness check" on European rules.

03 Sustainability – Focus on efficient implementation and more practicable solutions

European companies support the objective of climate neutrality by 2050 and are committed to making the European Green Deal a success. They share the objective of the transition to a more sustainable economy and have invested considerable financial and human resources.

Companies are **increasingly concerned about the level of detail and the speed of implementation**. Furthermore, the European legislation should acknowledge that European companies are highly international. They compete on an international level and they are financed by international investors. It is, therefore, of utmost importance that European regulations take these facts into account.

Thus we call on the incoming institutions to have a **more pragmatic and consistent view when it comes to specific regulatory obligations** and their implementation.

One has to distinguish between the general objective of the sustainable finance agenda which is well understood and generally shared by EuropeanIssuers and the necessity to target this objective with as little red tape as possible. [6]

More specifically we will call upon the incoming institutions to take into consideration the following points:

6. The importance of international dimension for EU companies is stressed for instance in Assonime's policy paper "Towards a European Industrial Policy: reasons, perspectives and tools" which highlights that "*with red tape in Europe often particularly burdensome for businesses compared to the US, there is a real risk of seeing a significant share of industries in strategic sectors depart.*" Please refer to page 5.

- **Improve legal certainty** in general by observing and achieving coherence among different legislative files and aligning them as closely as possible with internationally recognized frameworks in place. Deviating definitions for the same legal terms used in various European rule books should be avoided. In addition, European legislation affecting companies should take into consideration a group-approach rather than focusing on a group's single legal entities. [7]

- **Less granularity and more proportionality in reporting**. The taxonomy and especially the ESRS are an example here. The large number of data points (approximately 1.100) to be disclosed in accordance with the ESRS causes major implementation problems for companies. It is vital to reduce complexity here.

- We call on the incoming institutions to **address the necessity of financing the transition and to adequately reflect this phenomenon in the regulatory framework governing sustainable finance**.[8] The experience of companies is that investors are highly interested in how transition will work and what that means for the investment case. In addition, we need to increase financial instruments available for sustainable and transition investments, from project finance only to also general corporate finance instruments, in order to foster the first objective of the Commission's Action Plan on Financing Sustainable Growth, i.e. reorienting capital flows towards sustainable and transition investments.[9] Finally, the usefulness and the potential of the taxonomy to achieve that objective should be thoroughly evaluated.[10] Such an evaluation should also explore the impact and potential of additional tools, such as e.g. Transition plans, for the necessary economic transformation.

7; In accordance with other recommendations from the business community, for instance, Assonime's paper "The relaunch of the CMU as a priority for strengthening the European Single Market". Please refer to page 7.
8. In accordance with the "Final Report on Taxonomy extension options supporting a sustainable transition" developed by the Platform on Sustainable Finance.
9.In accordance with other recommendations from the business community, for instance, ERT's Vision Paper . Please refer to page 23, 25, 28
10. In accordance with e.g. the objective of the Franco-German roadmap for the capital markets union (September 2023): "*Finally, in light of the rapid regulatory expansion in recent years, we must take a closer look at consolidating and, where necessary, correcting the existing framework – without compromising its objectives. Different regulatory approaches should be streamlined.*"

04 Improve the relationship between listed companies and their owners by ensuring smooth shareholder communication and professional standards

European companies are committed to responsible behaviour towards their investors and other stakeholders. Therefore, EuropeanIssuers has always supported a European corporate governance framework that caters to these objectives and ensures smooth communication with company owners.

Against this background, **the SRD II review will be an important project of the Capital Markets Union** because it is directly linked to the relationship between those who provide finance (the shareholders) and the companies. As the SRD II will be reviewed during the next legislative term, it is vital that the key elements already in place will not be undermined. The SRD is a success story because it defines common European standards on shareholder communication and identification. Therefore, the key concern of issuers is to implement it smoothly.

Companies are perfectly aware that they can only grow if they take into account the ecosystem in which they operate. This ecosystem is made up of many different stakeholders with whom they engage in dialogue. This is why most companies are increasingly involving stakeholders through different forms of dialogue (including “stakeholder committees”), not necessarily conducted at board level, in order to compare their expectations with the company’s strategy (materiality analysis).

However, we do not think there is a need to develop legislation on sustainable corporate governance according to which directors are expected to act in the company's long-term interest.

Many corporate governance codes already deal with this issue, recommending boards to incorporate environmental, social and governance factors in their strategies.

05 Developing a European Capital Pool is also a Member States' task

One key objective of the Capital Markets Union is promoting deep capital pools. This is not only necessary to finance innovation in general, but has gained additional importance against the necessity of ensuring the financing of the transition.

With regard to the latter, EuropeanIssuers believes that long-term investments should be supported by reducing regulatory burden and, in particular, prudential requirements that could negatively impact investors. We, therefore, call upon incoming institutions to undertake a serious attempt to review relevant regulation and where necessary to reduce hurdles for long-term investment even though the relevant pieces of regulation have been agreed upon only recently.

We regard to the general necessity to finance companies of all sizes and in particular highly innovative smaller companies we generally observe that there is no lack of capital in general, but the EU lacks both private and institutional money channelled into capital markets.

The steadily declining number of listed companies and the rather low number of IPOs might serve as evidence for this general observation.[11]

Though overly burdensome European regulation is one reason for this negative trend and European legislation should promote in particular SME listings to expand financing opportunities, capital market development is **not a purely European task.**

11. In accordance with other recommendations from the business community, for instance, Assonime's paper "The relaunch of the CMU as a priority for strengthening the European Single Market", which provides data on capital rising in Europe and market access by new companies. Please refer to page 2.

Evidence shows that countries with attractive tax conditions and capital-market-oriented pensions systems are also able to provide more capital market finance from the local population which boosts both venture capital and number of IPOs. Also, a company law that makes it easy to raise capital if necessary is an element of attractive ecosystem for capital market finance.

It is, therefore, also the local legal frameworks that may promote or hinder capital market development.
Consequently, it is also the Member States' task to change frameworks they are in charge of. However, EuropeanIssuers believes that a more bottom-up approach could be a way forward for rather national regulatory or institutional elements. For example, the EU Commission or the Council could **assess best practices in Member States** and make these best practices transparent, so that peer-to-peer learning and national innovation would be promoted could be a way forward.

The majority of recommendations made in EuropeanIssuers' 2019 - 2024 Vision remain valid.

To view our Statistics on Listing Trends, please click here.

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