

**Committee of European Securities Regulators
11-13 Avenue de Friedland
75008 Paris
France**

30 November 2009

Dear Sir/Madam

CESR Standard Reporting Call for Evidence

EOS welcomes the opportunity to respond to the CESR call for evidence on the use of a standard reporting format. We strongly believe that before asking the detailed questions raised in the call for evidence, much more fundamental issues need to be considered. Not least of these is what form of capital markets and investment culture is CESR seeking to foster within the EU? And what information provision will best serve the long-term interests of the European Union economy?

By way of background, Hermes is one of the largest pension fund managers in the City of London and is wholly owned by the BT Pension Scheme. As part of our Equity Ownership Service, we also respond to consultations on behalf of many other clients from around Europe and the world, including the BBC Pension Trust, The National Pension Reserve Fund of Ireland, the Lothian Pension Fund, Canada's Public Sector Pensions Investment Board and VicSuper of Australia (only those clients which have expressly given their support to this response are listed here).

The financial crisis offers us all an opportunity to reconsider fundamentally the structure of the world's, and Europe's, capital markets. CESR and the European Commission can step back and consider what form of investment culture they are seeking to encourage and enable within the EU. Much of what has been played out through the crisis indicates the negative impact which short-term capital market behaviours can have on long-term investors and on economies as a whole. We would suggest that one lesson that CESR and the Commission could learn is to refocus attention on fostering long-term behaviour in the capital markets rather than shorter-termism. This will involve giving investors the tools and the incentives to think and to invest on a longer-term basis, and we suggest that this will reduce the complaints often heard from companies that they face short-term time pressures from their investors.

In that context we find the narrow focus of this call for evidence somewhat surprising. Our view of XBRL is that it is a clever tool to speed the flow of information, and to facilitate quick cross-comparisons between companies. It assists the capital markets to make fast, quantitative-driven decisions, fostering markets with more momentum and algorithmic trading. It does not, however, seem to us to foster detailed understanding of individual companies and lengthy intelligent consideration of the specific issues which face those companies. We would suggest that it is this sort of capital market which CESR and Europe should be encouraging so as to strengthen the wider economy. We firmly believe that shareholders which apply intelligent consideration to the specific circumstances of companies will be better able to encourage those companies to perform better. We do not see this form of intelligent engagement fostered by XBRL, which by definition removes intelligent analysis and forces every individual company through the same framework of analysis whether it is suitable or not.

Before taking the step of this close focus on the XBRL opportunity we would argue that CESR must first consider what information and transparency will best drive positive performance within European public companies. XBRL, by fostering quicker, less intelligent trading methods, simply serves to reinforce the short-termist tendencies of the capital markets. Instead we believe that CESR needs to refocus on fostering long-term investment behaviours. This change in focus is more likely to generate a positive effect across the European economy as a whole.

We would note that this view appears to be consistent with some of the views expressed in the US – the call for evidence comments that “some respondents expressed doubts on the usefulness of the interactive data for investors”. In this context we would suggest that rather than rushing to emulate the US, the EU should be slow to follow its lead and instead take the opportunity to learn from the SEC’s analysis of whether the use of XBRL has any positive effect on markets and the economy.

Rather than the current focus on the technical formatting of the financial data produced by companies, we believe that much more value would be added to the European economy by CESR instead paying attention to the quality and timeliness of corporate reporting in the form of the Annual Report, and in making this crucial document more effectively available on an international basis. This would assist more long-term behaviour within the European financial markets. There are still too many EU countries whose public companies disclose limited information late, with limited care and thought being applied, and too many countries where these crucial documents are unavailable to cross-border investors on a timely and ongoing basis nor are they available in a language used by major international investors. We would strongly favour CESR first directing its attention to addressing these anomalies, and to fostering a central repository (or central repositories) which would be able effectively to make this fundamental information widely available across the EU. We believe that this would have a very powerful impact on the free movement of capital across European borders.

We regard this letter as a response to question 9 in the call for evidence. It should not be a surprise that we do not feel it appropriate to answer the other questions in the document.

We would welcome further discussion of any of the comments included here if that would be helpful to you.

Yours sincerely,

Paul Lee
Director