

December | 2024

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Joint Letter to Maria Luis Albuquerque



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Dear Ms Albuquerque,

On behalf of the European Responsible Investment Network (ERIN) - a coalition of 48 European civil society organisations from 14 EU countries working on sustainable finance, environmental policy, and business and human rights - we would like to congratulate you on your new role as European Commissioner for Financial Services and the Savings and Investment Union.

We look forward to working with you to place the well-being of people and the planet at the heart of the EU financial agenda. During your confirmation hearing in the European Parliament, we appreciated your stance on the need to streamline rules without deregulating and endangering financial stability, and your clarification that sustainability includes social factors alongside environmental considerations. We were also encouraged by your recognition that sustainability is a precondition for long-term economic competitiveness, and welcomed your pledge to tackle greenwashing through a proper categorisation system with minimum criteria for financial products.

As representatives of the public interest, we believe it will be fundamental to approach upcoming initiatives on sustainable finance with these considerations in mind. The next five years will define the future of our European Union, and the time window to reorient our economy and financial sector to operate within planetary boundaries is rapidly shrinking. Success will ensure long-term prosperity and competitiveness; failure will have catastrophic consequences for society and business as we know them.

The European Sustainable Finance framework was developed within a relatively short timeframe, in response to the urgency of the climate crisis. Improving it under your leadership to scale up sustainable finance and enhance the clarity and effectiveness of the framework is crucial. To do this, its overall purpose and ambition must be preserved. Sustainable finance requirements are necessary tools for channelling investments towards low-carbon solutions and building a sustainable, resilient European economy. Treating them as a regulatory burden severely undermines their purpose.

These are our proposals on the way forward:

- Improving sustainability disclosures. Three critical steps can contribute to this: (i) harmonising existing requirements across various regulations to establish a single, comprehensive EU corporate transition plan framework, (ii) implementing a mandatory product categorisation system under the Sustainable Finance Disclosure Regulation (SFDR), and (iii) advancing the completion of sector-specific reporting standards under the Corporate Sustainability Reporting Directive (CSRD).
- Mainstreaming social sustainability. This requires developing a framework to define socially sustainable activities and identifying the characteristics that financial products should meet to be considered as socially sustainable under the SFDR.
- Ensuring the risks related to harmful investments and the transition are adequately accounted for. Indiscriminately lowering capital requirements will jeopardise financial stability without necessarily providing additional investments in the green and social transition due to the absence of targeted mechanisms. On the contrary, introducing higher capital requirements for high-risk assets such as fossil fuels, as recently recommended by the European Insurance and Occupational Pensions Authority, will be critical to protect citizens and the environment.

- Enhancing investor due diligence and engagement to support the transition. This includes promoting sustainable investment by strengthening regulatory standards and harmonising shareholder rights. It also includes ensuring that financial market players are subjected to downstream due diligence obligations.

The Commission must resist pressures to prioritise short-term considerations at the expense of long-term benefits: a prosperous Europe demands a paradigm shift that puts the well-being of our planet and its people at its core, and bold leadership to make it happen. This is the best way to ensure more resilience and sustainability for the financial sector.

This explains why we are particularly concerned about the proposal for an Omnibus regulation targeting the EU Taxonomy, CSRD and the Corporate Sustainability Due Diligence Directive. We fully support efforts to streamline rules but believe this proposal risks undermining the very foundations of the sustainable finance framework while creating major legal uncertainty for implementing companies. The European Commission may intend to maintain ambition, but it is not one of the co-legislators responsible for making final decisions on the content.

We welcome the opportunity to meet with you or members of your team in the coming weeks to further discuss our vision and proposals, and share national experiences gathered through our ERIN membership.

We look forward to supporting you in your critical work with our expertise, networks and concrete recommendations to help achieve our shared goals of prosperity.

Wishing you a fruitful beginning of the mandate,

All the best,
Members of the ERIN Network

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BankTrack
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FEBEA - European Federation of Ethical and Alternative Banks and Financiers
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