18/10/2021 | 10.00 – 13.00

WEBINAR

European Economic and Social Committee

Sustainable finance aims at supporting the delivery on the objectives of the European Green Deal by channelling private investment into companies and projects that support the transition to a climate-neutral, climate-resilient, resource-efficient and just economy. The challenges this brings about should be addressed in a joint effort by the financial sector, businesses, regulatory authorities and citizens. The Industry sector will face major challenges, and be affected by recent and upcoming measures adopted at EU level. The ECO section organised this webinar on **Channelling financial resources into investments that comply with environmental, social and governance criteria**.

Highlights of the debate

Judith Vorbach, EESC Member, rapporteur for the EESC opinion on the renewed sustainable finance strategy:

- We face profound challenges and need considerable investments to succeed in the Green Transition.
- Private investments need to be redirected towards more sustainable activities (ecologically, but also socially).
- The EU sustainability taxonomy, sustainability ratings, corporate reporting are important tools in that process.
- The taxonomy is a market instrument, that integrates externalities in investment decisions.
- The taxonomy has to be credible.
- The transition has to happen in a fair way, with no-one left behind.
- Stranded assets have to be avoided.
- The taxonomy is not yet complete and still has to be complemented by further elements, for example transitory activities and the social aspects.
- The social dimension of sustainable finance has to be strengthened, also by involving trade unions.

- As regards transitional activities, we have to make sure to only take those on board that are accepted by society.
- Concrete steps have to be taken, and swiftly.
- We cannot succeed in the process without public interventions.

Stefan Back, EESC Member, rapporteur for the EESC opinion on Sustainable Finance Taxonomy – Climate Change:

- The EESC supports the objectives of the EU sustainability taxonomy.
- There are however some reservations, as to whether the delegated regulation is fit for purpose in its current form.
- It partly takes a too rigid stance, more rules for transitory solutions are needed.
- Certain standards of the taxonomy go beyond the strictest standards of current EU environmental legislation, which is by some perceived as confusing and unjust.
- The Commission should rather propose higher environmental standards.
- The issues as to how to treat nuclear energy and natural gas remain unsolved so far.
- It is important that the taxonomy works in practice.

Aleksandra Palinska, Senior Research and Advocacy officer, Finance Watch:

- The sustainability taxonomy is a noble tool, and has a big role for transparency.
- It helps in the transition, because it will redirect finance flows.
- The taxonomy has to be science based, and in its development there was a lot of input from experts in the technical expert group, as well as feedback from investors and the industry.
- The transparency of financial products is important.
- Corporate behaviour has to be changed. We need to integrate sustainability in corporate governance and mainstream sustainability into risk management of financial companies, and the treatment of financial exposures.
- The review of the prudential rules for banks and insurers (CRR, Solvency II) should take this into consideration. A risk based approach is needed.
- We must avoid having another financial crisis.
- Activities that are not sustainable from a taxonomy point of view are also financially not sustainable.
- The risk of misleading investors still remains.
- Sustainability and disclosures is not only about "doing good". Companies have to take appropriate informed business decisions. Investors need the right science based information.
- The Commission is intending to publish a delegated act on financing the transition and how to help businesses to shoulder the transition.
- The taxonomy is not setting European environmental law; it defines what is sustainable.
- Compliance with environmental law should be considered under the "do no significant harm aspect".
- Strong environmental rules would be the best! But there has always been so much opposition to strengthening environmental rules. The taxonomy rules are more a kind of encouragement, that wants to build on the market forces.
- Investors will continue to finance regular businesses, even if they are not taxonomy compliant.

- Importance of acceptance of the measures by society.
- The governance of the stakeholder groups is important, so that civil society voice can be heard.
- Civil society organisation representation in the process is improving.
- Public spending into ESG is very important.

Lina Konstantinopoulou, Policy Director, Eurochambers:

- 350 billion EUR of investment are needed for the EU's Fit for 55 package, a huge target.
- Public funds are not enough; we need private finance to close the investment gap.
- Activities that are not green need to become green.
- Investment in transitional activities is paramount.
- Don't contradict the technology neutrality approach.
- There had been mistakes in impact assessments when certain rules were developed.
- SMEs need specific measures; we need to reduce the administrative burden.
- Start-ups depend a lot financing from the capital markets.
- Businesses have been suffering due to the Covid crisis and must not be overburdened.
- We have to be realistic, what we are targeting after the recovery process.
- The taxonomy could lead to a more responsible business conduct.
- It is crucial to look at the proportionality of the rules.

Leonhard Regneri, Consultant at Input-Consulting gGmbH, Stuttgart, member of EBA Banking Stakeholder Group:

- Can investments indeed be redirected? Disclosure alone will not be enough.
- Public interventions are necessary.
- We need data and information, in particular from the private sector (for example the "Green Asset Ratio").
- The corporate sustainability reporting directive is an important tool.
- Sustainable finance is not only "green finance". We need to extend it by a social dimension, for example by looking at working conditions, in the EU, but also in the supply chains.
- As regards the composition of the platform on sustainable finance and EFRAG: The civil society side is underrepresented, the Commission is looking at this aspect.
- SMEs are currently exempt from reporting obligations.
- There is a considerable pressure on banks to collect date in the process of giving loans. This dimension is underestimated.
- The European Parliament should push to further develop social standards, and define who is responsible for that.
- The goal of the taxonomy is not to define minimum standards, but the "best that is possible".
- We have to develop something new that brings us forward in the transition process.
- Stranded assets have to be taken into account in the risk management process, they impact on financial stability of financial institutions.
- To include transitional activities in the taxonomy is a complex task.
- Trade unions have to be involved, and they have to get sustainable finance more on "their radar" to contribute better to the process.
- The EESC could bring important input when it comes to the social dimension.

Dirk Bergrath, EESC member, co-rapporteur for the EESC opinion on the industrial strategy:

- Transparency is good, but it's not sufficient to direct investments in the right direction.
- Huge amounts of investments from the public and private sector needed.
- There are challenges as to how to evaluate the degree of sustainability in an investment.

Kęstutis Kupšys, EESC Member, study group president for the EESC opinion on Sustainable Finance Taxonomy – Climate Change:

- Consumers are asking for sustainable financial products; these products provide good financial returns.
- Some investors might even accept lower returns in exchange for being conscious.