

Date

26 March 2019

Subject *Taxonomy Sustainable Finance - Vote EP 28/3/2019*

Dear Dutch member of the European Parliament,

We are writing to you to urge and encourage you to make your vote count in the **“Establishment of a framework to facilitate sustainable investment”** (the taxonomy framework) this **Thursday, March 28**. At this pivotal point for our future, you could help secure Europe’s leadership of a sustainable economy.

Commission Vice-President Valdis Dombrovskis said last week that for many citizens, investing in pollution or in companies that do not treat workers fairly has become unacceptable. He confirmed Europe’s ambition to stay within the 1,5 degrees ambition of the Paris Climate Agreement, aligned with the Commission’s roadmap to achieve a net zero-carbon economy by 2050. He also underlined that the concept of “sustainable finance” goes beyond green and includes social impact.

We wholeheartedly support this view. The next two years are critical for our climate and our ability to sustain a prosperous world. The whole finance sector - banks, pension funds, insurers and asset managers - must act to limit climate change under the goals of the Paris Climate Agreement and to implement the Sustainable Development Goals. Effective financial rules are necessary so the sector can be encouraged to properly weigh the ecological and social impact of all financing and investments and to communicate about this with their clients and the world at large. We call on you to vote for these crucial financial rules coming Thursday.

#### **Importance for consumer trust**

We believe the vote is important for consumer trust. The idea of taxonomy is to provide clarity so people can make fair choices – while leaving them free to decide for themselves. If people observe that activities obviously are causing social harm, or environmental damage, for example with significant greenhouse gas emissions, we should not deem them as “sustainable”. If Europe were to sanction such a course of action, trust in financial institutions is likely to be further eroded.

## **Perspective of financial stability**

From the perspective of financial stability, we must avoid sleep-walking into climate risks. Recent insights and research on the financial impact of climate change are already driving huge shifts within the finance industry. Fossil fuel is increasingly recognised as a high-risk asset whereas the new sustainable, clean and renewable industries demonstrate that they are the most promising opportunities. And if Europe is serious about its own plan for a zero-carbon economy by 2050, then any new investment in carbon-based activities, especially longer-term infrastructure projects, over the next decade would result in future stranded assets. This implies future losses for those undertaking and financing these projects. These projects, left on the balance sheets of banks and pension funds, may thus undermine European financial stability.

## **Perspective of opportunity**

Taxonomy is also important from the perspective of opportunity, winning the race to decarbonisation will mean that Europe can take the lead in the growth of low-carbon industries: underpinning new job creation, recycling financial savings into new innovation and making the European economy more resilient.

## **Recommendations for voting**

We write you on behalf of a network of frontrunning, values-based and ethical banking institutions, in Europe and across the world, who have sustainability at the core of their business models. Our values have helped us achieve positive impact across a range of environmental and social sectors helping entrepreneurs and SMEs develop a sustainable and social economy. Our track record over the past decades has demonstrated that this form of banking is financially resilient. And our customers highly value our transparency and clarity of purpose in setting out what sustainability means to us.

We recognise that a lot is at stake here. And we understand the challenges that many companies face in successfully navigating the transition. We trust that you will balance the impact of your vote on people, planet and the financial soundness of companies. We therefore kindly recommend you support the following amendments to the report:

- **AM 68 and 69**, to replace AM 48 in the draft report, providing legal clarity with respect to “significant harm” as much as for “significant contribution” to an environmental objective;
- **AM 98 or 62**, to replace AM 38, underlining that defining what is significant harm is as important as defining significant contribution;
- **AM 70, 71, 72 and 93**, to replace AM 49, confirming existing UN human rights agreements within the context of this sustainability framework; **AM 102** would be an alternative.

If you care for the positive impact of this transition on people, their health, their jobs, the affordability of basic needs like food, housing and transport, please consider supporting **AM 90**, including social impact objectives in the framework. These objectives are for specification later in the process, but it would confirm the notion that an investment cannot be sustainably profitable, if the impact on people is ignored.

Finally, if you recognise that greenhouse gas emissions affect people's health and cause decreases in life expectancy, and that an activity that produces a lot of greenhouse gas emissions should never be regarded as sustainable, please support **AM 73**.

From the 1,5 million schoolchildren and students who are on strike for a better climate to the millions of pensioners drawing upon pension funds, we ask that you make it as clear as possible for citizens to make the necessary choices to secure a sustainable future for Europe.

Yours sincerely,

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