Subject: Include investor engagement as key priority in the Renewed Sustainable Finance Strategy

Dear Ms McGuinness, Mr Dombrovskis, Mr Reynders, Mr Breton,

Investors have a vital role to play in achieving the objectives of the Green Deal and the EU climate law. They can help companies transition to sustainable business models that integrate sustainability-related risks and impacts into corporate decision-making. To do so effectively, investors need mechanisms and policies that enable them to maximise long-term value creation and provide tools to achieve real world outcomes.

One of the most impactful tools available to investors is engagement with investee companies and other stakeholders that influence outcomes. Yet current EU policies are insufficient at promoting consistent and strong stewardship practice. More needs to be done to encourage investors to exert their influence towards corporate transition to sustainable practices and thus support long-term value creation. Previously, the EU High Level Expert Group recognised that aligning the financial sector more closely with long term perspectives requires strengthening stewardship principles.

In 2018, the Action Plan on Sustainable Finance focused on other policy reforms. This time, stewardship needs to be a priority in the forthcoming Renewed Sustainable Finance Strategy.

The EU’s Shareholder Right Directive II (SRDII), the cornerstone for engagement requirements, falls short of setting a strong stewardship standard. SRDII recognises that involving shareholders in corporate governance is a lever that can help improve the performance of companies, both financially and with respect to their impact on the environment and society. Yet, the Directive does not require meaningful stewardship action or outcomes. The main requirements of SRDII focus on disclosure rather than taking action to address sustainability-related risks and impacts, limiting the quality of stewardship outcomes.

Given the urgency of the climate crisis and the need for a green and inclusive post-Covid recovery, we urge you to include engagement as a key priority in the forthcoming Renewed Sustainable Finance Strategy. The revision of SRDII is essential in realising a raised stewardship standard aimed at driving meaningful outcomes and at the same time, align requirements with the engagement provisions in the Sustainable Finance Disclosure regulation. This review is urgent and therefore action should be taken sooner than the planned review in 2023.

We look forward to your response and remain at your disposal should you wish to discuss the issue further.

Yours sincerely,

Catherine Howarth
Chief Executive
ShareAction

Fiona Reynolds
CEO
Principles for Responsible Investment

Victor van Hoorn
Executive Director
Eurosif

ShareAction is a non-profit responsible investment advocacy group working to build a global investment sector which is responsible for its impact on people and planet. The Principles for Investment (PRI) is the world’s leading initiative on responsible investment. Eurosif is the leading association for the promotion and advancement of sustainable investment across Europe.