

## OPEN LETTER

To: Commissioner McGuinness

CC: Commissioner Breton, Commissioner Sinkevičius

European Commission, Rue de la Loi 200, Brussels

March 21, 2023

# Re: Ensuring progressive and truly sustainable chemical criteria within the EU Taxonomy Regulation

Dear Commissioner McGuinness,

We represent some of the world's largest institutional investors and are part of the *Investor Initiative on Hazardous Chemicals* (IIHC), which aims to reduce impacts on human health and the environment from the manufacture of hazardous chemicals.

With this letter, we wish to emphasise the importance of having truly sustainable criteria in the EU Taxonomy regulation to encourage sustainable innovation and the development of safer chemicals. Funding for harmful chemicals should not be seen as sustainable.

The magnitude of the chemical crisis is significant. Last year, scientists warned that [chemical pollution has crossed the “planetary boundary”](#) and now threatens the processes that underpin all life on Earth. A large share of chemicals has been linked to [adverse impacts on human health](#) and the environment. In the European Union, as much as [75% of the almost 300 million tons](#) of chemicals used annually are considered hazardous. A recent example showing the scale of the chemical pollution crisis is the [mapping of PFAS hot spots](#) in Europe.

For investors, the production and use of hazardous chemicals is also linked to substantial financial risks. Firstly, due to the regulatory, reputational, insurance and litigation risks that chemical producers are exposed to. Secondly, due to the systemic risks connected to the long-term environmental and social costs of hazardous chemicals. It has, for example, been estimated that direct healthcare costs in Europe due to PFAS exposure is [€52-84 billion a year](#) — excluding the considerable expenses associated with remediation of contaminated soils and waterways.

Robust and sustainable chemical criteria in the EU Taxonomy regulation are an important part of the solution. If the criteria allow harmful chemicals, it will be difficult for us to conduct proper assessments of risks and opportunities in the chemical sector. This would not only increase the risk of asset mispricing and financial volatility in Europe, it would also undermine our ability to allocate capital efficiently for the green transition.

## **Our ask**

We therefore urge you to keep the chemical criteria within the taxonomy robust in order to be truly sustainable.

The chemical criteria in the [Taxo4 report](#) by the Platform on Sustainable Finance are advantageous. Not only are they consistent with the Chemicals Strategy for Sustainability within the EU Green Deal and align well with the strategic autonomy goals of the European Union, they will also serve to drive sustainable innovation.

The chemical criteria in Appendix C in the Taxonomy climate delegated act are also very useful. They ensure that regulated substances as well as substances that meet the criteria for being Substances of Very High Concern (SVHCs) cannot be considered sustainable, which is an essential component in the green transition.

As investors and asset managers, we support the transition towards a sustainable and non-toxic Europe and are committed to engaging with the chemical industry to reach this goal. We strongly believe that the green transition is not only in the interest of the EU citizens and investors, but that it would also greatly improve the long-term profitability of the European chemical industry.

We would like to meet with you to further and in more depth discuss how the investment community can help to ensure both a robust and effective system for sustainable reporting and that European industry attracts more investments.

Sincerely,

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Victoria Lidén, Sustainability Analyst

**Storebrand Asset Management**

Peter van der Werf, Senior Manager Engagement

**Robeco**

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