EK’s introductory comments on a renewed Sustainable Finance strategy

We are grateful that the Commission is consulting the market participants widely via the Consultation of the Renewed Sustainable Finance Strategy which aims to provide the policy tools to ensure the financial system genuinely supports the transition of the industry towards sustainability in a context of recovery.

# Sustainability, green transition and efficient regulatory framework for capital markets

EK remains a strong supporter of the EU Capital Markets Union (CMU) and welcomes warmly the High Level Forum’s new report outlining the next phases of the development of CMU. Deeper and well-integrated capital markets in the EU are needed urgently due the Brexit and COVID crisis as well as to foster long-term economic growth and crisis resilience of Europe.

Market-led better functioning private capital markets are needed also for enabling the transition towards carbon-neutral economy in secured way. Sustainable economic recovery and supporting sustainable growth across the EU should be at the centre when the next steps of CMU are taken.

The CMU project is profoundly connected to the EU’s ambitions in the areas of Sustainable Finance and transition of the economy towards carbon-neutrality as well as the overall importance of ESG factors in investment activities and wider corporate social responsibility. A flourishing CMU shall not be achieved in a regulatory vacuum, and sustainable finance cannot be successfully pursued without better functioning capital markets.

EK supports the EU Taxonomy. EK is thoroughly committed to an ambitious climate policy and supports a firm implementation of the global Paris agreement 1,5 C target. The path towards a carbon-neutral economy in the Nordic region illustrates that high climate ambitions, based on market-based instruments and the right regulatory framework, are crucial components of a modern business policy and economic growth. Carbon-pricing instruments, such as the EU ETS, must remain a key part of EU’s objective of a climate-neutral economy by 2050. The Finnish businesses are committed to make the Green Deal a success.

The main objective of a renewed Sustainable Finance strategy should be to finance the “sustainable transformation” of our economy. The focus should be on channelling investment that creates impact and supports a sustainable growth strategy in line with the Green Deal objectives, which we consider as an opportunity to successfully modernise and recover the European economy.

However, we are concerned that constant regulatory changes or the viable possibility of such changes in the field of company law and company reporting are forming a de facto competitive disadvantage for European companies. In general, there are too much proposals to revisit pieces of legislation that has been in force just very short time. SHRD II and NFRD to name a few. For example, in addition, we have reservations regarding the current regulatory ambitions of the Commission regarding introducing a mandatory (supply chain) due diligence framework for companies.

The ESAs conducted a thorough studies last year and found very little if any evidence on the so called “undue short-termism” in capital market practices. It would help to have a clearer picture about what is our problem in order to assess how to repair it if something is broken. Despite the ESAs consulted market participants widely last year, the consultation on the Renewed Strategy offers very limited if any evidence on the alleged problems regarding company law and capital markets.

# Concluding remarks

Companies that orient themselves around a long-term time horizon while also delivering against short-term objectives have been shown to outperform their peers on several key business measures, including revenue, earnings, economic profit, market capitalization and job creation. Corporate purpose is now the focus of a fundamental and heated international academic debate. However, academic debate is normal and much needed. Restless regulatory environment is a disadvantage.

Company law forms the backbone of well-functioning capital markets and competition, and therefore, the market economy itself. The main fundamental legal rules governing how corporates are administered cannot be under constant change. Corporate investments require long-term predictability of the operating environment as well as legislative framework.