

Official feedback on the EU Commission's draft regulation on Sustainable Finance

Draft regulation for Sustainable Finance lacks social and circular dimension

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Ecopreneur.eu, the European Sustainable Business Federation representing about 3.000 green enterprises (mainly small and medium sized) across Europe, welcomes the European Commission's draft regulation on Sustainable finance - EU classification system for green investments (the "taxonomy", Ref. Ares (2020)6979284 - 20/11/2020).

We strongly support the policy objective to improve the access to finance for green companies while preventing greenwashing. Lack of access to finance is a major obstacle for SMEs. Since most eco-innovations come from SMEs, a good taxonomy could greatly accelerate the circular economy in Europe. We strongly approve of its intentions and trust that it will contribute to channelling more funding to businesses – especially multinationals – for implementing low-carbon practices.

Nevertheless, we have the following comments and **urgent recommendations to increase the access to finance for SMEs** for sustainable activities:

- The draft appears to be rather **incomplete**. Notably, it lacks any reference to sustainable textiles or plastics.
- **Fully integrate both the circular and the social dimension in the taxonomy** before incorporating it in regulations such as the Ecolabel. The draft regulation does not exclude investments with negative social impacts. The taxonomy can only be effective in steering funds towards sustainable investments when this exclusion is implemented.
- To fully include the circular dimension, move beyond the "do no harm" principle. This principle is proposed as a screening of proposed investments for a lack of assessing the availability of and, where feasible, adopting circular economy techniques such as circular design and reuse. This is insufficient: **The taxonomy should also reward circular economy models in themselves** while screening the proposed investment for total sustainability.
- **Due diligence** about the sustainability of investments should be required from all companies and be based on providing information that is already available to the company.
- We repeat the need for introducing a **second SME impact assessment at the end of the policy making process** for all new EU legislation, ensuring that any additional administrative burden of new or amended regulations (such as the taxonomy) will be put on all companies and not just on SMEs / companies delivering green products and services. Without a second SME impact assessment, proposals amended in e.g. the Trilogue run the risk of introducing additional red tape for SMEs in general and/or for green SMEs in particular. Many of our (SME) company partners are already facing an unlevel playing field with additional administrative burdens, e.g. from obtaining a green label (such as cradle-to-cradle) on top of existing requirements (such as those coming from REACH). Additional red tape will decrease the access to finance for green companies, and especially for green SMEs. Many of them will not be able to meet the requirements from investors for even more red tape. Such negative effects should be prevented by a second SME impact assessment.

ABOUT ECOPRENEUR.EU

Ecopreneur.eu sets a course toward sustainable economic policies on the European level to support the economic and societal transformation across Europe and beyond. Ecopreneur.eu aims at opening solidified structures and brings sustainable matters to European policy makers. Ecopreneur is a non-profit non-governmental organization that is quickly growing and now holds seven associations from different countries of the European Union. Together they represent over 3000 green businesses, mostly SMEs.

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