

Berlin, 09.06.2024

Your letter dated June 6th, 2024 [REDACTED]

Please allow me to thank you for your letter dated June 6th, 2024. Your answer to my letter [REDACTED] is of course highly appreciated. Nevertheless, I would like to ask [REDACTED] in general to reconsider my reference made to banks and investment funds. I got it from very reliable and even defence-minded actors in major German banks and associations related to the finance market: The EDIS wording as quoted in your letter is as such a good wording. However, as long as this wording is not being rooted in the „Sustainable Finance Disclosure Regulation“ (SFDR - EU 2019/2088), it will not be of practical relevance for banks and investment funds. A concrete way of providing a relevant guidance could be an amendment under Art. 2 ("Definitions") of the SFDR 2019/2088. In its actual version it reads under No. 17:

*"(17) 'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance,"*

An amendment of this Definition no. 17 could be made with direct reference to Box 5 of the EDIS communication (page 25 - quote): *"The Union defence industry is a crucial contributor to the resilience and the security of the Union, and therefore to peace and social sustainability. Against this backdrop, the EU sustainable finance framework is fully consistent with the Union's efforts to facilitate the European defence industry's sufficient access to finance and investment. It does not impose any limitations onto the financing of the defence sector. EU rules on sustainability disclosures and preferences apply horizontally across all industries and do not single out any sector. The Commission has not issued any kind of 'social Taxonomy' so far and there are no plans to do so. With the exception of weapons subject to prohibitions by international conventions signed by Member States - which are therefore deemed by the EU to be incompatible with social sustainability - the defence industry enhances sustainability, given its contribution to resilience, security and peace. Similarly, the fact that specific defence industrial activities have so far not been included in the EU's Environmental Taxonomy, does not prejudge defence industries' environmental performance and should therefore not affect their access to finance."* Therefore an amended Definition no. 17 in Art. 2 of EU 2019/2088 could read as follows (additions marked in red):

*"(17 - new) 'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, or an investment in the Union's defence, resilience and security (given its contribution to resilience, security and peace), provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance, and provided that investments in the Union's defence, resilience and security do not include weapons subject to prohibitions by international conventions signed by Member States;"*

Without such straightforward guidance banks and investment funds will not be bound to apply their favourable sustainability conditions to businesses, transactions and assets of the EU defence industry and to categorize their activities under SFDR accordingly.

With best regards

