

28th July 2023

Ms. Mairead McGuinness
Commissioner
Rue de la Loi / Wetstraat 200
1049 Brussels, Belgium

Email: cab-mcguinness-contact@ec.europa.eu

Dear Commissioner McGuinness,

EOS at Federated Hermes (EOS) is a leading stewardship provider, advising on £1.11tn/€1.27 trillion as of the end of Q1 2023 on behalf of global international institutional investors, including company voting advice and corporate engagement. Our purpose is to support clients to be active and responsible owners, seeking alignment between their investee companies and the long-term fiduciary interests of their investors.

EOS is 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. We are writing 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 is not 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.¹ A large share of chemicals has been linked to adverse impacts on human health and the environment.² In the European Union, as much as 75% of the almost 300 million tons of chemicals used annually are considered hazardous.³ A recent example showing the scale of the chemical pollution crisis is the mapping of per- and polyfluoroalkyl substances (PFAS) hot spots in Europe.⁴

For the institutional investors EOS represents, the production and use of hazardous chemicals is 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.⁵

¹ [Outside the Safe Operating Space of the Planetary Boundary for Novel Entities | Environmental Science & Technology \(acs.org\)](https://www.acs.org)

² [Global Chemicals Outlook | UNEP - UN Environment Programme](https://www.unep.org)

³ [Statistics | Eurostat \(europa.eu\)](https://ec.europa.eu/eurostat)

⁴ ['Forever pollution': Explore the map of Europe's PFAS contamination \(lemonde.fr\)](https://www.lemonde.fr)

⁵ [The cost of inaction: A socioeconomic analysis of environmental and health impacts linked to exposure to PFAS \(diva-portal.org\)](https://diva-portal.org)

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 seek your support in keeping the chemical criteria within the taxonomy robust, so as to be truly financially sustainable and in line with environmental objectives.

The chemical criteria in the Taxo4 report by the Platform on Sustainable Finance are advantageous.⁶ The criteria, we believe, is consistent with the Chemicals Strategy for Sustainability within the EU Green Deal⁷ and aligns with the strategic autonomy goals of the European Union. The criteria 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.

EOS supports the transition towards a sustainable and non-toxic Europe as well as other parts of the world, and we are committed to engaging with companies in the chemical industry to reach this goal. We strongly believe that the green transition is not only in the interest of our clients, but that it would also greatly improve the long-term profitability of the European chemical industry and the health and wellbeing of EU citizens.

We appreciate your support in helping to ensure both a robust and effective system for sustainable reporting of hazardous substances.

Sincerely,

Joanne Beatty

Joanne Beatty

Engagement

EOS at Federated Hermes

⁶ [PLATFORM ON SUSTAINABLE FINANCE: TECHNICAL WORKING GROUP \(europa.eu\)](https://europa.eu)

⁷ [Safe and sustainable by design chemicals and materials - Publications Office of the EU \(europa.eu\)](https://europa.eu)