PRI | Principles for Responsible Investment

17th October 2023

Dear Mr Dionisie and Ms Busa,

I am writing on behalf of the Principles for Responsible Investment (PRI) regarding the treatment of the financial sector under the Corporate Sustainability Due Diligence Directive (CSDDD).

The PRI is the world's leading proponent of responsible investment, with over 5300 signatories totalling 121 trillion USD of assets under management, a significant proportion of which are based in the EU. The PRI's goal is to support investors to understand the investment implications of environmental, social and governance factors and to support signatories in integrating them into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and environmentally and socially sustainable economies.

Due diligence is an important and necessary part of a responsible investor's toolkit, supporting sustainability assessments, risk analysis and investee-engagement. Many PRI signatories already implement the UNGPs and OECD Guidelines[1] and support mandatory due diligence legislation. Therefore, PRI welcomes the proposed CSDDD. It offers the opportunity to correct the piecemeal approach to due diligence within existing financial legislation[2], harmonise expectations and requirements, and level the playing field across the EU, to avoid duplicative or inconsistent rules.

Significant progress has been made in Council and Parliament negotiations. However, we are aware of proposals to exclude or significantly limit the due diligence requirements for investors. This undermines the opportunity for a harmonised approach, could lead to sustainability risks and impacts being unidentified and could cause legal uncertainty for the financial market.

We encourage policymakers to support a risk-based approach, aligned with international standards and grounded in the concepts of severity and leverage[3] to ensure clear, achievable and proportionate due diligence obligations for the financial sector. This should look at the full value chain both pre-investment and throughout the investment's life. Such an approach will lead to better financial risk management, support investors to align their activities with the evolving demands of beneficiaries and clients and help drive private finance towards the sustainable economic transition.

Should you like to discuss these recommendations further or find out how the PRI can support your work on these issues, please do not hesitate to contact our policy team at policy@unpri.org.

Yours sincerely,

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EU Transparency Register Number: 612289519524-31

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[1] 36% of investment manager and asset owner signatories based in EU member states used the UNGPs and/or OECD guidelines to either set policies and/or identify sustainability outcomes from their activities. PRI's Advance initiative has 121 participants and 220 endorsers (participating investors made a policy commitment to respect human rights and implement a human rights due diligence process). PRI also has over 20 case studies on investor implementation of due diligence across the globe, representing multiple EU jurisdictions and varied asset classes (including private equity, listed equities and fixed income).

[2] Due diligence is referenced in SFDR, AIFM and UCITS delegated acts, and indirectly in SRD II. These requirements are either limited to disclosures or very high-level. There is not a harmonised approach to due diligence across the different legislation.

[3] Severity depends on the scale (on an individual's right(s)), the scope (number of individuals affected) and the irremediable character (any limits on the ability to restore those affected to a situation at least equivalent to their previous situation) of the outcome. Leverage is defined as "the ability of a business enterprise to effect change in the wrongful practices of another party that is causing or contributing to an adverse human rights impact."