

## **Call for feedback on the Platform on Sustainable Finance's draft report on social taxonomy**

### **Disclaimer:**

This call for feedback is part of ongoing work by the Platform on Sustainable Finance, which was set up by the Commission to provide advice on the further development of the EU taxonomy framework.

This feedback process is not an official Commission consultation. The draft report produced by the Platform is not an official Commission document. Nothing in this feedback process commits the Commission nor does it preclude any policy outcomes.

In March 2018 the Commission published its action plan: financing sustainable growth, based on the advice of the High Level Expert Group (HLEG). Action 1 of the Commission's action plan calls for the establishment of an EU classification system for sustainable activities, or taxonomy. The Commission followed through on this action by proposing a regulation for such a taxonomy. The Taxonomy Regulation was adopted by the co-legislators in June 2020. It establishes the basis for the EU taxonomy by setting out 4 overarching conditions that an economic activity has to meet in order to qualify as making a substantial contribution to environmental objectives.

Development of the EU taxonomy relies on extensive input from experts from across the economy and civil society. The Platform on Sustainable Finance plays a key role in enabling such cooperation by bringing together the best expertise on sustainability from the corporate and public sector, from industry as well as academia, civil society and the financial industry join forces.

While the work started with classifying environmentally sustainable activities, the need to better understand socially sustainable investments was acknowledged from the onset, and featured among the recommendations of the HLEG in 2018.

In October 2020, the Commission established the Platform for Sustainable Finance, and created with five working groups, including the Subgroup on social taxonomy, which was tasked to:

1. Explore the extension of the taxonomy regulation to social topics
2. Elaborate potential objectives of a social taxonomy
3. Work out a structure of a social taxonomy
4. Identify approaches to substantial contribution and 'do no significant harm' in the field of 'social'
5. Reflect on governance, business ethics, anti-bribery and tax compliance
6. Consider potentially harmful activities
7. Suggest a relationship between a green and a social taxonomy

**On 12 July 2021, the Platform published its first draft report on a proposal for a social taxonomy.**

The report assesses the merits of a social taxonomy in addition to the environmental taxonomy, and explores possible avenues to complement the existing taxonomy. The report also proposes various objectives and sub-objectives for a social taxonomy, as well as possible approaches for defining “substantial contribution” and “do no significant harm” criteria. Finally, it develops two alternative models for articulating the social taxonomy with the environmental taxonomy.

### **Call for feedback**

The Platform is inviting stakeholders to provide feedback on the draft report through this online questionnaire.

**The deadline for providing feedback is Friday 27 August close of business.**

In the online questionnaire, you will be asked to comment on certain aspects of the report and make suggestions.

### **Next steps**

The Platform is still working on some important aspects of these questions and will proceed to develop its final report and final recommendations after considering the stakeholder input collected through this call for feedback.

The Platform will submit the final report with their advice to the Commission in autumn 2021. The Commission will analyse and consider the report in view of the continuous developing of the EU taxonomy, as anticipated in the new sustainable finance strategy.

By the end of 2021, the Commission will publish a report on the provisions required for a social taxonomy, as required by the Taxonomy Regulation.

**Please note:** In order to ensure a fair and transparent feedback process, **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact [fisma-platform-sf@ec.europa.eu](mailto:fisma-platform-sf@ec.europa.eu).

## **QUESTIONNAIRE**

### **Important notice on the publication of responses**

\*Contributions received are intended for publication on the Commission’s website. Do you agree to your contribution being published?

- Yes, I agree to my response being published under the name I indicate (name of your organisation/company/public authority or your name if your reply as an individual)
- No, I do not want my response to be published

## IDENTIFICATION FORM:

- **I am giving my contribution as**

1. Academic/research institution
2. Business association
3. Company/business organisation
4. Consumer organisation
5. EU citizen
6. Environmental organisation
7. Non-EU citizen
8. Non-governmental organisation (NGO)
9. Public authority
  - a. 1. International or European organisation
  - b. 2. National or Local Government or Ministry
  - c. 3. Regulatory authority, Supervisory authority or Central bank
  - d. 4. Other public authority
10. Trade union
11. Other

→ **For everyone who answers 2 or 3 : Organisation size**

1. Micro (1 to 9 employees)
2. Small (10 to 49 employees)
3. Medium (50 to 249 employees)
4. Large (250 or more)

- **First name and last name**

- **Name of your organisation**

- **Email (this won't be published)**

- **Is your organisation included in the Transparency Register?**

(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this feedback process. Why a transparency register?)

Yes/No

If so, please indicate your Register ID number:

- **Where are you based and/or where do you carry out your activity?**

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland

- France
- Germany
- Greece
- Hungary
- Iceland
- Ireland
- Italy
- Latvia
- Liechtenstein
- Lithuania
- Luxembourg
- Malta
- Norway
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- The Netherlands
- United Kingdom
- Other country - Please specify your country:

- **Field of your activity?**

- **Financial Activity**
  - Accounting
  - Auditing
  - Banking
  - Credit rating agencies
  - Insurance
  - Pension provision
  - Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
  - Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
  - Social entrepreneurship
  - Other
- **Non-Financial Activity (NACE)**
  - Agriculture, forestry and fishing
  - Mining and quarrying
  - Manufacturing
  - Electricity, gas, steam and air conditioning supply

- Water supply; sewerage, waste management and remediation activities
- Construction
- Transportation and storage
- Accommodation and food service activities
- Information and communication
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Public administration and defence; compulsory social security
- Education
- Human health and social work activities
- Other – please specify

**Questions on the draft report:**

**1. The draft report describes the merits of a social taxonomy and potential concerns.**

**a. Which in your view are the main merits of a social taxonomy? (tick all boxes)**

- supporting investment in social sustainability and a just transition
- responding to investors’ demand for socially orientated investments
- addressing social and human rights risks and opportunities for investors
- strengthening the definition and measurement of social investment
- other (please specify - box)
- none

**b. Which in your view are the main concerns about a social taxonomy? (tick all boxes)**

- interference with national regulations and social partners’ autonomy
- increasing administrative burden for companies
- other (please specify – box)
- none

**2. Structure of the social taxonomy:** The draft report suggests a structure for a social taxonomy distinguishing between a vertical and a horizontal dimension. The vertical dimension would focus on directing investments to activities that make products and services for basic human needs and for basic economic infrastructure more accessible, while the horizontal dimension would focus on human rights processes.

The objective linked to the vertical dimension of the social taxonomy would be to promote adequate living standards. This includes improving the accessibility of products and services for basic human needs such as water, food, housing, healthcare, education (including vocational training) as well as basic economic infrastructure including transport, Internet, clean electricity, financial inclusion.

The objective linked to the horizontal dimension would be to promote positive impacts and avoid and address negative impacts on affected stakeholder groups, namely by ensuring decent work, promoting consumer interests and enabling the creation of inclusive and sustainable communities.

In your view, are there other objectives that should be considered in vertical or horizontal dimension?

- Yes/no/no opinion – please explain.

**3. Which of the following activities should in your view be covered in the vertical dimension (social products and services)? (tick all relevant boxes)**

- A1 - Crop and animal production,
- A1.1 - Growing of non-perennial crops
- A1.2 - Growing of perennial crops
- A1.4 - Animal production
- A3 - Fishing and aquaculture
- C10 - Manufacture of food products
- C10.8.2 - Manufacture of cocoa, chocolate and sugar confectionery
- C10.8.3 - Processing of tea and coffee
- C10.8.6 - Manufacture of homogenised food preparations and dietetic food
- C13 - Manufacture of textiles
- C20.1.5 - Manufacture of fertilisers and nitrogen compounds
- C20.2 - Manufacture of pesticides and other agrochemical products
- C21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations
- C23.3 - Manufacture of clay building materials
- C23.5 - Manufacture of cement, lime and plaster
- C25.2.1 - Manufacture of central heating radiators and boilers
- C30.1 - Building of ships and boats
- C30.2 - Manufacture of railway locomotives and rolling stock
- C30.3 - Manufacture of air and spacecraft and related machinery
- C30.9.2 - Manufacture of bicycles and invalid carriages
- C31 - Manufacture of furniture
- C32.2 - Manufacture of musical instruments
- C32.3 - Manufacture of sports goods
- C32.5 - Manufacture of medical and dental instruments and supplies
- D35.1 - Electric power generation, transmission and distribution
- D35.3 - Steam and air conditioning supply
- E - Water supply; sewerage; waste management and remediation activities
- E36 - Water collection, treatment and supply
- E37 - Sewerage
- E38 - Waste collection, treatment and disposal activities; materials recovery
- E38.3 - Materials recovery
- E39 - Remediation activities and other waste management services
- F41 - Construction of buildings
- F42.1 - Construction of roads and railways
- F42.1.2 - Construction of railways and underground railways
- F42.2.2 - Construction of utility projects for electricity and telecommunications
- F43.3 - Building completion and finishing
- G45.2 - Maintenance and repair of motor vehicles
- G46.1.6 - Agents involved in the sale of textiles, clothing, fur, footwear and leather goods
- G46.1.7 - Agents involved in the sale of food, beverages
- G47.5.1 - Retail sale of textiles in specialised stores
- H49.1 - Passenger rail transport, interurban

H49.2 - Freight rail transport  
H49.3 - Other passenger land transport  
H49.3.1 - Urban and suburban passenger land transport  
H50.1 - Sea and coastal passenger water transport  
H50.3 - Inland passenger water transport  
H51.1 - Passenger air transport  
J58.1 - Publishing of books, periodicals and other publishing activities  
J59.1 - Motion picture, video and television programme activities  
J60 - Programming and broadcasting activities  
K - Financial and insurance activities  
L68.2 - Renting and operating of own or leased real estate  
M71 - Architectural and engineering activities; technical testing and analysis  
M72.1.1 - Research and experimental development on biotechnology  
N77.1.1 - Renting and leasing of cars and light motor vehicles  
N77.2 - Renting and leasing of personal and household goods  
N78.1 - Activities of employment placement agencies  
N78.2 - Temporary employment agency activities  
N78.3 - Other human resources provision  
O84.1.2 - Regulation of the activities of providing health care, education, cultural services and other social services, excluding social security  
O84.2 - Provision of services to the community as a whole  
O84.2.4 - Public order and safety activities  
O84.2.5 - Fire service activities  
O84.3 - Compulsory social security activities  
P85.1 - Pre-primary education  
P85.2 - Primary education  
P85.2.0 - Primary education  
P85.3 - Secondary education  
P85.3.2 - Technical and vocational secondary education  
P85.4.2 - Tertiary education  
Q - Human health and social work activities  
Q86.1 - Hospital activities  
Q86.2 - Medical and dental practice activities  
Q87 - Residential care activities  
Q88 - Social work activities without accommodation  
Q88.9.1 - Child day-care activities  
Q88.9.9 - Other social work activities without accommodation n.e.c.  
R - Arts, entertainment and recreation  
R93.1.3 - Fitness facilities  
S95 - Repair of computers and personal and household goods  
S96.0.4 - Physical well-being activities  
Other (please specify)

**4. The objectives in the horizontal dimension, which focusses on processes in companies such as the due diligence process for respecting human rights, would likely necessitate inclusion of criteria targeting economic entities in addition to criteria targeting economic activities?**

Do you agree with the approach?

**5. The report envisages harmful activities as those which are fundamentally and under all circumstances opposed to the objectives suggested in this proposal for a social taxonomy. There would be two sources on which this rationale can be build: internationally agreed conventions, e.g. on certain kinds of weapons & detrimental effects of certain activities, for example on health.**

**Based on these assumptions, would you consider certain of the following activities as ‘socially harmful’? (tick all relevant boxes)**

A1.1.5 - Growing of tobacco

B5 - Mining of coal and lignite

B7 - Mining of metal or iron ores

B9 - Mining support service activities

B9.1 - Support activities for petroleum and natural gas extraction

C10.8.1 - Manufacture of sugar

C10.8.2 - Manufacture of cocoa, chocolate and sugar confectionery

C10.8.3 - Processing of tea and coffee

C11.0.1 - Distilling, rectifying and blending of spirits

C11.0.2 - Manufacture of wine from grape

C11.0.5 - Manufacture of beer

C11.0.7 - Manufacture of soft drinks;

C12 - Manufacture of tobacco products

C13 - Manufacture of textiles

C15.2 - Manufacture of footwear

C20.2 - Manufacture of pesticides and other agrochemical products

C25.4 - Manufacture of weapons and ammunition

C25.4.0 - Manufacture of weapons and ammunition

C30.4 - Manufacture of military fighting vehicles

G46.1.6 - Agents involved in the sale of textiles, clothing, fur, footwear and leather goods

G46.3.5 - Wholesale of tobacco products



G46.3.6 - Wholesale of sugar and chocolate and sugar confectionery

G46.4.2 - Wholesale of clothing and footwear

G47.1.1 - Retail sale tobacco predominating

N80.1 - Private security activities

O84.2.2 - Defence activities

**6. Sustainability linked remuneration is already widely applied in sustainable investment. In your view, would executive remuneration linked to environmental and social factors in line with companies' own targets, therefore also be a suitable criterion in a social classification tool such as the social taxonomy?**

YES/NO/no opinion – please explain your choice

**7. The report envisages governance objectives and analyses a certain number of governance topics. Please select the governance topics which in your view should be covered (tick all relevant boxes):**

1. Sustainability competencies in the highest governance body
2. Diversity of the highest governance body (gender, skillset, experience, background), including employee participation.
3. Transparent and non-aggressive tax planning
4. Diversity in senior management (gender, skillset, experience, background)
5. Executive remuneration linked to environmental and social factors in line with companies' own targets
6. Anti-bribery and anti-corruption
7. Responsible auditing
8. Responsible lobbying and political engagement

**8. The report suggests two models for linking an environmental and a social taxonomy:**

Model 1: The social and an environmental taxonomy would only be related through social and environmental minimum safeguards with governance safeguards being valid for both. The UN guiding principles would serve as minimum safeguards for the environmental part, while the environmental part of the OECD guidelines would serve as environmental minimum safeguards for the social part. The downside would be thin social and environmental criteria in the respective other part of the taxonomy.

Model 2: There would be one taxonomy with a list of social and environmental objectives and DNSH criteria. It would essentially be one system with the same detailed 'do no significant harm' criteria for the social and environmental objectives. The downside would be that there would be fewer activities that would meet both social and environmental 'do no significant harm' criteria.

Which model for extending the taxonomy to social objectives do you prefer model 1 or model 2?

- MODEL 1/ MODEL 2/no opinion
- Please explain your choice.

**9. What do you expect from a social taxonomy?**