



**PLATFORM ON  
SUSTAINABLE FINANCE**

# EU Taxonomy & Platform

- Social Taxonomy final Report 28<sup>th</sup> of February

# Reminder: Social Taxonomy: Why?



Need for social investments: affordable housing, healthcare, training, respect for human rights workers, consumers, communities



Link to environment: Need for socially inclusive measures to accompany green transition: just transition



Opportunities: Investors are increasingly looking for social investment opportunities  
A pandemic-driven surge in social bonds demonstrates market demand



Risks: absence of considerations of social issues carries special risks for investors

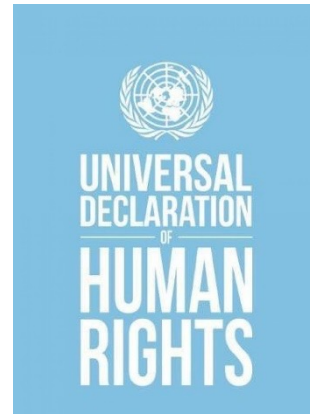


Lack of definitions and a standardized classification system is an obstacle to steering the capital towards socially sustainable activities

# Reminder: Social Taxonomy: the foundation



**Evidence & science-based**



**Based on international norms, principles and goals**





# Reminder: early thinking

Criteria will aim at **processes** in a company installed to respect stakeholders' rights

Ensuring decent work

Promoting consumer interests

Enabling inclusive and sustainable communities

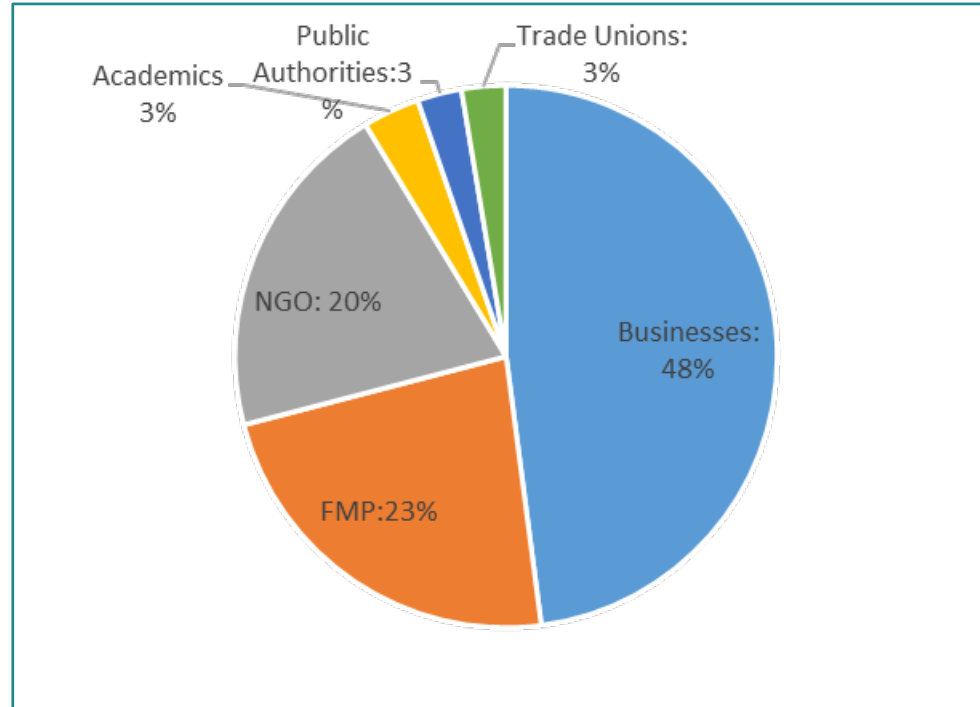
Criteria will aim at activities for social **products and services** based on the concept of the right to an adequate standard of living

Improving accessibility of products and services for basic human needs

Improving accessibility to basic economic infrastructure

# Social Taxonomy: Developments since July 2021

300 responses  
to the Public  
Consultation in  
July 2021



# Social Taxonomy Developments since July 2021

## MERITS

- **78% of the respondents agreed with at least one of the merits of the social taxonomy**
- 15% did not see any merits in the social taxonomy outlined in the report;
- that it **strengthens the definitions** and measurement of social investment (65%);
- that it **supports investment in social sustainability** and a just transition (62%);
- that it **addresses social and human-rights risks and opportunities** for investors (47%).

## CONCERNS

- 83% of respondents said that they had **at least one concern** about a social taxonomy;
- **Increasing administrative burden** was the concern most frequently identified (chosen by 58% of respondents);
- **Interference with national legislation** and the autonomy of social partners was the second most frequently identified concern (chosen by 45% of respondents).

# A common approach to Taxonomy

## Environmental Taxonomy

**climate change mitigation**

**climate change adaptation**

Transition to a **circular economy**

**Pollution prevention** and control

Sustainable use and protection of  
**water and marine resources**

Protection and restoration of  
**biodiversity & ecosystems**

## Social Taxonomy

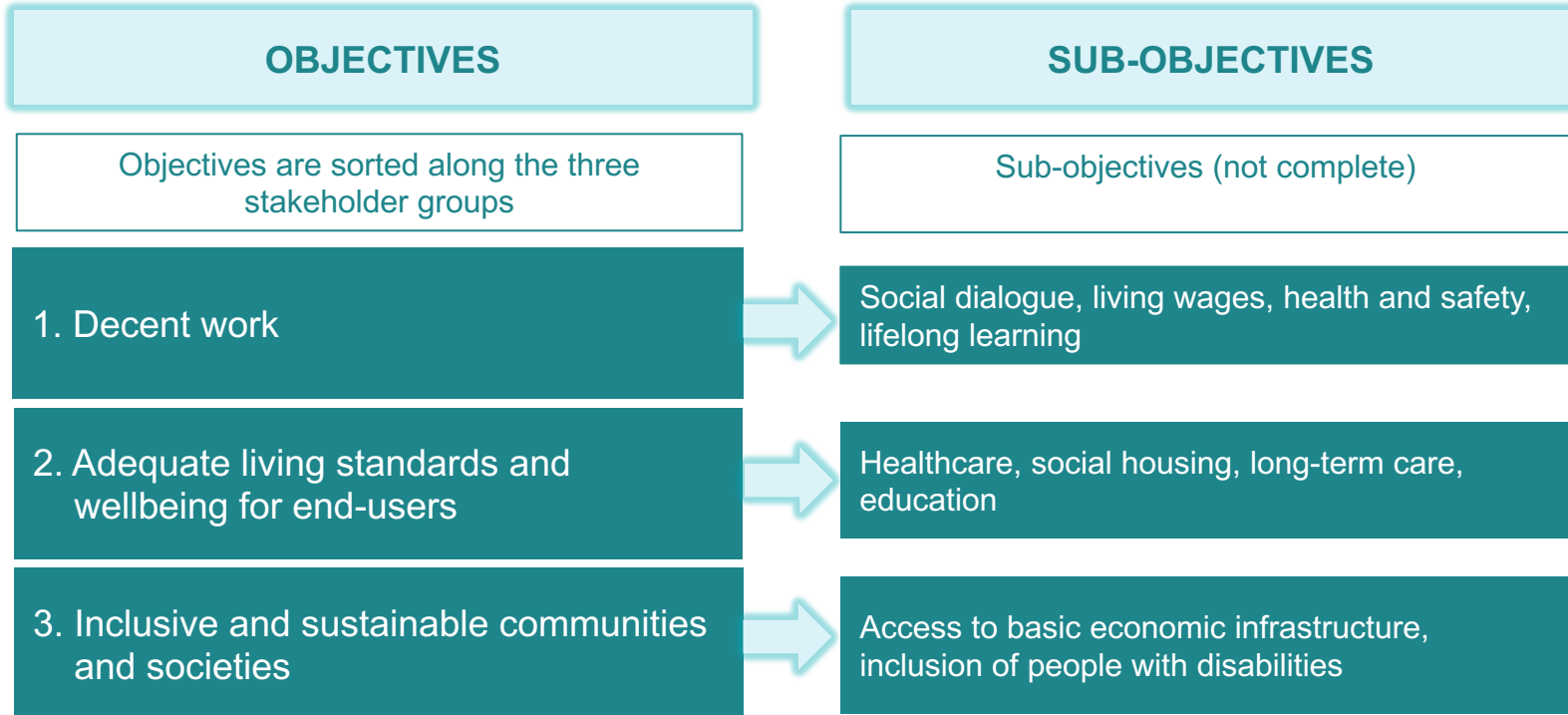
**Decent work**

**Adequate living standards and  
wellbeing for end-users**

**Inclusive and sustainable  
communities and societies**

# NEW Proposed Structure of a Social Taxonomy

initial 'horizontal dimension' and 'vertical dimension' collapsed into a single structure





# Two types of Substantial Contribution

## 1. AVOIDING AND ADDRESSING NEGATIVE IMPACT

Activities in sectors with high social risks which need to be addressed by adequate processes in companies



## 2. ENHANCING THE POSITIVE IMPACT INHERENT IN ECONOMIC ACTIVITY

Activities which contribute to the reductions in the number of people without access to products and services to meet basic human needs



# Sector Selection

## “ADDRESSING NEGATIVE IMPACT”

### High risk sectors





- Losing jobs
  - Sectors negatively affected by the green transition or digitization with risks of layoffs and therefore a special need to train certain groups of employees;
- Wages below “living wage”
  - Sector exposed to great international competition (e.g. textiles).
  - Sectors exposed to social dumping (e.g. agriculture)
  - Labour-intensive sectors with little added value
- Focus on expenditures companies make to alleviate these risks

## “ENHANCING POSITIVE IMPACT”

- Sectors providing products and services for basic human needs – e.g., water, housing, healthcare including long-term care, digital infrastructure
- Situations where goods and services for basic human needs and basic economic infrastructure:
  - are not met;
  - are not accessible to certain target groups; or
  - are in danger of not being met in the future (for example, because finance for maintenance is lacking).
- Focus on turnover companies make with these products and services







# Example on Housing

1	 <b>Objective</b>	Objective: Adequate living standards and wellbeing for end-users Less people without adequate housing
2	 <b>Nace Code</b>	NACE Code 41.20 Construction of residential and non-residential buildings
3	 <b>Substantial Contribution</b>	Improve <b>availability (examples)</b> <ul style="list-style-type: none"><li>• Availability of flats for low income and disadvantage categories</li></ul> Improve <b>accessibility (examples)</b> <ul style="list-style-type: none"><li>• Flats having a cheaper rent than average in the region</li><li>• Fostering access for vulnerable groups</li></ul>
4	 <b>Do no significant harm (DNSH)</b>	Inclusive and sustainable communities and societies - guarantee <b>acceptability</b> <ul style="list-style-type: none"><li>• Flats must respect the cultural heritage</li></ul> Adequate living standards and wellbeing for end-users - guarantee <b>quality</b> <ul style="list-style-type: none"><li>• Flats must have thermal insulation respecting certain standards</li></ul> Decent work <ul style="list-style-type: none"><li>• Labour Rights must be respected</li></ul>

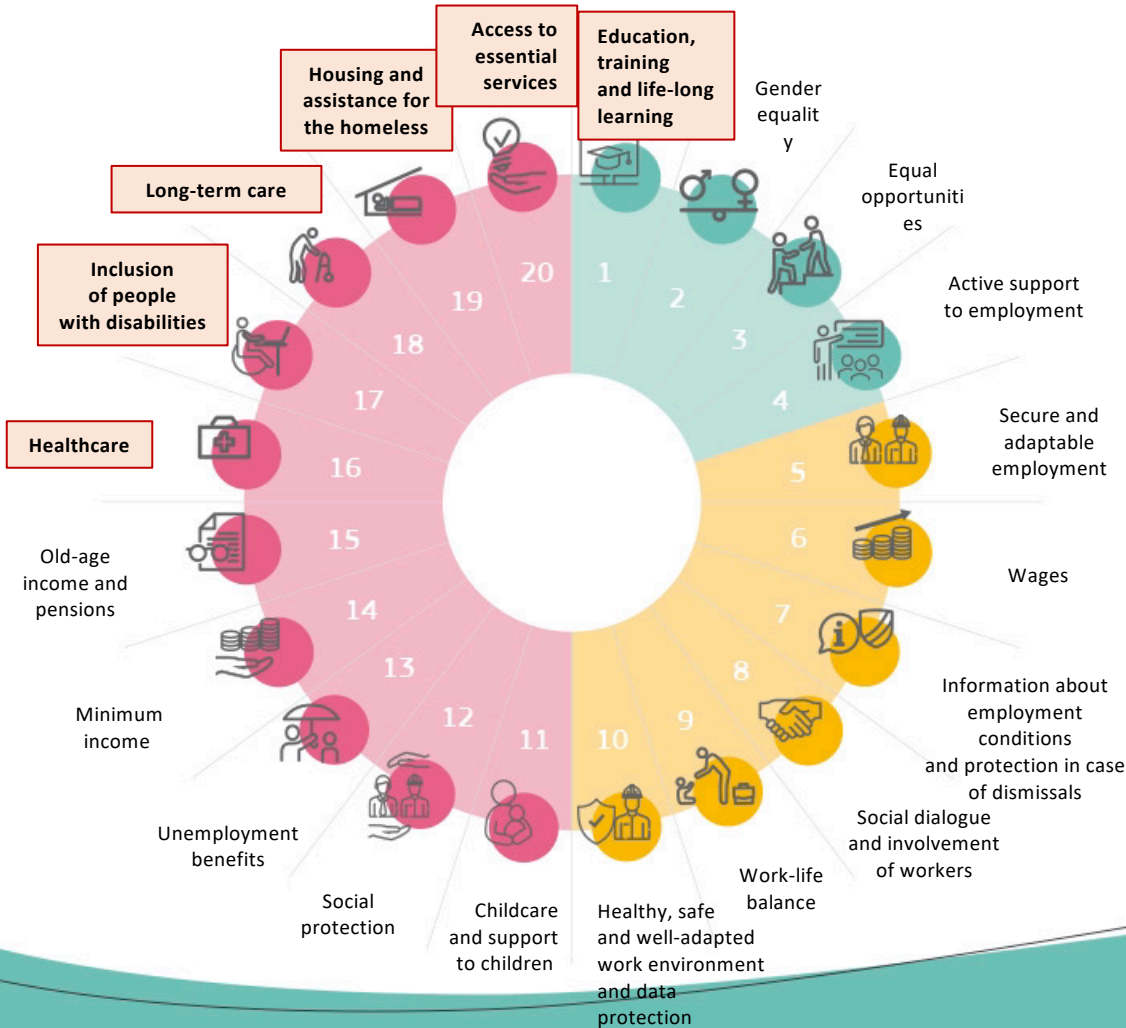


# Example on Training

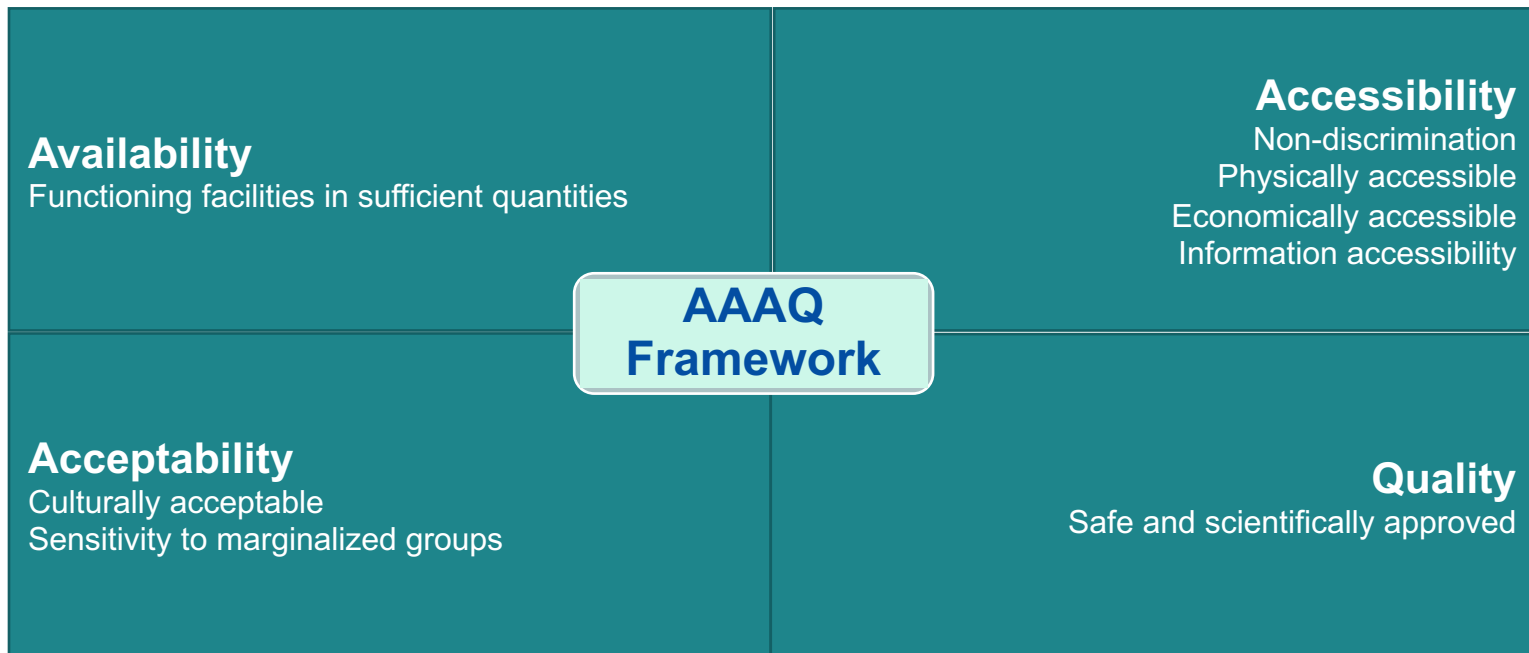
1		<b>Objective</b>	Decent work: Preventing lay-offs by training workers for a just transition
2		<b>Nace Code</b>	Sectors negatively affected by the green transition or digitalization with risks of layoffs
3		<b>Substantial Contribution</b>	Avoid negative impact by <ul style="list-style-type: none"><li>• Extensive programs for skills and lifelong learning/upskilling/reskilling for workers in situations of vulnerability</li></ul>
4		<b>Do no significant harm (DNSH)</b>	Decent work - guarantee : <ul style="list-style-type: none"><li>• National minimum wage, or according to negotiations and collective bargaining by social parties, ILO core labour standards are met</li></ul> Adequate living standards and wellbeing for end-users - guarantee <b>quality</b> <ul style="list-style-type: none"><li>• Quality: Training must be adequate to produce new skills</li></ul> Inclusive and sustainable communities and societies - guarantee <b>acceptability</b> <ul style="list-style-type: none"><li>• No discrimination in access to training</li></ul>



## Suggested first steps for a social taxonomy



# Criteria development for: Enhancing the positive impact inherent in economic activity





# What the market could do now

---

1. Establish a list of objectives and sub-objectives to contribute to, borrowing from the PSF framework if you wish
2. Identify economic activities in your company or portfolio which contribute positively to these objectives
3. Search for proxy indicators for substantial positive contribution to the sub-objectives, e.g., expenditures for training to ensure a just transition, healthcare products for underserved communities
4. Start to measure and report voluntarily to customers and stakeholders
5. Encourage the development of market-led Taxonomies to develop market expertise
6. Once market experience is developing, encourage standardization through regulatory standards

# Roadmap

---

***Report by commission in 2022***

***Thank you!***