

Merits and concerns

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

Question 1.1 Which in your view are the main merits of a social taxonomy?

Please select as many answers as you like

X	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
X	strengthening the definition and measurement of social investment
	other

Please specify to what other merit(s) you refer in your answer to question 1.1:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

- Reduce the risk of green and social-washing, also with regard to the adoption of the sustainable finance taxonomy

Question 1.2 Which in your view are the main concerns about a social taxonomy?

Please select as many answers as you like

	interference with national regulations and social partners' autonomy
	increasing administrative burden for companies
X	other
	none

Please specify to what other concern(s) you refer in your answer to question

1.2: *1000 character(s) maximum*

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

If the criteria of the social taxonomy are too broad – taking as an initial standpoint the respect of basic human rights - they could easily lead to social washing practices. There would be the risk of increased social washing with no increase per se of the quality of investments.
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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.

Question 2. In your view, are there other objectives that should be considered in vertical or horizontal dimension?

X	Yes
	No
	Don't know / no opinion / not applicable

Please explain your answer to question 2:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

<p>Social Economy principles should also be taken in consideration when evaluating an entity (regardless the sector in which it operates), such as</p> <ul style="list-style-type: none"> - social goals included in the Articles of Association; - participatory and democratic approach; - re-investment of profits in the activities. <p>Activities included in the social taxonomy should ensure high quality work conditions and employees' participation, job inclusion for vulnerable groups.</p>

Question 3. Which of the following activities should in your view be covered in the vertical dimension (social products and services)?

Please select as many answers as you like

	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
X	Other

Please specify to what other activity(ies) you refer in your answer to question 3:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Social and solidarity economy; social housing; organic agriculture; citizens-led renewable energy initiatives, WISEs, cooperatives: all organisations respective of social economy principles

Question 4. Do you agree with the approach that 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?

X	Yes
	No
	Don't know / no opinion / not applicable

Please explain your answer to question 4:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

The approach to sustainable finance should not be limited to the specific financial product, but it should apply to all the activities proposed by a bank (see actuated paper).

The same should apply to the social taxonomy: it should not be limited to the specific economic activity, but should apply to the economic entity and its processes as well.

We need a focus on organisations rather than sectors, to avoid sustainable products made but unsustainable companies: focus should be on the majority of the portfolio,/activities not on the single product.

Criteria should go beyond the minimum respect of human rights, and focus on the EU Pillar of Social Rights; generally seek a best of class approach for investors in regards to inclusion of women, young, underprivileged, minorities; employment conditions, transparency of operations, remuneration for managers, sustainability and social inclusion objectives and strategies; participation of employees, citizens and stakeholders in the decision process.

The social taxonomy could use social ratings to categorise organisations, based on the criteria listed above (i.e. the EU code of good conduct for micro-finance).

Harmful activities

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.

Question 5. Based on these assumptions, would you consider certain of the following activities as ‘socially harmful’?

Please select as many answers as you like

	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
X	Other

Please specify to what other activity(ies) you refer in your answer to question 5:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

According to the FEBEA Charter, tobacco, weapons, productions that exploit violence, gambling industry, nuclear energy production, industry collaborating with oppressive governments, fiscal evasion (including use of tax heavens), heavily polluting industries harmful to the environment, speculative financial activities should be excluded from investments.

Governance objectives

Question 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?

X	Yes
	No
	Don't know / no opinion / not applicable

Please explain your answer to question 6:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Clear transparency on remuneration practices should be guaranteed in any case; such socially-linked remuneration should not be symbolic with respect to the other parts of remuneration linked to profit.

Question 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:

Please select as many answers as you like

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

Please specify to what other governance topic(s) you refer in your answer to question 7:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Participation of employees and citizens in the decision making process (see for example ethical finance organisations - charter is annexed)

Models for linking an environmental and a social taxonomy

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

Question 8. Which model for extending the taxonomy to social objectives do you prefer?

	Model 1
X	Model 2
	Don't know / no opinion / not applicable

Please explain your answer to question 8:

1000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Model 2, but based on positive and negative/criteria (see principles mentioned in previous answers and on the attached Ethical Finance charter).

Sustainability is often defined almost exclusively by looking at the environmental component. However, an appropriately and strictly used ESG framework, as applied by Ethical Finance, must take into consideration every environmental, social and governance aspect in the traditional ESG analysis, including their respective interrelations, and more generally any economic and non-economic impact generated.

Ethical Finance organisations have more than 30 years of experience in implementing this framework, achieving significant results in terms of social inclusion and local development.

General expectation from the social taxonomy

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

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

A social taxonomy should include:

- Definition of best of class performance rather than a DNSH performance;
- Include the Social Economy sector (including social enterprises);
- Use Social Economy principles as criteria for the definition of best of class;
- Foster the assessment of the benefits for people and the planet, including both social and environmental practices;
- Transparent system to identify those who go the extra mile with regard to social and environmental criteria, including the focus on the real economy ;
- Filtering out of green/social washing free riders;
- Ensure coherence of all the activities of the organisation, and not just the sustainability of a single product;
- Additional negative criteria to exclude organisations using tax heavens and/or incurring in highly damaging practices for the environment worldwide;
- Promote transparency and clear communication on what is social and sustainable finance towards consumers, to facilitate the mobilisation of citizens savings that can help finance the ecological transition and projects with added social value.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.**

The maximum file size is 1 MB.

You can upload several files.

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Attachments: FEBEA position paper on Sustainable Finance and the FEBEA Charter