

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

Fields marked with \* are mandatory.

## Introduction

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### 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 has been extended to Monday 6 September 2021 at 12:00 CEST (midday).**

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.

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**Please note:** In order to ensure a fair and transparent consultation 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).

More information on

- [the call for feedback document](#)
- [the draft report on a social taxonomy](#)

- [the publication of the 2 draft reports](#)
- [the Platform on Sustainable Finance](#)
- [sustainable finance](#)
- [the protection of personal data regime for this call for feedback](#)

## About you

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\* I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

\* First name

Giovanni

\* Surname

Betti

\* Email (this won't be published)

giovanni.betti@eacb.coop

\* Organisation name

*255 character(s) maximum*

European Association of Co-operative Banks (EACB)

## Transparency register number

*255 character(s) maximum*

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

4172526951-19

### \* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

### \* 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
- Netherlands
- Norway

- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom
- Other country

**Field of activity**

**\* Financial activity**

Please select as many answers as you like

- 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
- Not applicable

**\* Non-financial activity (NACE)**

Please select as many answers as you like

- 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
- Not applicable

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

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- Yes, I agree to my responses being published under the name I indicate ( name of your organisation/company/public authority or your name if your reply as an individual – your email address will never be published)**
- No, I do not want my response to be published**

I agree with the [personal data protection provisions](#)

## Your opinion

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### 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

- 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

none

## 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.

A social taxonomy (ST) would be useful to have a common EU definition of what social activities are concretely.

The definition of “social” is key for cooperative banks and for cooperatives in general. As highlighted by ILO, values and principles governing cooperative enterprises respond to the pressing issues of economic development, environmental protection and social equity in a globalized world. The EU Commission has also acknowledged the social role of cooperatives in its recent “EU action plan for social economy”. Those elements shall be one of the key in the future ST.

Provided it is done in an effective and manageable way, a ST could serve to provide guidance about methods to objectively assess the ‘S’ in ‘ESG’ and stimulate investment in social development. If kept simple, it could also help to report on it and assist oversight/assurance.

We should pay attention to the role locally organised cooperatives and small-enterprises financed by banks perform in the economy.

## 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
- 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.

Our Members underlined the need to take an objective approach as much as possible that could avoid the creation of an unlevel playing field for EU companies subject to potential future regulatory requirements based on the EU social taxonomy.

We believe that social matters are strongly anchored into national cultures and histories, and the understanding of what positive social impact mean may vary significantly. A ST should therefore be as comprehensive and flexible as possible, encompassing regional disparities. It has to be considered that a ST might increase the already increasingly heavy reporting burden the NFRD, SFDR impose on companies.

The relationship between the env. and social taxonomy could become problematic. If the two would be designed as a single taxonomy this would mean adding together an economic entity’s social and environmental sustainability: less economic activities would qualify as sustainable. As pointed out in the report, such an approach is not practicable.

## 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?**

- 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.

We believe in particular that at entity level the following recommendations could be taken into account in developing the objectives and criteria for the future social taxonomy: I) support to local economies by serving decentralized areas, rural areas, and municipalities with no (or less) other alternative access to investment and financing (in line with SDGs 8; GRI G4 FS13 ; ISO2600 6.8); II) the democratic nature of the governance, ensuring representation of different economic/social sectors in boards (cooperatives), stakeholders and community engagement (in line with GRI 102-40; OECD II.7;ISO 26000 5.2/.3/7). The proposed wording for a "horizontal" and a "vertical" dimension could be changed to make the objectives clearer (for instance "human needs" and "human rights"). To help banks we would also appreciate more guidance and information about issues that can fall under the two dimensions and also information about the application of AAAQCriteria (concrete examples).

## **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
- 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.

We consider it too premature to set a delimited list of social by nature activities at the risk of missing sectors with a potential to bring positive outcomes. We would recommend to have as extensive an approach as possible and to define measuring tools and related methodologies to value the social dimension of most activities. For the SC, that evaluation should be centered around the combination of both intentionality and additionality while respecting the DNSH criteria as proposed by the Platform. We also have doubts on the overall operational aspect of assessing activities over the vertical and dimension, as a “definition of products and services essential for adequate living conditions” appears by definition a partial exercise (what is the baseline?). In addition, this is primarily a matter of political and societal debate rather than of channelling of private financing. It seems difficult to reconcile this with an approach aiming to identify harmful activities.

**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?**

- 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.

As a general remark, we believe that the future taxonomy should be objective-oriented. When a social undertaking or activity is financed, the social sustainability should be assessed according to its social impact. Further criteria, e.g. that affordable housing must not undermine environmental or other social objectives, e.g. safety and appropriate treatment of construction workers, can be achieved via the DNSH and Minimum Env. Safeguards criteria respectively. The idea of applying due diligence processes for human rights based on a large scope is already provided in the draft CSRD and other legislative initiatives. We would furthermore underline that for financial institutions applying due diligence across the entire value chain and supply chain would be hardly manageable. A larger scope would otherwise be unrealistic practically-speaking and create undue litigation risk. Furthermore, this due diligence requirement should be an obligation of means, not an obligation of results.

## 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
- 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.

We firmly believe that no generally allowed economic activity should be considered socially harmful. We support the promotion of social responsibility and ethics but strongly oppose proposed discrimination of entire business sectors. Stigmatising certain activities, which are part of our culture, tradition/daily life, often run locally by SMEs and compliant with the environmental taxonomy would have severe unintended effects. Also, activities related to public security and defence should be safeguarded. Such matters are no issue for the current taxonomy process but require a broader political and societal debate and parliamentary legislation. Legitimacy of a negative taxonomy established without strong democratic consensus is doubtful and would impair building societal support for sustainable economy. Taxonomy should focus on incentives rather than distancing citizens by radical intervention. It is unclear which criteria underpin the Platform's classification as socially harmful.

## 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?**

- 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.

Sustainability linked remuneration requires clear standards to avoid operational burdens and ensure comparability.

For banks there is a detailed framework promotes a sustainability-oriented behaviour (ECB Guide on climate-related risks, a number of legal/transparency/reporting requirements i.e. CRD/CRR, EBA GL remuneration).

We see no need for additional standards. The EBA GL especially set a risk-based pay system that reflects long-term risks of the bank (limited variable pay, deferral, payment in share instruments etc). ESG risks which are to be integrated into risk management, will automatically be reflected in the risk-based payments.

New measures can be considered only in respect of the current rules. These rules are very sophisticated and challenging, i.e. requires high professionalism skilled remuneration teams and testing targets.

Executive remuneration and its variable share must remain an individual decision of each company. Existing sectoral policies must be respected.

**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

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

Banks are required by CRD and EBA GL on governance/fit&proper to meet most of the governance objectives listed above, but these objectives should be considered by all undertakings, with benefit to companies, employees, customers and also to ensure a level playing field. The forthcoming EC proposal on sustainable corporate governance will also address such requirements; alignment of all EC initiatives is crucial. Once in place, the reporting of all companies on both sustainable governance and social taxonomy would have to be aligned. Further clarification would be required on how to identify social lending activities. In particular, elements such as characteristics of the cooperative governance model (recognised already by the EC as social economy) should be also be favoured in the social taxonomy i.e. the mission, inclusiveness and support of the communities, stakeholders' engagement (i.e. democratic vote).

## 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
- 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.

Environmental and social taxonomies cannot be combined as they face different aspects and indicators which do not correspond directly with each other. We believe that the two frameworks should be developed in parallel and with the same structure.

The development of a model according to which an economic activity will have to meet either at least one environmental or SC and on top of that all relevant environmental and social DNSH criteria is not the optimal solution. This could limit the number of eligible economic activities. Altogether the social taxonomy should be practicable, lean and not cause high administrative burdens for the bank customers.

The respective minimum safeguards (environmental and social under Model 1) are not highly developed indeed but they ensure that an environmental activity will not negatively impact basic human rights principles and vice versa for social activities.

## 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.

Our main expectation is that a social taxonomy would provide a clear and easily accessible framework to describe what a social activity is. Then we will be able to set social objectives and measure progress towards these objectives.

Taxonomy should focus on incentives rather than distancing citizens by radical intervention. Certain concepts developed by the Platform's experts appointed by the EC (such as classification of economic activities as socially harmful) seem premature and not acceptable without having an open democratic societal and political debate. A legislative parliamentary procedure is required.

A social taxonomy should also help collect relevant data. We are aware of the fact that it will be more difficult to find quantifiable criteria for a social taxonomy than for an environmental taxonomy. However, providing the definitions for "social sustainability" will be key for making the initiative tangible and useable for financial institutions in order to direct financial flows to social undertakings and economic activities. Although especially with climate mitigation scientific research allows to attach highly relevant quantitative criteria to economic activities, social sustainability is at the moment described in more qualitative terms. There are promising attempts to translate these into quantitative indicators, the probably most famous being the UN Development program with its annual report on human development. Acknowledging the need to materialize concrete proposals in indicators, our Members underlined the need to take an objective approach as much as possible.

We also expect a social taxonomy to recognize the need for transition towards socially sustainable objectives and accommodate the possibility for activities to evolve by creating incentives for companies to improve their social impact rather than penalties.

Generally speaking, we are concerned by the risk of overlap of initiatives that relate to the social factor of ESG: the ongoing CSRD negotiations and the forthcoming sustainable corporate governance & due diligence directive share several topics with the draft report of the Platform on a social taxonomy. It is of utmost importance that future indicators be consistent across the board to ensure legal clarity and certainty.

Governance topics identified by the Platform, which as explained in detail under Question 7, are relevant to promote sustainability in companies and as such should be considered equally by all undertakings (existing sectorial, e.g banking, rules should be recognised). Additionally, as cooperative banks we believe that "governance" in the social taxonomy should be also interpreted as the governance code that an entity is putting in place (such as the one of a co-operative) to guarantee inclusiveness and better support of the well-being of the communities in which it operates. For clarity, we recommend the Platform to better articulate differences between Social (S) and Governance (G). Although there might be strong interlinkages between the two aspects fully merging governance into the social taxonomy as the draft report indicates may create confusions as to what the remaining (G) stands for.

We suggest a double perspective approach in implementing the social taxonomy, identifying two different layers to which criteria and principles could be applicable: entity level and product/service/activity level.

We believe in particular that at entity level the following recommendations could be taken into account in developing the criteria for the future social taxonomy:

- I. The support to local economies by serving decentralized areas, rural areas, and municipalities with no other alternative access to investment and financing (in line with SDGs 8, 10 and 11; GRI G4 FS13 EC6



EC7 EC8 Ec9 S01; ISO2600 6.8).

II. The democratic nature of the governance, ensuring representation of different economic/social sectors in the supervisory board of the bank, active shareholders and community engagement (in line with GRI 102-40; OECD II.7; ISO 26000 5.2/.3/7).

We believe that the future classification system that could identify a possible social taxonomy could take into account some of those criteria to be applicable to all companies that would like to start assessing their own activities and governance practices according to the EU Social Taxonomy, with the aim to avoid a too narrow and strict classification system.

We would also like to point out the importance of public incentives for the success of a future social taxonomy adoption. Where the legislators express desire for increased social economic activities, we believe they should also support the transformation through incentives. As much as we welcome both the green and social initiatives, European undertakings will incur costs. Undertakings that promote social economy activities should therefore also receive incentives from the public sector.

## Additional information

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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

### Useful links

[Call for feedback document \(https://ec.europa.eu/info/files/2021-social-taxonomy-report-call-for-feedback-document\\_en\)](https://ec.europa.eu/info/files/2021-social-taxonomy-report-call-for-feedback-document_en)

[Draft report on a social taxonomy \(https://ec.europa.eu/info/files/210712-sustainable-finance-platform-report-social-taxonomy\\_en\)](https://ec.europa.eu/info/files/210712-sustainable-finance-platform-report-social-taxonomy_en)

[More on the publication of the 2 draft reports \(https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports\\_en\)](https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports_en)

[More on sustainable finance \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

[Platform on Sustainable Finance \(https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance\\_en\)](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en)

[Specific privacy statement \(https://ec.europa.eu/info/files/2021-social-taxonomy-report-specific-privacy-statement\\_en\)](https://ec.europa.eu/info/files/2021-social-taxonomy-report-specific-privacy-statement_en)

## **Contact**

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