



Eumedion responses to the survey are listed in red.

Platform on Sustainable Finance - Call for feedback on the Platform on Sustainable Finance's draft report on social Taxonomy

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. ([link](#))

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 (max. 1000 characters):

Eumedion fully concurs that a primary objective of the social taxonomy is to strengthen the definition and measurement of social investment (e.g. p.15 of the report). This is in our view the main and primary merit of a social taxonomy. We believe that this aspect should therefore be the absolute and most urgent priority when developing the social taxonomy. The social taxonomy will ultimately enable institutional investors to further support investment in social sustainability and will allow social and human rights risks and opportunities to be better addressed through investment; but from a technical point of view and as it is currently required by institutional investors, these are not the main, but rather the indirect merits of the social 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

other

none

Please specify to what other concern(s) you refer in your answer to question 1.2 (max. 1000 characters):

Eumedion's main concern is that a swift development of the social taxonomy will be hindered by an initial focus also on positive impact, rather than on creating a uniform definition or measurement of social sustainability alone. This means that we are strongly in favour of an initial focus on the development of the horizontal dimension of the taxonomy. This way, the social taxonomy will make clear which type of company behaviour or activities are at risk of being detrimental to social sustainability, by making concrete - in terms of definitions, practices, and measurement - the aspects covered by existing and widely accepted international frameworks and principles, such as those of the OECD, ILO and the UN Guiding Principles on Business and Human Rights. Given the challenges involved in this task alone, as the report rightly acknowledges, we propose a phased development of the taxonomy and to make the definition of 'substantial contribution' only a *second phase* of development.

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:

As argued in our answer to question 1.2, we are of the opinion that the development of the horizontal dimension should be prioritised over the development of the vertical dimension. We agree with the Platform that the focus for the horizontal dimension should be the avoidance of negative

impact, through demonstrating the application of widely accepted, international principles and frameworks for social sustainability.

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 question3:

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):

In opposition to what the report and question 4 itself seem to suggest (namely that economic entities IN ADDITION TO economic activities should be targeted), we are actually of the opinion that the horizontal dimension should PRIMARILY focus on targeting economic entities rather than economic activities.

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)

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.

We agree with the remark in the report that linking executive remuneration to sustainability factors is a very effective way to steer a company towards achieving the sustainability targets it has set for itself. As correctly stated on p. 46 of the report, the taxonomy is primarily a tool for sustainable investors who expect this topic to be included. Also the members of Eumedion expect that. According to principle 8 of Eumedion's principles for a sound remuneration policy for members of the management board of Dutch listed companies, companies are recommended to also base the granting of variable remuneration elements on environmental, social and/or governance goals.

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.

Eumedion is of the opinion that ESG factors are interlinked. Good governance is a pre-condition for a company to meaningfully address its social challenges and opportunities. Therefore, it is important that clear criteria are set for good governance practices. We do not concur with the notion on p. 45 that the taxonomy does not need to include 'hard' corporate governance factors. We believe that the responsible use of shareholder rights strengthens the checks and balances within listed companies, which is key to creating long-term value for the company and all its stakeholders. Therefore we advise to also cover minimum shareholder rights and an effective board structure.

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)

We are of the opinion that not ONE model should be chosen; rather, both models should exist side by side in a complementary way, since they will serve different needs. A social taxonomy serves the purpose of defining social sustainability, and a 'green' taxonomy serves the purpose of defining environmental sustainability. In practice, for various sustainable financial products and investments, sometimes both taxonomies will be needed, and sometimes just one. This depends on the nature of the product or the investment portfolio. In the cases when only one taxonomy applies, then indeed minimum safeguards need to apply. In the cases when both taxonomies apply, then those minimum safeguards are not relevant anymore. Thus, both of the proposed models will need to exist side by side. This means that both 'E' and 'S' taxonomies should be fully developed in their own right, with minimum environmental safeguards also for the 'S' taxonomy.

General expectation from the social taxonomy

Question 9. What do you expect from a social taxonomy (5000 character(s) maximum)?

In addition to above answers, we would like to highlight the following.

First, the aspect of ‘interconnection’ between sustainability factors appears to be left unaddressed. We would expect the Platform to not only develop a view on how individual taxonomies should be applied in practice and in connection with one another, but also on how on a topical level the performance on environmental, social and governance factors are interconnected. It has been well established that environmental topics have (both in the short and long term) a social dimension, while social topics can prove to have an environmental dimension as well. For instance, investors will need to be able to classify and even weigh the social impact of dismantling or relocating economic activities due to environmental performance factors.

Second, as indicated earlier, we would like to stress the importance of good governance in its own right (so not just the ‘governance of sustainability matters’, such as the governance of climate risks as part of the TCFD framework). As Eumedion has repeatedly stated, we believe that environmental, social and governance factors cannot be seen separately. This means that the economic activities of a company cannot be labelled as ‘social’ or ‘green’ on the basis of the taxonomy, while that company has flagrant deviations from generally accepted corporate governance standards (e.g. minimum shareholder rights, disclosure, risk management and independence of non-executives). Good governance will contribute to and improve adequate consideration of stakeholder interests, and contribute to consistency over time in a company’s approach to sustainability. For these reasons, a set of minimum but specific governance standards needs to be added to the social taxonomy. This requires further defining of what constitutes good governance, in order to more precisely identify company behaviour or activities that are potentially detrimental to long-term value creation.
