

# 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

2 0 1 8 .

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

Henrik

\* Surname

Munck

\* Email (this won't be published)

hmu@forsikringogpension.dk

\* Organisation name

*255 character(s) maximum*

Insurance and Pension Denmark

## 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.

002584211848-89

### \* 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

## 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.

It's extremely important to also recognise the need for data and data reliability when designing a social taxonomy. Essentially, the taxonomy should help direct capital in the direction of truly sustainable activities, avoid "social washing" etc. Therefore, careful consideration must be taken to the issue of data availability

## 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.

The horizontal and the vertical approach combined cover a broad spectrum of social issues and ambitions. We don't consider the terminology horizontal and vertical as a very good choice. We would like to point out that particularly the horizontal dimension resembles to a large extent a DNSH approach. In this respect, the taxonomy should be a help to investors to determine whether investee companies breach any criteria, eg. by contributing to armed conflicts, by selling or transporting weapons or dual use equipment etc. Also, the horizontal dimension should help investors balance the dilemmas often linked to such issues. Eg. sometimes companies inadvertently support illegitimate regimes through their operations because the alternative – to dismantle operations may result in massive loss of jobs or other harm to innocent civilians, which in itself is socially unsustainable. We believe the taxonomy should deal with considerations/dilemmas such as this.

### **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.

Although, at this point in time, we believe it would be beneficial to have a discussion about the principles to apply for selecting sectors, before engaging in operationalisation and actual selection of sectors, Insurance & Pension Denmark believes it would be beneficial to have a fairly broad list of activities addressed in the social taxonomy covering activities that promote peoples health, ability to work, ability to preserve their wealth etc. We'd like to point out that insurers and pension providers contribute directly to such objectives by reducing the protection gap in eg. health, pensions, property etc. via products such as disability insurance, income protection insurance, pension savings schemes, home owner insurance among others. Insurers /pensions providers also invest significantly in green assets, including social and sustainability bonds, thereby financing renewable energy-projects, sustainable water treatment/management, affordable housing and much more.

**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.

It's important to note that the perception of social sustainability varies significantly across the world - and even among EU countries. It relies on national traditions, social-justice understanding and cultural specificities. Therefore defining social sustainability criteria for particular economic activities requires very careful consideration and further analyses. It's extremely important that - particularly - pension providers are able to invest globally in geographically and sectorally well diversified portfolios. To achieve this, it's important that criteria for social sustainability be defined in relative terms based on conditions in various countries. We believe it may be fruitful to focus on investee companies' due diligence processes, ensuring criteria for what constitutes socially sustainable conduct which reflect the differences in social norms and expectations among countries.

## **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.

Insurance & Pension Denmark is of the opinion that the NACE code classification is ill suited for the social taxonomy as it is based on the sector/activity rather than on the entity's processes and policies. Only few

activities can be easily classified as inherently socially harmful. These include - perhaps - tobacco manufacture as well as the manufacture of certain weapons (anti-personnel landmines, cluster munitions, chemical, biological, and nuclear weapons). Further, the taxonomy must recognise that entities may improve their social performance within an economic activity (eg. manufacture of textiles), and thus, actively contribute to the transition. This underlines the fact that socially sustainable performance is very much a matter of entities having in place processes which can guide them to make sure that its operations are sustainable, ie. do not violate DNSH criteria (or Principle Adverse Indicators, ref. the SFDR).

## 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.

Insurance & Pension Denmark believes that remuneration can be a significant tool for entities to incentivise and integrate social - as well as environmental- goals. We believe it's important that remuneration reflects the objectives and specific targets.

For this reason, we think that disclosing how remuneration furthers the targets the company sets in relation to environmental, social sustainability etc. will be beneficial. However, careful consideration must be taken in order to avoid eg. "social washing" and other negative effects.

**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

## 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.

Based on the information put forward so far, we recommend model 1. However, much depends on the actual implementation, and we believe further analyses and consideration must be done. Linking the social and environmental taxonomies and creating one taxonomy with a list of social and environmental objectives and DNSH would - as stated - significantly limit the amount of investments that meet the criteria, thereby reducing the allowed universe of investments for pension providers and other investors who emphasize investing sustainably. We would like to stress that the over arching goal for pension providers is to secure retirement income for future pension receivers. From a risk management perspective, and in order to secure the necessary return on investments, it's extremely important to not reduce the investment universe. Therefore, we currently favor taxonomies which do not link environmental and social criteria apart from minimum safeguards

## 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.

Investors (and other stakeholders) need clarity on what is sustainable and what is not, just as is the case with the environmental taxonomy. We expect that the social taxonomy will be developed based on the existing framework for sustainability taxonomies.

Investing sustainably involves many decisions regarding which products to invest in, where to invest, whether investee companies adhere to eg. labour rights, human rights etc. Determining whether an investee company - in a particular situation - acts in a socially sustainable manner is often quite difficult, as this would require a specific analysis based on the specificities of the situation in question. Therefore, we tend to believe that the most important outcome of a taxonomy would be measures that can help companies, investors and other stakeholders determine, whether certain minimum safeguards are adhered to and whether the investee company exerts "good governance", thereby seeking to reduce/eliminate any SH on the social field. We recommend to carefully consider data availability when designing the social taxonomy in order to ensure that "social washing" etc. is avoided.

We would like to emphasize the importance of institutional investors - including pension providers - being able to offer products with social sustainability considerations and/or targets as a supplement to environmentally sustainable products following the SFDR art. 8 and 9. A clear distinction between "social" products and "environmental" products is therefore required. This will also allow customers to better choose investment products.

We also want to point to the fact that sectoral legislation requires insurers and pension providers to invest in the best interest of customers - the Prudent Person Principle. This entails that securing long term investment return is essential, which in turn requires well diversified and stable portfolios. Limiting the spectrum of possible investments by linking taxonomies and introducing DNSH principles in the environmental taxonomy (above minimum safeguards) or vice versa may seriously impede the ability to obtain well diversified portfolios. This will be detrimental to the European pension system.

We'd like to stress, though, that we recognise the need to have certain minimum safeguards, in line with what's the safeguards already introduced in the environmental taxonomy. Similarly, certain environmental safeguards make be relevant in the social taxonomy.

## 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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