

# Call for feedback on the Platform´s draft report on social taxonomy

## About NFU

NFU – Nordic Financial Unions is an organization that promotes the interests of the Nordic financial trade unions in Europe. Through a high level of competence and dialogue, NFU contributes to shaping a sustainable financial sector, fundamental for job creation. Currently, NFU represents eight trade unions in the bank, finance and insurance sector in Denmark, Finland, Iceland, Norway and Sweden.

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## Consultation replies

### Merits and concerns

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

*(Multiple choice possible; if ´other´ explain in 1000 characters max, with spaces and line breaks)*

- 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

Other: Moving forward with a social taxonomy would be the next logical and much needed step in addressing environmental/climate, social and governance considerations in the sustainability agenda. This **holistic approach** is essential in achieving the goals and objectives foreseen with the Sustainable Development Goals (SDGs) and the Paris Agreement.

At the same time, moving forward with a social taxonomy would mean putting into practice the recommendations from the High-Level Expert Group on Sustainable Finance (HLEG), the Technical Expert Group on Sustainable Finance (TEG) and the numerous political institutions, civil society representatives and

trade unions who have been **voicing their support for progress in this direction.**

A social taxonomy could help in identifying activities that would bring overall benefit to workers, global value chains, communities, and societies at large, leading to more sustainable job creation, solid working conditions and reinforcing collective bargaining and social dialogue. Through a properly designed social taxonomy, the **protection and promotion of human and labor rights could be advanced, including across value/supply chains.** These concerns have started to gain attention but are still not sufficiently addressed by current EU initiatives.

Additionally, the COVID-19 pandemic has been one of the reasons that brought an increased level of attention surrounding social issues, including through the unprecedented interest in [social bonds](#). As EU Member States are working through the effects of the pandemic on economies and society, a social taxonomy could be a helpful tool. Together with the environmental taxonomy, a social taxonomy can be used as a reference point in **the implementation of the recovery plans and advancing their social (rights) agenda in a wider context.**

The taxonomy could also serve as a tool in the **transition to a circular economy and when digitalizing and greening the EU economy**; the latter under the guiding notion of ‘**just transition**’ which will maximize the benefits, while minimizing negative effects for workers, consumers and communities affected by the transition.

Lastly, the developments in sustainable finance in recent years have been quite profound, and a social taxonomy could be the missing piece that brings together several pieces of legislation that touch upon the social angle of the discussions.

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

*(Multiple choice possible; if ‘other’ explain in 1000 characters max, with spaces and line breaks)*

- interference with national regulations and social partners’ autonomy
- increasing administrative burden for companies
- other
- None

**Other:** The social taxonomy in its foundation is expected to **clearly respect the national regulations and traditions, and the autonomy of social partners.**

This is aligned with EU’s competences and remit concerning this field.

Furthermore, moving forward, the Platform itself confirms the importance of respecting the autonomy of social partners on several occasions in this report, subject to this consultation (page 16).

Having said this, the reason for our marking is to rather reflect on the fact that **the role of social partners in the report could have been explored in more depth**, beyond the segment on main concerns only, and focusing on the social partners' roles as contributors and accelerators of the sustainable finance agenda.

**Trade unions have a positive role to play in advancing the sustainability agenda** through having unique competence in the intersection of human and labor rights and wider societal concerns. Trade unions are one of the main stakeholders covered with the implementation of the OECD Guidelines for Multinational Enterprises; supporting the work of European Works Councils (EWC)s; being a key value-adding partner when it comes to the social dialogue and the development of new policies and regulations related to the social agenda as well as the implementation.

Reflecting on the second option above, the potential increase of administrative burden for companies could be mitigated with **better policy coherence** among the different legislative pieces and improved synergy in the reporting practices. Furthermore, a proportional yet meaningful framework for reporting for SMEs could be developed.

Lastly, one of the main concerns seems to lie with the difficulties in understanding the **different methodological starting points for correctly designing the environmental and the social taxonomy**, respectively. While due to their nature, they would need different approaches, this should not be a discouragement from moving forward with both taxonomies.

A social taxonomy would need clear objectives, stating the added value of such framework, and stimulating investments in advancing social sustainability. **Member States could also benefit** from the framework in their work in fora such as the High-level political forum and the European Semester.

Establishing **dialogue with and using the expertise of stakeholders** with appropriate competence to shed light on challenging areas for decision makers and expert groups, such as the Platform, could be one way of moving forward with the agenda in a more unified manner.

### Structure of the social taxonomy

**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:**

*(in 1000 characters max, with spaces and line breaks)*

The proposed framework sets a **good basis** by reflecting on the (additional) contribution of activities towards products and services and basic economic infrastructure, as well as on the various stakeholders whose needs should be considered as part of the horizontal, process-related segment. We are also pleased to see that workers are identified as one of the key stakeholder groups. Trade unions, being the main representatives of the workers, would play a fundamental role in the development of a social taxonomy and furthermore in the just transition process.

In terms of additions, we would mention two additions, relating to the horizontal and vertical dimension, respectively.

Regarding the **horizontal dimension**, the report states that the stakeholder category 'workers' includes value chain workers, as well (page 5). We find it positive to see the community and 'across value chain' approach taken here. In connection to that, it could bring merits to the transparency and reporting if human/workers' rights across the global value/supply chain are lifted separately or more explicitly instead of being bundled. This is because we often see discrepancies in how companies approach these issues internally vs across their value or supply chain.

One confirmation of this comes with the recent [UNEP FI PRB Collective Progress Review](#), where respondent-companies report having internal decent employment policies, with only 35% application rate of those policies to their business activities. Understanding workers' realities both internally and across value chains is equally important and essential for moving the sustainability agenda forward.

Regarding the **vertical dimension**, it could be useful to, in addition to access to products and services and basic infrastructure, to analyze the status of activities that bring advancement and (social) innovation in the identified areas, while respecting the necessary safeguards and criteria. Activities that would be tied with long-term/transitional elements in advancing the social agenda could also be considered—similarly to the transition activities under the climate change mitigation objective in the environmental taxonomy.

As a **general point**, in addition to the mention of trade union involvement in Question 1, the referenced instruments used as a basis and part of the current minimum safeguards are a good starting point. The taxonomy should also consider the context in which EU and its Member States finds themselves today and align with other current initiatives related to the social agenda.

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

*(Multiple choice possible; if 'other' explain in 1000 characters max, with spaces and line breaks)*

- 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

**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:**

*(explain in 1000 characters max, with spaces and line breaks)*

This could be the case, depending on the direction of development with the social taxonomy. Unlike with the environmental taxonomy, significant amount of the criteria included in the social taxonomy might refer to **entity-level commitments, policies or processes**, and it could be difficult to separate them based on activities.

### **Harmful activities**

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

*(Multiple choice possible; if 'other' explain in 1000 characters max, with spaces and line breaks)*

- 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

### 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:**

*(explain in 1000 characters max, with spaces and line breaks)*

Executive remuneration could be a relevant area to take into consideration based on the definition of objectives, range and scope of the social taxonomy. Still, it is important to highlight that the primary role of the social taxonomy would be to consider the most relevant and useful objectives to advance the social agenda of the EU and its Member States.

A more holistic approach for executive remuneration and incentive structures would mean that social and environmental factors play a similar role. More general approach

through including reputation score (where relevant sustainability elements, including employer satisfaction are key components) could be a suitable approach for most companies.

**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:**

*(Multiple choice possible; if 'other' explain in 1000 characters max, with spaces and line breaks)*

- 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

**Other:** It is very positive to see that **employee participation** has been included as an additional and stand-alone element. Furthermore, in connection to the framing of the diversity- goals, we would like to add **balance** as well, particularly when it comes to gender.

Additionally, we note that **whistleblowing** is considered a part of 'anti-bribery and anti-corruption' (page 47). Whistleblowing should be considered separately, since it is a channel/ means of practicing democracy at work. Sound and safe internal and external channels for reporting are relevant also in the context of violence, discrimination, harassment, workers' rights and work environment issues, money laundering and more.

Lastly, in the context of transparency, perhaps the recent changes with the existing **EU Transparency Register** and the need for regular registration and monitoring of activities could also be taken into account.

**Models for linking an environmental and a social taxonomy**

**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:**

*(explain in 1000 characters max, with spaces and line breaks)*

While we see preferences and good sides of both models, we find that perhaps an adjusted approach could be possible, therefore the offered options do not fully catch our view. The approach would be related to the second task/mandate of the Platform, to **evaluate the application of Article 18** from the current Taxonomy, on minimum (social) safeguards. The insights on how this Article has been implemented could give a picture on how to practically move forward with the potential environmental safeguards.

Content-wise, from all the criteria that an economic activity needs to meet in order to be deemed sustainable, the minimum safeguards remain the only one which was adopted without the need for further (Level 2) detailing, as opposed to the environmental objectives, the significant contribution and do-not-significantly harm criteria. The minimum safeguards today relate to procedures deriving from several instruments that need to be observed. We find that **procedural asks** would make the implementation more meaningful and concrete. This experience can then be translated for the environmental safeguards. Governance aspects, should, as lifted by the Platform, be adhered by both environmental and social taxonomy, respectively

**General expectation from the social taxonomy**

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

*(explain in 1000 characters max, with spaces and line breaks)*

While we have expressed many of our expectations already throughout the Consultation and particularly in Question 1 and Question 2, we would like to share some general considerations as well:

1. NFU welcomes the possibility to provide feedback to the report and the work of the Platform on Sustainable Finance. One of NFU's advocacy points has been the need to consider the environmental, social and governance considerations on equal footing and **address sustainability holistically**. Therefore, we are pleased to see the efforts put by the Platform on Sustainable Finance in delivering on the social and reflecting on the governance aspects of sustainable finance.
2. We strongly support not only the current work but also the **next steps leading to a properly designed social taxonomy** i.e. the further detailing of the initial report on the social taxonomy, the formal extension of the Taxonomy Regulation and the further work with a possible Delegated Act, leading to more granularity. We join many institutions, civil society organizations and trade unions in this request.
3. **Trade unions and employees, particularly from the finance sector**, have a significant role in the further work with sustainable finance and a particular interest in the social taxonomy. The broad understanding of both national political realities and everyday work realities of employees' positions trade unions as a unique and logical partner in sustainable finance policy discussions on European level, as well.

Trade unions can provide a holistic view on sectoral and cross-sectoral basis, present the magnitude of a particular issue in connection to labor rights and broader social implications, give the wider societal context and impact of a proposed measure, including in connection to community impact and consumer protection. We would therefore welcome **more direct involvement of trade union representatives in the next steps with the social taxonomy and the work of the Platform's sub-group**.

4. One of the main challenges with the EU developments with sustainable finance has been the **policy coherence**. We would encourage that the work with the social taxonomy is aligned with the work of other key files, such as the Disclosure Regulation and related technical standards, the Corporate Sustainability Reporting Directive (CSRD) and the work of EFRAG, and the upcoming Sustainable Corporate Governance initiative, among else.

This is to make sure that similar issues are not being reported multiple times, as well as that enough attention is placed on having sufficient and quality data, particularly on social and labor questions, which have been less developed in non-financial reporting so far.

#### **Additional information**

NFU Policy Paper on Sustainable Finance will be uploaded