



25 August 2021

Attn Nathan Fabian
Platform on sustainable finance
European Commission
1049 Bruxelles
Belgium

Dear Mr Fabian,

Subject: PwC feedback on the draft report on a social taxonomy

PwC International Ltd (PwC), on behalf of the PwC network, welcomes the opportunity to respond to the call for feedback on the possible expansion of the Taxonomy framework to social and governance aspects. We believe the right policy tools can play an important part in addressing some of the biggest challenges. Affordable housing, education, inequalities, aging population are systemic issues that require a systemic response so that markets adopt and reward a broader concept of value than solely financial return. The world needs to recouple economic and societal progress

We share the objective of the Taxonomy to provide clear definitions and criteria to guide sustainable investments and transition by companies. Social bonds or other financial instruments can become an important complement to public finance in order to support access to social welfare and incentivise companies to implement systems that ensure human rights are respected. Investments into social objectives are also essential to mitigate the negative impacts on workers, sectors and countries that are most exposed to the transition to climate neutrality.

Expanding the framework to social factors using the environmental taxonomy as a role model would be a more demanding political exercise because of a number of factors, including the lack of broadly agreed science-based criteria, national sovereignty in most social policy areas and vastly different social models at EU and global level. Furthermore, any credible criteria will have

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to differentiate between the inherent social benefits of a company (e.g. employment, taxes, upskilling), or mere compliance with social laws, and additional social benefits that ‘substantially contribute’ to social objectives. Another challenge will be to measure the global impact of economic activities, therefore the scope and meaning of a social taxonomy will have to be defined precisely.

Despite the complexity, it would be possible to develop a social taxonomy, provided it is applied on the basis of relevant, comparable and reliable sustainability reporting by companies. It is important that the taxonomy framework remains consistent with the other legislation in the sustainable finance agenda. The social sustainability information that companies will be producing in compliance with the upcoming Corporate Sustainability Reporting Directive could be used to determine the criteria of the social taxonomy. Information used to apply the social taxonomy could then also be reflected in the Principal Adverse Impacts disclosures under the Sustainable Finance Disclosure Regulation. We also recommend any reporting requirements similar to art. 8 of the Environmental Taxonomy are clearly articulated so that they enable companies and investors to apply the rules in a consistent manner.

In order to identify robust and objective indicators that will give credibility to the social taxonomy for ESG investors, we recommend using existing international treaties and standards as a basis. We would agree that the OECD guidelines for multinational enterprises provide a well established framework. Furthermore, existing market initiatives like the ICMA social bond principles indicate the categories of projects which should be funded to provide clear social benefit. The International Business Council’s stakeholder capitalism metrics¹ identified 6 relevant social (‘People’) core metrics and 9 expanded metrics, based on well established sustainability reporting frameworks. All these initiatives and indicators could serve as a basis to identify objective criteria for ‘substantial contribution’ and ‘do no significant harm’.

It is important to place the right expectations on what the Taxonomy can achieve. In our view the application of a taxonomy may not be as effective in achieving policy targets (social as well as environmental) as direct targeted policy measures that price and constrain social externalities and ensure social rights are respected. The intended purpose of the Taxonomy should remain as an investment tool for capital markets, rather than for distinguishing inherently ‘good’ and ‘bad’ business. The main objective should be rewarding companies that engage in a transition,

¹ World Economic Forum: ‘[Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#)’ (2020)

including improving their performance on social sustainability factors, and not to penalise companies if they do not yet align with the Taxonomy.

Good governance and responsible tax planning

Good governance, including appropriate internal controls and risk management systems, and a responsible tax strategy are fundamental components of a business that creates value sustainably. As part of broader corporate governance, good tax governance is required to manage tax responsibly from strategy to reporting and to address wider stakeholder needs. Responsible tax behaviour forms part of a company's ESG performance and contribution to society. Having a transparent tax strategy, including how it is aligned with the company's values, stakeholder expectations and ESG approach, and approved under the board's responsibility, would lead to higher accountability as regards the company's approach to tax².

We recommend that attention be paid so that the framework remains flexible enough for companies to apply it to their specific circumstances, as a specific focus on certain indicators may drive away attention from a broader holistic approach to good governance. For example, in our experience companies that have defined board's gender balance as the sole metric to measure improvements, ended up overlooking Diversity & Inclusion across the overall organisation. Additionally, with regard in particular to supply chain due diligence, we suggest focusing on ensuring that companies have appropriate proportionate processes in place to identify and mitigate risks of social harm, ensuring consistency with the upcoming EU due diligence legislation.

With regard to the Taxonomy criteria for the approach to tax including responsible tax planning, it is crucial that they are based as much as possible on existing regulations, frameworks and standards, for example the EU Anti-Tax Avoidance Directives, the BEPS minimum standards, the Directive on Administrative Cooperation, the upcoming Public Country-by-Country Reporting Directive, as well as the GRI-207 reporting standard, the UN PRI tax guidance, the Business at OECD (BIAC) Statement of Tax Principles for International Business and the Statement of Tax Best Practices for Engaging with Tax Authorities in Developing Countries. This will ensure a consistent understanding of an entity's responsibilities, and enable companies to apply responsible tax (planning) practices. In this regard we also would like to suggest using other terminology in the social taxonomy and replace the term '*non-aggressive tax planning*'

² See also PwC NL: '[Corporate tax governance: Creating a sustainable tax approach in times of fundamental change](#)' (2020)



with the term '*responsible tax planning*'. This more positive wording would also be more in line with existing international responsible tax standards and business initiatives.

We look forward to working with the Platform and the Commission and continuing to share our perspectives as the initiatives progress. If you have any questions regarding our response, please contact Gilly Lord at Gillian.Lord@pwc.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Stewart'.

Michael Stewart
Global Leader, Corporate Affairs and Communications

PwC IL is registered under number 60402754518-05 in the EU Transparency Register

Appendix: WEF IBC stakeholder capitalism metrics - 'People' pillar core and expanded metrics

Core metrics		
<u>Skills for the Future</u>	Training provided (#, \$)	<p>1. Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).</p> <p>2. Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).</p>
<u>Dignity and Equality</u>	Pay equality (%)	<p>1. Ratios of standard entry level wage by gender compared to local minimum wage.</p> <p>2. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO</p>
	Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).
	Risk for incidents of child, forced or compulsory labour (#, %)	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.
	Wage level (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.
<u>Health and Wellbeing</u>	Health and safety (%)	1. The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-

		<p>related injuries; main types of work-related injury; and the number of hours worked.</p> <p>2. An explanation of how the organization facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided for employees and workers.</p>
<u>Expanded metrics</u>		
<u>Skills for the Future</u>	Number of unfilled skilled positions (#, %)	<p>1. Number of unfilled skilled positions (#).</p> <p>2. Percentage of unfilled skilled positions for which the company will hire unskilled candidates and train them (%).</p>
	Monetized impacts of training – Increased earning capacity as a result of training intervention (%, \$)	<p>1. Investment in training as a percentage (%) of payroll.</p> <p>2. Effectiveness of the training and development through increased revenue, productivity gains, employee engagement and/or internal hire rates.</p>
<u>Dignity and Equality</u>	Pay gap (%, #)	<p>1. Mean pay gap of basic salary and remuneration of full-time relevant employees based on gender (women to men) and indicators of diversity (e.g. BAME to non-BAME) at a company level or by significant location of operation.</p> <p>2. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.</p>
	Discrimination and harassment incidents (#) and the total amount of monetary losses (\$)	Number of discrimination and harassment incidents, status of the incidents and actions taken, and the total amount of monetary losses as a result of legal proceedings associated with: a) law violations; and b) employment discrimination.
	Freedom of association and collective	<p>1. Percentage of active workforce covered under collective bargaining agreements.</p>

	bargaining at risk (%)	2. An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk, including measures taken by the organization to address these risks.
	Human rights review, grievance impact & modern slavery (#, %)	<p>1. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.</p> <p>2. Number and type of grievances reported with associated impacts related to a salient human rights issue in the reporting period and an explanation on type of impacts.</p> <p>3. Number and percentage of operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.</p>
<u>Health and Wellbeing</u>	Living wage (%)	Current wages against the living wage for employees and contractors in states and localities where the company is operating.
	Monetized impacts of work-related incidents on organization (#, \$)	By multiplying the number and type of occupational incidents by the direct costs for employees, employers per incident (including actions and/or fines from regulators, property damage, healthcare costs, compensation costs to employees).
	Employee well-being (#, %)	<p>1. The number of fatalities as a result of work-related ill-health, recordable work-related ill-health injuries, and the main types of work-related ill-health for all employees and workers.</p> <p>2. a) Percentage of employees participating in “best practice” health and well-being programmes, and b) Absentee rate (AR) of all employees.</p>

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

Fields marked with * are mandatory.

Introduction

Disclaimer:

This call for feedback is part of ongoing work by the [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), 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](https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en) (https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth_en), based on the advice of the [High Level Expert Group \(HLEG\)](https://ec.europa.eu/info/publications/sustainable-finance-high-level-expert-group_en) (https://ec.europa.eu/info/publications/sustainable-finance-high-level-expert-group_en). 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](https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852_en) (https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852_en) was adopted by the co-legislators in June 2020. It establishes the basis for the [EU taxonomy](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en) (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en) 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](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) 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 (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance/platform-sustainable-finance_en#subgroup-4), 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 (https://ec.europa.eu/info/files/210712-sustainable-finance-platform-report-social-taxonomy_en).

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 is Friday 27 August close of business.

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 (https://ec.europa.eu/info/publications/210706-sustainable-finance-strategy_en).

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.

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 (https://ec.europa.eu/info/files/2021-social-taxonomy-report-call-for-feedback-document_en)
- the draft report on a social taxonomy (https://ec.europa.eu/info/files/210712-sustainable-finance-platform-report-social-taxonomy_en)

- [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)
- [the 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)
- [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)
- [the protection of personal data regime for this call for feedback](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)

About you

* I am giving my contribution as

Company/business organisation

* First name

Vittorio

* Surname

Allegri

* Email (this won't be published)

vittorio.allegri@pwc.com

* Organisation name

255 character(s) maximum

PwC IL

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register

(<http://ec.europa.eu/transparencyregister/public/homePage.do?redir=false&locale=en>). It's a voluntary database for organisations seeking to influence EU decision-making.

60402754518-05

* Organisation size

Large (250 or more)

* Where are you based and/or where do you carry out your activity?

Belgium

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](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)

Your opinion

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:

1,000 character(s) maximum

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

- Lack of science-based objectively measurable criteria
- Lack of flexibility in the framework leading to narrow focus by companies and investors on single aspects or topics, driving away attention from a broader holistic approach to good governance.

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:

1,000 character(s) maximum

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

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

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:

1,000 character(s) maximum

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

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 built: 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

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:

1,000 character(s) maximum

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

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:

1,000 character(s) maximum

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

Clarity in the governance structure regarding how different stakeholders' views are considered and the body responsible for doing it.

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 (https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf) would serve as minimum safeguards for the environmental part, while the environmental part of the OECD guidelines

(<https://www.oecd.org/corporate/mne/>) 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:

1,000 character(s) maximum

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

The social and environmental taxonomies would pursue different objectives and should therefore maintain separate criteria, in order not to establish an excessively high threshold (meeting both high environmental and social criteria) to qualify as taxonomy-aligned – which would in turn significantly reduce the possible investment universe for the EU Taxonomy.

General expectation from the social taxonomy

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

5,000 character(s) maximum

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

It is important to place the right expectations on what the Taxonomy can achieve. The intended purpose of the Taxonomy should remain as an investment tool for capital markets, rather than for distinguishing inherently 'good' and 'bad' business. The main objective should be rewarding companies that engage in a transition, including improving their performance on social sustainability factors. The application of the Taxonomy may not be as effective in achieving policy targets (social as well as environmental) as direct targeted policy measures that price and constrain social externalities.

Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) below.

Please make sure you do not include any personal data in the file you upload if you want to remain anonymous.

[PwC_feedback_to_SF_platform_on_social_taxonomy_25_August_2021.pdf](#)

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)

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