EUROPE NEEDS TO MOBILISE CAPITAL FOR **SOCIAL INVESTMENTS**

BRUSSELS
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The signatories of this paper ask the European Commission to develop a Social Investment Framework that defines and facilitates social investments.

Considering:

a) the compelling need for more and continuously high investments in products and services for basic human needs, essential services and social infrastructure, especially in the face of the green transition as well as investment in ambitious human rights due diligence systems;

b) the demand by investors for social investment opportunities;

c) that the definition of social investment is a prerequisite for the promotion of social investment products; and

d) although aspects of the EU Taxonomy are criticised, there is a broad consensus that the instrument has great benefits because it provides a definition of environmental investments based on scientific evidence:

we ask the Commission to continue its work on a Social Investment Framework on the basis of existing international and EU standards and definitions of products and services for the satisfaction for basic human needs, essential services and of processes for human rights due diligence processes. We recommend taking the Social Bond and Social Loan Principles as a starting point for this work. In addition, we recommend setting up a broadly diversified stakeholder group to discuss questions raised in this document and to work out criteria and measurements for social investments in more detail.

1 **Voluntary**

Such a framework should be voluntary and take the shape of a non-legislative communication or recommendation by the European Commission.

2 **Lessons learnt**

Lessons learnt from the EU Taxonomy should be taken into consideration, especially regarding the availability of data and reporting burden.

3 **Intuitive**

It should be easy to use and minimise the additional burden by referencing existing standards and legislation where possible.

4 **Social products and services**

The framework should focus on:

- Maintaining and improving access to basic services should be at its centre along with ambitious human rights processes.
- Particular consideration should be given to social investment needs in face of the green transition.
- It should be usable for stakeholders and applicable to investments outside of Europe.

Supporters and contributors

AK ARBEITSKREIS KIRCHLICHER INVESTOREN

febea
EUROPEAN FEDERATION OF ETHICAL AND ALTERNATIVE BANKS AND FINANCIERS

ERSTE Social Finance

Triodos Bank

EAPB EUROPEAN ASSOCIATION OF PUBLIC BANKS

SozialBank

Evangelische Bank

GLS Bank
das macht Sinn

CERISE+SPTF

Pax-Bank
Die Bank für Veränderung.

SGI europe

VÖB die öffentlichen Banken

Steyler Ethik Bank
Wo Geld Gutes schafft

KD-BANK
Bank für Kirche und Diakonie

CRIC
VEREIN ZUR FÖRDERUNG VON ETHIK UND NACHHALTIGKEIT BEI DER GELDANLAGE

Bank für Kirche und Caritas

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FNG
Forum Nachhaltige Geldanlagen

UmweltBank
Mein Geld macht grün.

DKM Partner für Kirche + Caritas
Einfach gut für Ihre Werte.

Contributors

CSR EUROPE

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Europe needs to mobilise capital for social investments

A Social Investment Framework would provide the missing orientation for investors and help directing investments to for example: social and affordable housing, healthcare, education, and to ensure human rights in value chains.

“We can and must reverse the trend that has seen investment in human capital, especially in health, education and affordable housing, stall in many regions and countries.” Report of the High-Level Task Force on Investing in Social Infrastructure in Europe 2018.[1]

Abstract

There is a need for investments in social topics like healthcare, education, affordable housing, and effective processes to address human rights risks in value chains. Such social investments concern expenditures, either with a short term or long term horizon, that have an unambiguous social objective. There is also a demand from investors and asset managers for investments with social impacts, like social bonds. However, the EU sustainable finance framework (EU SF framework) lacks guidance on how to define social investments. This exposes the EU Commission to the criticism that while it encourages investments in environmental activities it loses the opportunity to tap into the potential of socially minded investors.

While the problems around implementing the EU SF framework and especially around the EU Taxonomy have to be taken seriously, they should be seen as an occasion for learning instead of a reason for abandoning the effort to offer definitions for socially sustainable investments.

Building on existing global frameworks like the universal declaration of human rights, the EU Social Pillar, the UN Guiding principles for businesses and human rights, the Sustainable Development Goals (SDG) and the Social Bond Principles this paper suggests the outlines of a voluntary Social Investment Framework and points to next steps to be taken.

The paper endorses a two-pronged approach for defining social investments:

1. Investments in products and services to **satisfy basic human needs**;
2. Investments in processes to **avoid human right risks** in value chains.

[1] https://economy-finance.ec.europa.eu/system/files/2018-01/dp074_en.pdf

To ensure that these activities do not significantly harm other social objectives it must be ensured that the entity receiving the investment respects human rights in the sense of the universal declaration of human rights.[2]

Considering the compelling need for more and continuously high investments in social infrastructure and human rights, especially in the face of the green transition, we ask the European Commission to put a Social Investment Framework on its agenda.

The purpose of this paper

At the end of 2022, it became obvious that the EU Commission postpones the work on a social taxonomy indefinitely. In response to this, a group of stakeholders from different backgrounds discussed the consequences of this missing piece in the EU Sustainable Finance regulation and asked the Commission to continue its work on social investments in an open letter. In this paper, the group explains in more detail the outline of the suggested "Social Investment Framework".[3]

Such a framework backed by the EU Commission is necessary for the encouragement and recognition of social investments. At the same time, such a framework:

- must be built on the experiences companies and investors make when implementing the current Sustainable Finance regulation. Lessons learnt from the Environmental Taxonomy must be considered;
- must be fitted into the existing regulatory environment, especially into the revision of the SFDR, the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD) with the European Sustainability Reporting Standards (ESRS); and
- must consider that there are differences between a system to identify socially sustainable activities on the one hand and ecologically sustainable activities on the other.

The purpose of this paper is to bring the discussion about a Social Investment Framework on the agenda of the incoming EU Commission taking up its mandate in 2024. It tries to make a constructive proposal for content and structure of a Social Investment Framework based on the reports published by the EU Platform on Sustainable Finance 2020-2022.

[2] The entities receiving social investments will be very different. They can be public companies or banks, municipalities, sub sovereigns, sovereigns, private or listed companies. They will be based in different regions and countries. The requirements on human rights processes (not on content) will therefore differ.
[3] See list of signatories on page 3.

Why do we need a Social Investment Framework?

a To address the need for capital in social areas

The Report of the High-Level Task Force on Investing in Social Infrastructure in Europe (2018) estimates a minimum gap in social infrastructure investment of EUR 100-150 bn p.a. and a total gap of over EUR 1.5 trillion in 2018-2030. The report states that investments in social infrastructure have lagged even more behind than traditional infrastructure investments. So the need for a Social Investment Framework is as strong as the need for the facilitation of investment into environmental protection, which was one aim of the EU Taxonomy.

This lack of social investments today is even more critical. The green transition has social impacts which must be mitigated to avoid a further division of European societies. Especially people in situations of vulnerability need help in the face of higher costs for energy, housing, and job losses in traditional industries. It is vital that their situation does not deteriorate.[4]

In addition to this shortfall, substantial financing is required to achieve the SDG Agenda by 2030, as US$5-7 trillion is needed annually for global investments.[5]

b To support the implementation of supply chain due diligence

The implementation of the Corporate Sustainability Due Diligence Directive (CSDDD) requires substantial expenditures by companies directly linked to respecting human rights, especially in their value chain. Highlighting the implementation of ambitious human rights due diligence systems as “social” incentivises companies to invest in robust and far-reaching processes on human rights risks. Additionally, companies recognise a need to address social issues and invest to mitigate them. The green and digital transition for example requires the reskilling of their employees . A Social Investment Framework could help them to identify key areas for social investment and rewards companies´ investments to mitigate social issues by making these expenditures visible to investors.

[4] https://economy-finance.ec.europa.eu/system/files/2018-01/dp074_en.pdf
[5] https://www.undp.org/turkiye/projects/sustainable-development-goals-investment-initiative
[6] https://www.csreurope.org/download-european-business-roadmap-for-just-transition

c To utilise growing demand from institutional and retail investors

There is a demand from institutional and retail investors who incorporate social aspects into their investment strategies. This was illustrated by the high global demand for social bonds during the Covid 19 pandemic.[7] The surge of impact investments in developing countries likewise represent a major area for social investments, whose assets under management reached $95 billion in 2023 with 51 % of fund managers based in Europe.[8] However, despite the clear demand, there is an absence of guidance, investors need an orientation for what constitutes a “social investment”. Many companies and investors make considerable efforts to report on positive social impacts often with the help of the SDGs or the Social Bond Principles.[9]

However, definitions and metrics vary greatly and there is no indication of the development of a common standard. For ESG ratings, researchers concluded that rating results on social topics differ even more than on environmental topics.[10] At the end of 2022 the EU International Platform on Sustainable Finance identifies this lack of a common understanding of “social” as a key obstacle for the scaling up of social investment: “One of the key challenges for scaling up social bond issuances, and social finance as a whole, is the lack of a clear and common understanding of social objectives, economic activities that substantially contribute to them, and social risks.”[11]

The Loan Syndications and Trading Association (LSTA), an international industry association for the syndicated lending market, also confirms the lack of a consensus on social activities.[12] On a similar note, the ESMA concluded in its progress report on green washing: “Another key concept of the EU sustainable finance framework that requires further consideration are social factors. Indeed, one of the main EU sustainable finance framework gaps also highlighted by the CfE input was the lack of an EU-level golden standard for measuring positive and negative impact on social factors...”[13]

[7] https://www.ifc.org/content/dam/ifc/doc/mgrt/emcompass-note-89-socialbonds-web.pdf
[8] https://tameo.solutions/private-asset-impact-fund-report Private Asset Impact Fund Report 2023, Tameo, Dec 2023
[9] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v3-020822.pdf
[10] Florian Berg, Julian Koelbel and Roberto Rigobon, ‘Aggregate Confusion: The Divergence of ESG Ratings’, August 2019, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3438533
[11] https://finance.ec.europa.eu/system/files/2023-12/231204-ipsf-social-bonds-report_en.pdf
[12] https://www.lsta.org/content/guidance-on-social-loan-principles-slp/ page 6
[13] https://www.esma.europa.eu/sites/default/files/2023-06/ESMA30-1668416927-2498_Progress_Report_ESMA_response_to_COM_RfI_on_greenwashing_risks.pdf

While social issues are already considered in the context of existing EU Sustainable Finance regulation, the focus is exclusively on reporting and avoiding negative impacts (SFDR, Benchmark Regulation, Minimum Safeguard (MS) in the EU Taxonomy). Human and labour rights must not be violated, investments in controversial weapons and tobacco are excluded (EU Taxonomy MS, Benchmark Regulation) as well as corruption, unfair competition, and aggressive tax policies (EU Taxonomy MS). The one exception is the SFDR which in its article 2 (17) gives a general definition of social objectives: "'Sustainable investment' means an investment in an economic activity that contributes to (...) a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures."[14]

For the revision of the SFDR, the ESA's recommend the inclusion of the social dimension into the sustainable product category. From our point of view, creating a social investment framework, to define social investments, is a necessary first step in mainstreaming a social dimension into the existing SF framework, including the SFDR.

Lessons learnt from the EU Taxonomy

From the start the EU Taxonomy has been widely supported and criticised. Some of the criticism is fundamental. Kooths argues f. ex. that the EU Taxonomy gives preferential treatment to certain economic activities and thus distorts markets.[15] Others regret the political influence on the selection of sectors eligible for the Taxonomy, pointing to the fact that for example agriculture is not part of the Taxonomy while producing electricity with gas and nuclear power is.

Apart from the accusation of undue political influence, distorting market forces and the scientific purity of the taxonomy, most criticism highlights practical problems when implementing it. From the practical perspective two points are most commonly brought forward:

1 Financial market participants (FMPs) and companies point to the fact that the selection of economic activities in the EU Taxonomy is yet very limited and seems at times arbitrary. A paper from the Sustainable Finance Advisory Committee of the German Government highlights that many activities are not (yet) taken up although they are linked to an environmentally friendly economy. Apart from assumed political reasons this is because progress on selecting sectors and developing criteria for the four non-climate objectives is not yet finished. In addition, some activities will never be part of the EU Taxonomy because they lack environmental relevance although they are important activities without which our societies would not work.[16] Companies with activities which are not or not yet part of the EU Taxonomy consider this to be a disadvantage for them.

[14] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088
[15] Stefan Kooths The Economists' Voice https://doi.org/10.1515/ev-2022-0028
[16] https://sustainable-finance-beirat.de/wp-content/uploads/2023/03/SFB_The-EU-Taxonomy_implementation-challenges-and-proposed-solutions.pdf

2 Companies and Financial Market Participant (FMP) find the gathering and auditing of data for the EU Taxonomy burdensome and leading to considerable additional costs. In some cases, the EU Taxonomy has created unintended barriers: for EU-based funds investing in the Global South, a number of DNSH criteria refer to EU legislation that may be by default unachievable when the investee company is outside of the EU.[17]

Despite this criticism, the EU Taxonomy is of great value for companies and investors: "The EU Taxonomy presents a valuable opportunity for companies to foster internal discussions on sustainability, to better measure their sustainability performance and to enhance the credibility of a company's product portfolio. This holds particularly true for companies whose activities fall within the scope of the EU Taxonomy, as they can effectively utilise the EU Taxonomy in their strategic decision-making," writes a group of authors with backgrounds in the corporate world, banking and science.[18]

For companies and investors which for years had internal discussions about what is environmentally sustainable and what is not, the EU Taxonomy gives a scientifically backed answer. Providing an orientation and being based on science are the two crucial benefits of the EU Taxonomy.

Against the backdrop of this discussion on the EU Taxonomy, the following lessons can be drawn for a Social Investment Framework. It should:

1. employ scientific evidence wherever possible. Since such evidence is often not available for social issues, internationally agreed documents and standards should be used instead as a generally binding basis. For definitions of social products, services and standards, existing EU definitions should be applied for investments in the EU, and relevant international definitions for investments outside the EU. For more granular decisions on criteria, a group of stakeholders with different backgrounds should be set up to arrive at generally accepted solutions;

2. be independent from political decisions;

3. cover large parts of the economy; and

4. focus criteria on key data, which is publicly available, i.e., through CSRD reporting, and which can be managed and measured without disproportionate additional effort.

[17] E.g. Appendix D of the Taxonomy Delegated Regulation (Commission Delegated Regulation (EU) 2021/2139), on DNSH to protection/restoration of biodiversity.
[18] https://econsense.de/wp-content/uploads/2023/06/Lets-talk-numbers_EU-Taxonomy-reporting-by-German-companies.pdf

A Social Investment Framework must be fitted into the Sustainable Finance Regulation

A Social Investment Framework would fill a gap in the EU SF framework which does not yet cover investments with positive social impacts. As explained above, the SFDR (2 (17)) leaves space for this. This space could be filled by the Social Investment Framework suggested in this paper. In addition, the CSRD provides guidelines to report on social impacts, which should be considered for a Social Investment Framework. Among other things, companies covered by the CSRD are required to report on:

- How the undertaking's strategy and business model interact with its material (social) **impacts, risks and opportunities**, including how the undertaking addresses those impacts risks and opportunities (ESRS 2, chapter 3 Strategy).
- The process(es) by which the undertaking:
    - Identifies impacts risks and opportunities and assesses their materiality (see IRO-1 in section 4.1 of ESRS 2); and
    - **Manages material sustainability risks and opportunities** through policies and actions (see section 4.2 of ESRS 2) (d).
- **The undertaking's performance including targets** it has set and progress towards meeting them (see ESRS 2, chapter 5 Metrics and targets).

Together with further information on the business model, products and services offered, customer groups and impacts on workers, workers in the value chain, communities, and end users, the ESRS will provide ample data to report under a Social Investment Framework.

Identifying and measuring socially and environmentally beneficial activities

Differences between environmental and social are not absolute. For both it is possible to establish quantitative and qualitative criteria, set thresholds and select objectives. However, there are gradual differences.

For example, international documents will play a more prominent role in a social framework than in the EU environmental taxonomy which can mostly rely on scientific measurements. This role of international documents entails that in the social sphere, it is more difficult to draw up a limited set of objectives. Documents like the universal declaration of human rights and the SDGs cover a multitude of objectives. A prioritisation of these objectives is closely linked to the specific situation in a country or a region. That is why a Social Investment Framework sets topics for social investment but does not commit to a concise list of social objectives.

Similarly, the measurements and reporting of impacts will have to be designed differently. There are often not such clear-cut cause and effect relationships in the social sphere as we find them for environmental topics and there is always the danger of simplification. Reducing the burning of coal will for example always contribute to climate mitigation. The reasons why a neighbourhood prospers, why there are less homeless people in a certain city than in another or why students from a certain school are better educated than those from another school are manifold, social investments might be one of several causes.

On top, measuring and reporting the impact of a social intervention is often more time consuming and expensive and less accurate than measuring an environmental impact. Care must be taken that the efforts and costs necessary to measure social impacts are proportionate to the social benefits of the investments.

Social Impact Measurement

The established method to report on social impacts is the input – output – outcome - impact model.[19] In this model inputs are the financial, human, and material resources employed to bring about a social change, for example the invested capital. Outputs are products, capital goods and services which result from the intervention like flats built with the provided capital. Outcomes are likely or achieved short-term and medium-term effects of an intervention on the population like fewer families living in crowded conditions. Impacts are the long-term effects of an intervention like a reduction in rents in the area where the flats have been built.

Employing this model for a social investment framework has pros and cons. On the one hand it is the scientific approach to measure social impacts. On the other hand, it is not able to establish a clear-cut causal link between an investment and the social change observed because this change can have other and/or additional causes. It is also important to consider the time and resources necessary for the collecting and processing of data for such an analysis. Especially the reporting on outcome and impacts are time consuming and costly. A solution might be the exemplary reporting of results or to limit the reporting to outputs.

[19] This model is employed by the social bond principles and the social loan principles in the harmonised framework of impact reporting: https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

Proposal for an outline of a structure of a Social Investment Framework

A Social Investment Framework would consist of the following four building blocks:

1

Selection of social objectives: Social objectives would be selected from UN documents with overwhelming acceptance on UN level like the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights (UNGP), the ILO Core labour norms and the SDGs. At the European level, these would include the Charter of Fundamental Rights of the European Union and the European Pillar of Social Rights (EPSR, see appendix).

From these documents, two types of **objectives** can be selected:

a. The financing of products and services for satisfying basic human needs. Following EU definitions, these would cover social services like social and affordable housing, healthcare, care for the elderly and the disabled, training, education, and reintegration into the labour market.[20] In addition, this would cover essential services as defined by the EU: clean water, sanitation, energy, transport, financial services, and digital communication ("type a"-objectives).[21]

b. The financing of ambitious human rights processes ("type b" -objectives).

2

Central criterion: The central criterion for an investment in "type a"-objectives is accessibility including in situations where specific target groups have been selected and situations where investments are made for the general public. This is in accordance with the Social Bond Principles (SBPs): "The key question is whether the product/service (...) has a social impact and is accessible and affordable to all. For instance, a social project that focuses on access to essential services can target the general population, but this should be justified by the fact that the location of the project or the applicable legislation regulating the activity will ensure universal access to the service."[22]

[20] https://www.esn-eu.org/about/what-are-types-social-services
[21] https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8340&furtherPubs=yes
[22] https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Pre-issuance-Check-List-for-Social-Bonds-Social-Bond-Programmes-June-2023-220623.pdf, page 6

At the same time, it must be ensured that social standards are not violated. For this the following DNSH or social safeguards are applied:

3 **DNSH or Social Safeguards:** Ensuring that human rights are respected by the entity carrying out the activity. This should be done based on the Universal Declaration of Human Rights and respective international or national frameworks for their implementation like the EU Charter of Fundamental Rights, the UNGP and respective legislation like the CSDDD.

4 **Environmental Safeguards:** This concept for a Social Investment Framework is based on existing definitions and standards. It will cover large parts of the economy because it covers social services, essential services, and ambitious human rights processes in all sectors. Within the EU, data will be provided through the CSRD. Details will have to be worked out regarding a definition of "ambitious" human rights processes and environmental safeguards. It needs also to be discussed which role the (scientific) measurement of impacts might have within the context of a Social Investment Framework (see aforementioned box).

This concept for a Social Investment Framework is based on existing definitions and standards. It will cover large parts of the economy because it covers social services, essential services, and ambitious human rights processes in all sectors. Within the EU, data will be provided through the CSRD. Details will have to be worked out regarding a definition of "ambitious" human rights processes ("type b"-objectives) and environmental safeguards. It needs also to be discussed which role the (scientific) measurement of impacts might have within the context of a Social Investment Framework (see box above).

Do no significant harm (DNSH) or Social Safeguards

The EU-SF framework recognises the fact that when one objective is achieved, other equally important objectives may be violated. This concept of “do no significant harm” (DNSH) is part of the EU Taxonomy and the SFDR. The SFDR defines DNSH with more general social and environmental principle adverse impacts (PAI) which for the social sphere mainly focus on human rights, non-discrimination, and controversial weapons. The EU Taxonomy has detailed DNSH criteria for each activity.

For a Social Investment Framework, the more general approach of the SFDR might be more appropriate. This is because in the environmental area conflicting objectives tend to be located on the activity level. The building of a hydro power station, for example, involves the destruction of ecosystems but contributes to climate change mitigation.

In the social area, these conflicting objectives are typically not linked to the activity but to processes implemented by the entity which is carrying out the activity.[23] An activity like building social housing or a hospital should be carried out by an entity which has implemented a human rights due diligence system in line with the UNGP for all its activities. A company which invests in human rights processes in high-risk situations should not violate human rights in other parts of its activities. In this sense, DNSH criteria within a Social Investment Framework should not be linked to specific social activities, but rather should be implemented at the entity level, applying to all of that entity's operations. This approach is in line with the SFDR definition of DNSH and also mirrors the IFC performance standards.[24]

These social safeguards could be designed following the report on the minimum safeguards of the EU Taxonomy of the EU sustainable finance platform 2020 – 2022.[25] There, it is suggested that for activities within Europe, compliance with the CSDDD or other relevant legislation could be taken as a proxy for fulfilling the minimum safeguards.

For sub-sovereigns, including municipalities, the same report explains that the relevant human rights documents like the universal declaration of human rights and the UNGP do not cover these types of entities. It is the sovereign state which is responsible for respecting human rights. For public entities, fulfilling the Social Minimum Safeguards would therefore mean that the sovereign state in which they are located has implemented legislation based on documents like the universal declaration of human rights or the EU Charter of Fundamental Rights.[26]

[23] A notable exception to this is the case of financial inclusion and microfinance, where both positive and negative impacts can be experienced by clients. For example, access to credit can lead to important positive impacts for clients, but too much credit may result in negative consequences for those same clients. To safeguard from those and other harms, the sector has developed guidelines to protect clients. See: https://cerise-sptf.org/about-client-protection/

[24] https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-en.pdf

[25] https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

[26] For EU member states, this condition is assumed to be fulfilled.

Environmental Minimum Safeguards

A Social Investment Framework needs to ensure that it avoids identifying activities as socially beneficial which at the same time severely harm the environment. To this end, environmental minimum safeguards need to be established. Following the proposal for the Social Minimum Safeguards, it is suggested that proxies like the CSDDD and other EU legislation are employed also for Environmental Safeguards to avoid that the framework leads to additional data collection and disclosure requirements.

Conclusion

Considering:

1. The compelling need for more and continuously high investments in products and services for basic human needs, essential services and social infrastructure, especially in the face of the green transition as well as investment in ambitious human rights due diligence systems;
2. The demand by investors for social investment opportunities;
3. That the definition of social investment is a prerequisite for the promotion of social investment products; and
4. Although aspects of the EU Taxonomy are criticised, there is a broad consensus that the instrument has great benefits because it provides a definition of environmental investments based on scientific evidence:

We ask the EU Commission to continue its work on a Social Investment Framework on the basis of existing international and EU standards and definitions of products and services for the satisfaction for basic human needs, essential services and of processes for human rights due diligence processes. In addition, we recommend setting up a broadly diversified stakeholder group to discuss questions raised in this document and to work out criteria and measurements for social investments in more detail.

Recognising various problems in the implementation of the EU Taxonomy, we recommend introducing the Social Investment Framework on a voluntary basis at first.

Appendix: Key Documents for a Social Investment Framework

Social Bond Principles (SBP) and Social Loan Principles (SLP)

The suggested approach is close to the Social Bonds Principles and the Social Loan Principles. These principles have been developed by the International Capital Markets Association (ICMA), an industry association with members form issuers and investors. The principles adapt the topics covered by the SDGs in a list with five items to the world of (fixed income) finance. ICMA explains that the list is not exhaustive.

The Social Bond and Social Loan Principles cover the social SDG 1-4, 6-9 and 11:

1. Access to essential services (e.g., health, education and vocational training, healthcare, financing, and financial services); (SDG 3 and 4)
2. Affordable housing (SDG 1 and 11)
3. Employment generation and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance (SDG 8)
4. Food security and sustainable food systems (e.g., physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers) (SDG 1 and 2)
5. Affordable basic infrastructure (e.g., clean drinking water, sewers, sanitation, transport, energy), socioeconomic advancement and empowerment (e.g., equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality (SDG 6, 7 and 9)

SDG 5 and 10 focus on equality, a topic which is covered inherently in all Social Bond Principles by emphasising access and affordability of the products and services.

The suggested Social Investment Framework adopts the main features of the social bond principles for the objective of “products and services for basic human needs”. It adds a second objective which addresses ambitious human rights processes and defines social and environmental safeguards.

European documents

The European pillar of social rights

Equal opportunities and access to the labour market

- Education, training, and life-long learning
- Gender equality
- Equal opportunities
- Active support to employment

Fair working conditions

- Secure and adaptable employment
- Wages
- Information about employment conditions and protection in case of dismissals
- Social dialogue and involvement of workers
- Work-life balance
- Healthy, safe and well-adapted work environment and data protection

Social protection and inclusion

- Childcare and support to children
- Social protection
- Unemployment benefit
- Minimum income
- Old-age income and pensions
- Healthcare
- Inclusion of people with disabilities
- Long-term care
- Housing and assistance for the homeless
- Access to essential services

The Definition of "Services of General Economic interests" in the EU Treaty

In the Decision 2012/21/EU on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest, the EU defines "services of general economic interest" (SGEI) in Article 2 b, c and d.

These are:

- health care including emergency services and research;
- long-term care;
- childcare;
- access to and reintegration into the labour market;
- social housing, the care and social inclusion of vulnerable groups; and
- transport services in certain remote situations.

Global documents

The universal declaration of human rights

Based on the universal declaration of human rights including social cultural and economic rights the UN guiding principles on business and human rights call companies to respect human rights, by:

- *adopting a policy commitment to respect human rights (UNGP Principle 16);*
- *carrying out human rights, due diligence by 'assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed' (UNGP Principle 17);*
- *providing for or cooperate in the remediation' of actual negative impacts caused or contributed to (UNGP Principle 22);*
- *establishing a complaint mechanism (UNGP principle 29); and*
- *reporting on the points above (UNGP principle 21).*

The SDGs, especially those linked to social issues

- SDG 1. End poverty in all its forms everywhere
- SDG 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
- SDG 3. Ensure healthy lives and promote well-being for all at all ages
- SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5. Achieve gender equality and empower all women and girls
- SDG 6. Ensure availability and sustainable management of water and sanitation for all (partly covered by green taxonomy)
- SDG 7. Ensure access to affordable, reliable, sustainable, and modern energy for all
- SDG 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
- SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- SDG 10. Reduce inequality within and among countries
- SDG 11. Make cities and human settlements inclusive, safe, resilient, and sustainable