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**EU Taxonomy –  
Minimum  
Safeguards**

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event, 8 December 2022**

# What is the Taxonomy

# EU Taxonomy in a nutshell

*a classification  
system*

*a list of  
environmentally  
sustainable  
economic  
activities*

## REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the establishment of a taxonomy of sustainable economic activities and on the establishment of a taxonomy of sustainable economic activities

9.12.2021

EN

Official Journal of the European Union

II

PLATFORM ON SUSTAINABLE FINANCE



2020

15.7.2022

EN

Official Journal of the European Union

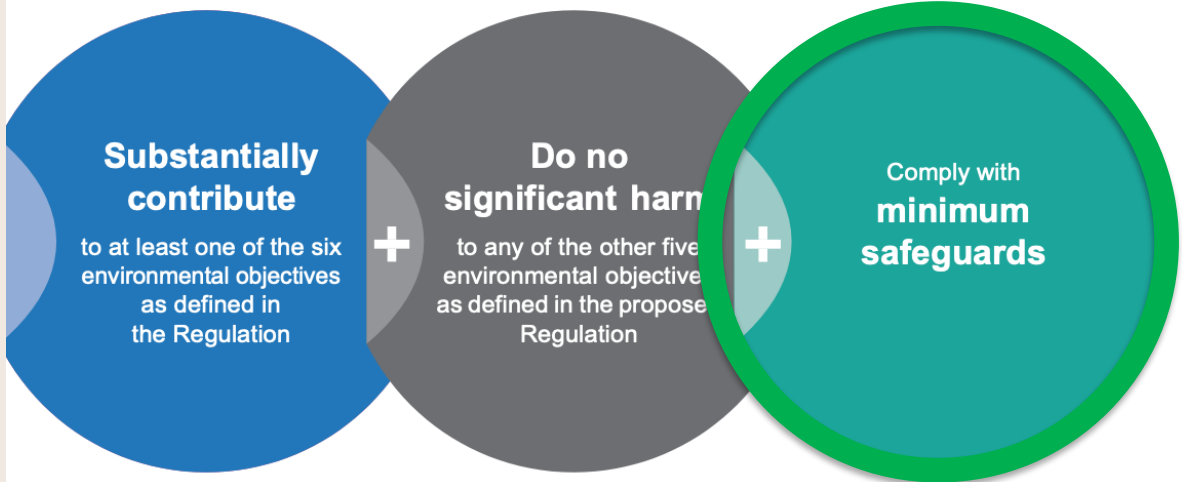
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II

(Non-legislative acts)

PLATFORM ON SUSTAINABLE FINANCE





-  Climate change mitigation
-  Climate change adaptation
-  sustainable and protection of water and marine resources;
-  transition to a circular economy
-  pollution prevention and control;
-  protection and restoration of biodiversity and ecosystems.

[EU Taxonomy Compass \(europa.eu\)](https://europa.eu)

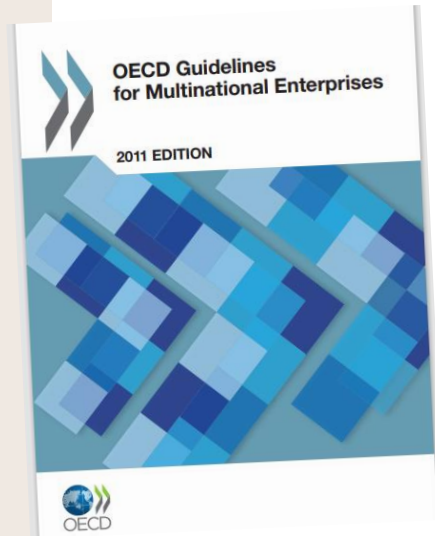
**What are the  
minimum safeguards**

# Principle III – Minimum Safeguards

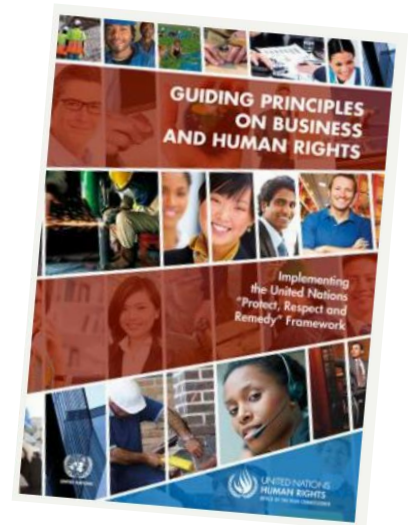
## Article 18

### Minimum safeguards

1. The minimum safeguards referred to in point (c) of Article 3 shall be procedures implemented by an undertaking that is carrying out an economic activity to ensure the alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.
2. When implementing the procedures referred to in paragraph 1 of this Article, undertakings shall adhere to the principle of 'do no significant harm' referred to in point (17) of Article 2 of Regulation (EU) 2019/2088.



1. Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) >
2. Right to Organise and Collective Bargaining Convention, 1949 (No. 98) >
3. Forced Labour Convention, 1930 (No. 29) > (and its 2014 Protocol >)
4. Abolition of Forced Labour Convention, 1957 (No. 105) >
5. Minimum Age Convention, 1973 (No. 138) >
6. Worst Forms of Child Labour Convention, 1999 (No. 182) >
7. Equal Remuneration Convention, 1951 (No. 100) >
8. Discrimination (Employment and Occupation) Convention, 1958 (No. 111) >



## Confusion in the market

- Companies unsure of expectations
- Commission survey: only 37 % of businesses undertaking DD
- No unified or standard application by non-financial companies, investors, or ESG rating agencies
- Financial actors' struggle to understand how to implement → proxies for compliance (e.g. controversy screening)

# Recommendations by the Platform on Sustainable Finance on Minimum Safeguards



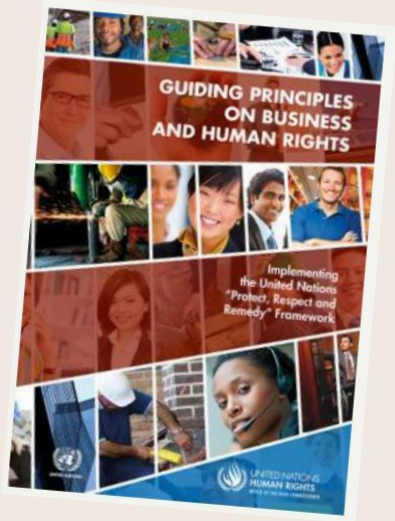
Four core topics for compliance with minimum safeguards:

- Human rights, including workers' rights
- Bribery/corruption
- Taxation
- Fair competition

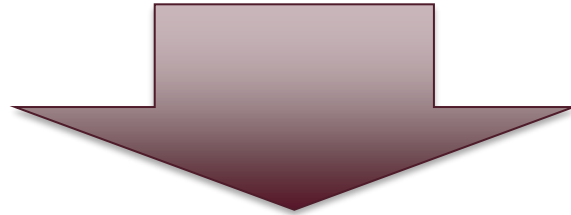


# Assessing alignment

# HRDD at the core of minimum safeguards



- **UNGP 11** : “Undertakings should *respect human rights*, that is, they should *avoid infringing* on human rights and *address adverse human rights impacts* with which the undertaking is involved.”
- **UNGP 15** : “companies should establish *a due diligence process to continuously identify, prevent, mitigate, track, and account for actual and potential adverse impacts on human rights in their own operations, supply chains, and other business relationships*”

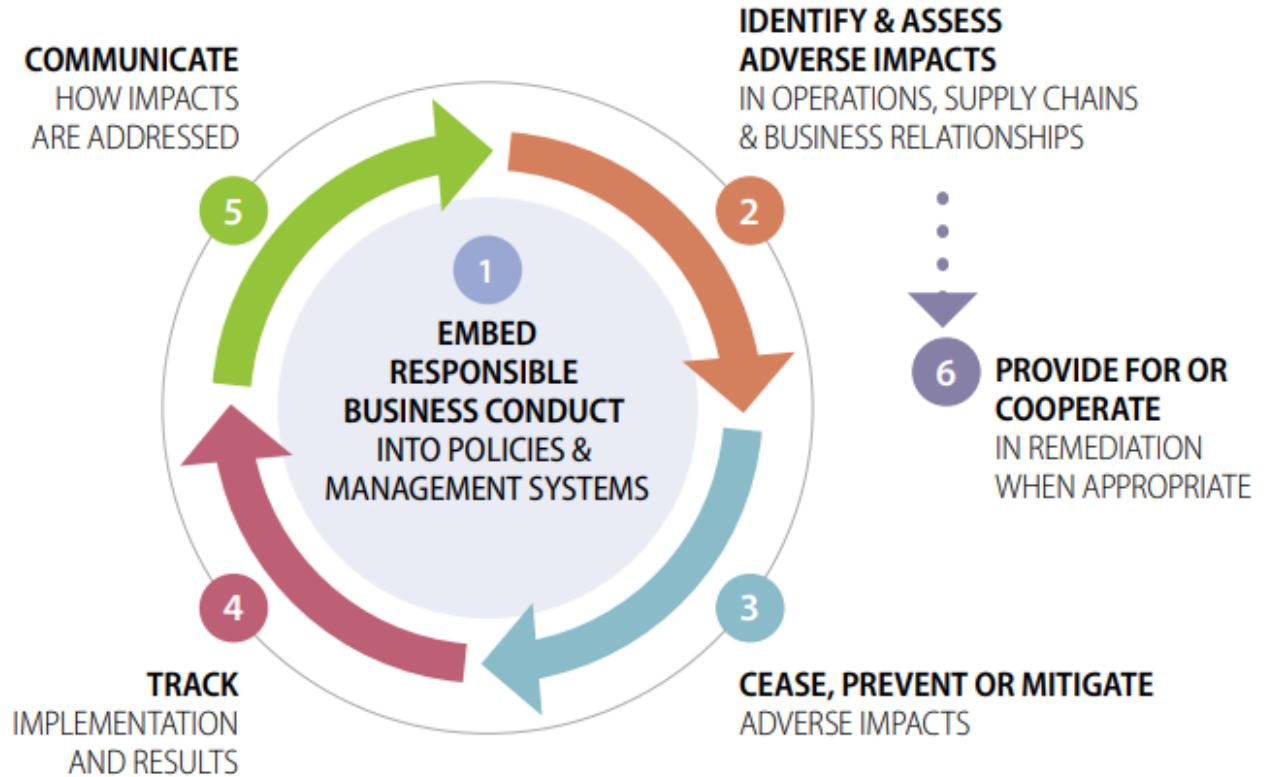


- Non-compliance:
  - Non-existence of adequate HRDD processes
  - Indications of no adequate HRDD resulting in human rights abuses

# Company should “know and show”

→ convincingly report on its due diligence approach

*if not = not compliant*



**Company should not be causing, contributing or being linked to human rights harm**

- 1. company or its top management (incl. its subsidiaries) found to be in breach of HRDD laws such as the CSDDD or labour, consumer protection, data protection, humanitarian, or criminal law**
  - EU-companies: CSRD requires companies to publish court cases and fines for breaches
  - Non-EU companies: [Lawsuit Database - Business & Human Rights Resource Centre \(business-humanrights.org\)](#)

- 2. refusal to engage in stakeholder dialogue mechanisms**
  - company refuses to enter into a dialogue with an OECD NCP or
  - doesn't respond to concerns taken up by the Business and Human Rights Resource Centre (BHRRC) within 3 months

## Suggested non-alignment criteria on corruption

*Compliance with national and EU level laws and regulations*

- Upcoming CSRD would requires disclosures on measures to prevent corruption and for assessing compliance
- As with HRDD, focus on **assessing the process and outcomes**
  - not developed and adopted adequate internal controls, ethics and compliance programmes, or measures for preventing and detecting bribery
  - undertaking or senior management, including the senior management of its subsidiaries, has been finally convicted on corruption or bribery

## **Suggested non-alignment criteria on taxation**

*Compliance with  
national and EU  
level laws and  
regulations*

- the company does not treat tax governance and compliance as important elements of oversight;
- there exists no adequate tax risk management strategies and processes as outlined in OECD MNE Guidelines covering tax; or
- the company has been found guilty of tax evasion (incl. tax avoidance through aggressive tax planning)

## **Suggested non-alignment criteria on fair competition**

*Compliance with  
national and EU  
level laws and  
regulations*

- the company does not promote employee awareness of the importance of compliance with all applicable competition laws and regulations;
- does not train senior management in relation to competition issues;
- the company or its senior management, including the senior management of its subsidiaries, has been found in breach of competition laws

**Alignment with  
other EU legislation**



**Taxonomy requirements aligned with:**



**Sustainable Finance Disclosure Regulation (SFDR)**



**Corporate Sustainability Reporting Directive (CSRD)**



**Upcoming Corporate Sustainability Due Diligence Directive (CSDDD)**