FINANCE 4
EUROPEAN PILLAR OF
SOCIAL RIGHTS

# GUIDING METHODOLOGY

## FINANCE FOR THE EUROPEAN PILLAR OF SOCIAL RIGHTS

Finance4EPSR

June 2025

SGI europe
Employers entrusted to deliver Sustainability Growth Innovation

HEAG

HOSPEEM

Co-funded by the European Union

**Project Name:** Finance for the European Pillar of Social Rights
**Project Acronym:** Finance4EPSR
**Project Number:** 101102363
**Date of Publication:** June 2025

This study was carried out by Deloitte as a subcontractor within the project "Finance for the European Pillar of Social Rights", co-funded by the European Commission, and implemented by SGI Europe, The European Hospital and Healthcare Employers' Association (HOSPEEM) and HEAG Holding.

*This Guiding Methodology is to be read jointly with the Self-Assessment Tool*

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# TABLE OF CONTENTS

# INTRODUCTION

**The Finance for the European Pillar of Social Rights (Finance4EPSR) project aims to build the necessary awareness and develop practical tools to contribute to the fulfilment of these Social Rights through the unique social contributions of providers of Services of General Interest (SGIs) by enhancing their inherent social impact through access to sustainable finance.**

This project is therefore grounded on two main conceptual frameworks: the European Pillar of Social Rights, which sets out key social priorities and rights in the EU, and the proposal for a Social Taxonomy of the Platform for Sustainable Finance, which offers a structure to identify, assess and demonstrate social contributions aligned with those priorities.

The project rests on the understanding that the EPSR provides the policy foundation for advancing social objectives in the Union, while the Social Taxonomy offers a potential tool to translate those objectives into investment criteria. The Taxonomy draws directly from the Pillar to define what constitutes a substantial contribution to social outcomes. This conceptual alignment enables SGIs to demonstrate how their activities support recognized social priorities and make them more visible and attractive to sustainable investors.

THE PROJECT RESTS ON THE UNDERSTANDING THAT THE EPSR PROVIDES THE POLICY FOUNDATION FOR ADVANCING SOCIAL OBJECTIVES IN THE UNION, WHILE THE SOCIAL TAXONOMY OFFERS A POTENTIAL TOOL TO TRANSLATETHOSE OBJECTIVES INTO INVESTMENT CRITERIA.

In 2018, the European Commission published the Action Plan on Sustainable Finance with the objective to reorient capital flows towards a more sustainable economy. A key outcome of the initiative was the EU Taxonomy for Sustainable Activities regulation, published in the official journal in 2020 and followed by the first Delegated Act that described Substantial Contributions to environmental objectives and Do No Significant Harm criteria in 2021.

The EU Taxonomy defines criteria for determining which activities, in each sector, can be considered environmentally sustainable. To qualify and be deemed sustainable, an activity must make a significant positive contribution to one of six environmental goals, without harming other objectives within the Taxonomy. In addition, it must comply with Minimum Social Safeguards, basic protections to ensure that people's rights are not negatively affected during the green transition. The underlying principle is that sustainability must go hand-in-hand with fairness and social justice.

The EU Taxonomy regulation has helped companies engaged in environmental activities attract more private investment by defining what counts as truly sustainable. With the EU Taxonomy, companies are nudged to conduct activities that are sustainable (i.e. make their operations sustainable), while financial institutions will be incentivized to grant loans to and invest in client activities that meet environmental outcomes that are aligned with the EU Taxonomy regulation. The added value of this regulation is that, by having a *dictionary* of activities that are sustainable with specific criteria to be met, the risk of greenwashing is reduced, giving comfort to investors, stakeholders, and other market participants. This market has a great growth potential which companies that (also) have social activities at their core could benefit from. However, the current regulation focuses only on environmental objectives, leaving social goals largely unaddressed.

In response to the environmental focus of the EU Taxonomy, the Platform for Sustainable Finance[1] proposed the development of a Social Taxonomy, one that would direct investment towards achieving specific social outcomes, not merely as safeguards, but as objectives in their own right. A draft report was presented to the EU Commission for discussion in February 2022. However, the recommendation by the Rapporteur Antje Schneeweiss was not endorsed by the EU Commission and no further advancement on the creation of a Social Taxonomy was discussed. Regardless, the appetite and need for investments that contribute to social outcomes exists, especially for providers of Services of General Interest (SGIs). These enterprises and public organizations are active in sectors such as hospitals and healthcare, water, social housing, energy, and transport.

1 The Platform on Sustainable Finance is an expert group set up under Article 20 of the EU Taxonomy Regulation to advise the EU Commission on the development of the EU Taxonomy criteria and on the broader EU sustainable finance framework. The Platform's mandate also entails monitoring capital flows towards sustainable investments.

**IN TIMES OF CRISIS, THE LACK OF INVESTMENTS IN HIGH-QUALITY, AFFORDABLE AND ACCESSIBLE SERVICES OF GENERAL INTEREST PUTS AT RISK ONE OF THEIR CORE MISSION: EQUAL ACCESSIBILITY TO A BROAD POPULATION.**

These sectors are mostly publicly financed due to the inherent nature of the services they provide and their low profitability rate, which adds complexity to the challenge of raising private funds.

SGI Europe, the cross-sector organisation representing providers of Services of General Interest across Europe, launched the "Finance for the European Pillar of Social Rights" (Finance4EPSR) project to explore how these organizations -under increasing financial pressure- could access sustainability-linked financing. According to SGI Europe, these enterprises, which provide services locally and regionally, are increasingly operating under competitive market conditions, while also being required to maintain the social responsibility of delivering quality public services to citizens. In times of crisis, the lack of investments in high-quality, affordable and accessible services of general interest puts at risk one of their core mission: equal accessibility to a broad population.

However, these organizations can still attract private financing through diverse investment instruments that can help them better achieve their social purpose.

At the same time, SGIs retain the responsibility to ensure universal access, quality, and affordability of essential services for all citizens. While private investment can play an important role in supporting the development and resilience of these services, it is important to recognise that full privatisation of certain essential sectors, such as water management and can raise challenges. These include risks to equitable access and long-term sustainability, which must be carefully assessed in light of each Member State's specific context and regulatory framework as well as at the local and regional level.

In this context, the EU Taxonomy regulation, though originally designed to guide private investment, has also begun to inspire public investors in aligning funding decisions with sustainability objectives. This evolving use underlines the potential of the Taxonomy framework to support not only environmental, but also social goals. Strengthening the social dimension of sustainable finance is therefore key to ensure that all investments contribute to inclusive, fair, and future-proof public service provision.

The objective of the Finance4EPSR project is two-fold. First, it aims to build knowledge and capacity among SGIs on sustainable finance to further enable their potential to contribute to the principles set out in the European Pillar of Social Rights and bridge the investment gap by attracting investors interested in advancing positive social outcomes. To support this, SGI Europe and the project partners have set the foundations for a Self-Assessment Tool -linked to the proposed Social Taxonomy and the European Pillar of Social Rights- that helps SGI providers identify their social contributions, collect relevant data, and communicate their impact to potential investors. As such, the Tool is tailored to SGIs' specific needs and contexts, and designed to support access to new funding sources. Second, the project also sets the groundwork for a future social label. The same Self-Assessment Tool includes and describes the evaluation criteria that can be used to evaluate organizations or projects based on their social contribution, paving the way for a recognition system managed by SGI Europe.

At the start of this project, the task was to use the proposal put forward by the Platform for Sustainable Finance for a Social Taxonomy and make it actionable for the specific characteristics of providers of Services of General Interest. Throughout the 2-year duration of the project, the political and regulatory landscape regarding sustainability reporting took a defining turn that impacted the purpose of this project and its outcome.

The proposal on the Social Taxonomy was not adopted as a regulation to expand the EU Taxonomy, thus losing its potential as a recognised standard to increase socially focused sustainable investment, and preventing the proposal from being finalised to sufficient detail to be used as a voluntary reporting framework.

This created a regulatory vacuum for social investments by removing the necessary scaffolding to assess a substantial contribution based on what could have been market-recognised criteria and therefore, making it more difficult for organisations with a social impact to access sustainable finance. In order to maintain relevance of the project for the final users and to fulfil the objective of attracting sustainable finance for SGIs, it was decided to anchor the Self-Assessment Tool on other market-recognized standards and regulations specific for social investments, namely the International Capital Market Association's (ICMA) Social Bond Principles[2] (also in line with the feedback received from stakeholders during the initial phases of the project), while maintaining the social contribution objectives proposed in the Social Taxonomy and in the European Pillar of Social Rights.

2 The EU Green Bonds Regulation (2023/2631/EU) was considered, however not included since its focus is solely on environmentally sustainable bonds.

In other words, the proposal for a Social Taxonomy serves as a general guidance for identifying a social contribution which will be the basis for the development of a framework to issue a social bond. This way, SGI providers can implement and communicate their social contributions and, ultimately, attract financing through a commonly used framework[3].

This Guiding Methodology provides a detailed account of each step and all outcomes of the Finance4EPSR project. The first part of the document will describe the outcomes of the consultation processes held with SGI members and relevant stakeholders via surveys, interviews, and workshops. The second part of this report will detail the Self-Assessment Tool and the evaluation criteria for the label, both outputs informed by the initial stakeholder consultation phase.

3 If the users of the tool choose to use a social finance instrument other than a social bond, or a different framework other than ICMA's Social Bond Principles, they can still leverage on the social contribution assessment of this tool and tailor it to their specific financing needs.

# PART 1
# CONSULTATION PHASE

During the consultation phase with stakeholders, and thought the development and rolling out of surveys, interviews, and workshops, it was possible to assess the level of awareness around sustainable finance and the particularities concerning providers of services of general interest. These initial interactions helped understand and identify the general enablers and obstacles to implementing sustainable finance practices to raise funds. Based on the information obtained , three workshops were organized to test a draft version of the Self-Assessment Tool, to understand its usability, but also to kick-start important reflections around sustainable financing, the direct implications for SGIs, as well as their hopes and concerns related to social investment for SGIs. This section summarizes the main findings and how the subsequent steps were informed by this consultation, and the final output co-created with the relevant stakeholder and potential users.

## **SURVEYS AND INTERVIEWS:** AWARENESS, NEEDS AND CHALLENGES FOR RAISING SUSTAINABLE FUNDS

The first step of the consultation phase involved gathering stakeholders perspectives and experiences on the potential for a social finance framework tailored to providers of services of general interest. Through a survey first, and in-depth individual interviews later, the stakeholders interviewed ranged from providers of services of general interest, to potential investors and experts in the social investment field. The consultation focused on three key sector groups: water; energy and transport; and housing and healthcare.

**STRENGTHENING THE SOCIAL DIMENSION OF SUSTAINABLE FINANCE IS KEY TO ENSURE THAT ALL INVESTMENTS CONTRIBUTE TO INCLUSIVE, FAIR, AND FUTURE-PROOF PUBLIC SERVICE PROVISION.**

The survey was distributed to 43 organizations within SGI Europe's network (See Annex 1 for full list of participating organisations). The questions aimed at assessing and building a better understanding of the respondents' knowledge of sustainable finance, the main challenges they faced within their organizations and their views on whether social reporting was a tool that would be helpful in attracting finance. The response rate of the survey was 16%.

The next step was to conduct in-depth interviews with the same set of stakeholders to deepen the understanding of their needs and specific context. The interviews were structured around five themes: General Context, Investment & Financing, Value of Social Investments & Relevant Frameworks, Social Contribution & Impact Measurement, Perceived Benefits & Challenges. The response rate for the interviews was 32%, with a total number of fourteen interviews held with representatives from different sectors. Five interviews were conducted with the Housing and Healthcare sector, two from the Energy & Transport sector, but none with representatives from the Water sector. We interviewed seven interested investment institutions, and regulators also participated in the interviews with the objective of understanding their views on the appetite for social investment.

## The main findings of the surveys and interviews from all stakeholders who participated are summarized below and grouped in themes:

### REPORTING

Providers of services of general interest expressed interest in using a social reporting framework to attract investment to their organizations. However, there is also the misconception between sustainability reporting such as under CSRD (which they fear would increase their administrative burden to already understaffed organizations) and developing an impact framework. Several participants welcomed the idea of an impact-focused framework that would help them assess and promote the intrinsic social contribution of their core activities and how they advance the EU's social agenda.

### INVESTMENT & FINANCING

A common concern was the compatibility between private investment and public service provision, since the private sector cannot finance the aspects of the projects where investment is needed most without putting at risk the qualities that make a service public according to the AAAQ criteria: a public service must be Accessible, Acceptable, Affordable and of good Quality. Furthermore, there is the conception that the private sector will only invest in these projects if there are clear fiscal incentives, or if there is a clear business case and a stable return on investment. Respondents affirm that profit margin on social investments is usually lower than on regular investments, so there would typically be low interest of private investors. The investors interviewed, on the other hand, claimed interest in financing social projects, claiming that green bonds are usually oversubscribed compared to regular bonds, which can marginally improve the financing conditions for issuers. It is expected that social bonds encounter a similar investor appetite.

### VALUE OF SOCIAL INVESTMENTS & RELEVANT FRAMEWORKS

The potential for a social reporting framework is that it would provide proof of meeting social criteria when applying for loans or submitting proposals for public procurement. Currently there is a gap between these requirements and the data that SGIs can provide. Defining and measuring impact is also a challenge. Some views argue for a harmonized framework that would bring clarity, transparency, and certainty to the market, while others argue for delaying the establishment of a framework until there is sufficient demand for social investments and experience in how to reorient capital flows, calculate impact and report (bottom-up approach). It was suggested that less focus should be placed on actual reporting and that at first, the disclosure of the social information should not be made public, but rather kept between investor and investee to reduce the pressure and reporting burden for these organizations.

### SOCIAL CONTRIBUTION & IMPACT MEASUREMENT

There was a consensus among the interviewees that measuring a Social Return on Investment, or a social impact is not an easy task and there might be cases where it is not possible. Furthermore, defining clear criteria on how to measure the contribution of an activity to a social objective is not straightforward. The availability and collection of quality data is particularly challenging, since granular-level data on end-beneficiaries would be necessary in most cases and this is difficult to obtain. In terms of metrics, it was suggested that these would have to be aligned to those social indicators that organizations already report on. Overall, interviewees agreed that measuring social impact is more complex, and thus a greater challenge than measuring environmental impact.

## PERCEIVED BENEFITS

- If investments are made by local investors or regional banks, they would be more motivated to invest if they can see tangible benefits in their local communities (territorial dimension). These investments in social projects should be local, with smaller structures and centred on people.

- A social investment framework would offer the potential for harmonization of criteria & priorities, for investors, who would aim to avoid the risk of “social washing”. Minimum standards that would enable investments to qualify as “social” would be helpful in this regard.

- There are clear benefits for those public services that are underfunded; however, there are cases where public services in some EU countries do not have a financing issue. In those cases, the interest for social sustainability is present as a tool for local authorities to communicate their positive impact.

- The transparency of social contributions should bring clear advantages in terms of strategy & decision-making, knowledge and communication, and less emphasis should be placed on reporting as the main goal of a social investment framework.

- There is an important investment gap in public services and there is a role that private investments can play in these services.

- A social investment framework provides visibility for companies that provide social services, and this can be helpful to raise funds.

## PERCEIVED CHALLENGES

- Social activities like those undertaken by SGI providers are usually publicly funded due to their lower profitability. For investors, a return on investment is important. Social investments compete in the same market with more profitable projects with a higher, more tangible return on investment.

- The administrative burden is large, and this impedes organizations to realize that reporting their impact can bring advantages in the long-term.

- There is a lack of awareness and knowledge and scepticism on both the investor and investee side of what a social investment is. This is due to the lack of widely accepted criteria that would enable to label an investment as 'social'. This in turn increases the risk of 'social washing,' a great concern for investors.

- There is a risk in letting private investments grow in social matters, as the focus would turn more on making a profit than providing a social service that would follow the AAAQ criteria.

- For investors, there is a perceived lack of visibility and data needed to compare earnings on social investments with other types of investments.

- Social priorities and services, as those provided by SGIs, are usually defined by political priorities, policies, or public budgets, not necessarily by own initiatives of the SGIs, so this could limit the leeway they have in attracting investment or deciding investing priorities.

- There is a concern that is rooted in the administrative burden linked to existing green bonds and EU Taxonomy that would extrapolate to any type of social investment framework or instrument, for example, assurance requirements and everything that entails.

- Although social bonds have been successful for financing municipal projects in some regions, these have not been a game-changer in terms of financing. As experienced with the EU Taxonomy, the administrative burden and costs of issuance are too high, and therefore unsuitable for smaller projects.

- Many of the financing needs of public services are not capital intensive. They are therefore more difficult to finance with private investment. In many cases, social impact projects need more employees for example, which would be out of scope for a profit-seeking investment.

The findings of this first stage of the project and the concerns of the stakeholders informed a draft proposal of a Self-Assessment Tool that was the focus of discussion during a series of workshops held with organisations who provide services of general interest as well as other relevant stakeholders. These workshops aimed at further discussing if these initial ideas for a Tool were something realistically implementable for these organizations, what could be added, expanded on, or removed, as well as creating awareness and identifying the needs of the future users of the Tool. The objective of the workshops was to foster discussion among the stakeholders and to co-create a methodology with them that was useful and practical.

## WORKSHOPS
## CO-CREATING A SELF-ASSESSMENT TOOL FOR SOCIAL CONTRIBUTIONS

On 17 January 2025, SGI Europe hosted three interactive workshops during a 1-day event in Brussels as part of the Finance4EPSR project. The objective was to open the discussion, create awareness and exchange experiences regarding the relevance of a social investment framework focused on social contributions, with a special emphasis on services of general interest.

The workshops began with an introduction to the project by the EU Policy Advisor for Sustainability at SGI Europe. During her intervention, she highlighted the focus of the workshops, which was to build expertise in sustainable finance for social projects. She highlighted how the '*significance of sustainable finance has grown tremendously, particularly in relation to the European Pillar of Social Rights'* and how SGI providers could leverage on their social contribution potential to mobilize private resources. She also outlined the specific objectives of the project:

1. Raise awareness of the role that sustainable finance can play in mobilizing resources and incentivize SGI providers to embrace these strategies.
2. Embed sustainable finance requirements into the daily management decisions of SGI providers.
3. Develop a methodology to guide SGI providers in identifying their activities in accordance with sustainable finance requirements.
4. Using the methodology as a foundation, to establish a social sustainability label aligned with the Taxonomy regulation.

Following the introduction, the proposal for a Social Taxonomy was briefly explained and some lessons learned regarding the recent implementation of the EU Taxonomy, with the objective to link these to the potential a social investment reporting framework can have.

Each of the three workshops had 2 phases: an immersive and participatory phase, where participants were prompted to reflect about a social impact reporting framework based on the previous presentations of an environmental taxonomy and the proposal for a social taxonomy and invited to participate in carefully tailored activities designed to think deeper about the questions at hand.

The second phase of each workshop consisted of a discussion based on the insights of the activity and the unique experience of each of the participants.

The three workshops were held in a hybrid format, with around half of the registered participants signing up for participating online, and the other half in person in Brussels. For the online participants, the participatory and immersive activities that were planned in person were successfully mirrored online, with breakout sessions and plenary sessions for further discussion with the group.

## **WORKSHOP 1**
## SUSTAINABLE FINANCE & THE NEED FOR A SOCIAL TAXONOMY

This first workshop consisted of discussing the need for a social taxonomy, or an investment framework centred on social contributions.

Participants were asked to identify the key challenges they faced and start building a case for change. Specifically, participants were asked to:

1. Discuss the current status quo that needs to change.
2. Discuss the implications of not using the SGI providers' sustainability potential to attract investment.
3. Identify the opportunities and potential benefits and positive outcomes of using a social investment framework.
4. Envision a picture of what success looks like and what a proposal of an investment framework for social contributions should aim to achieve.

The main reasons given by participants in favour of a social investment framework, as discussed in this workshop, were:

- There is a need for more investments in products and services that address basic human needs.
- There are difficult budgetary choices at a regional and national level, and this impacts the provision and administration of services. Furthermore, SGI providers face a competitive disadvantage compared to privately owned companies.
- Underfunding services of general interest can create a loss of cohesion in society. For example, social exclusion, loss of diversity, loss of talent, and loss of equal opportunities.
- The lack of a social taxonomy leads to sustainable investments flowing only to environmental investments. The focus on the environment has left less funds to tackle social issues, and the lack of funding decreases the capacity to provide quality services.
- Currently, the focus of investments is on shareholder value. Adding goals other than profit to undertakings can better level the playing field. Focusing on social contributions to the economy allows for an economy that goes beyond GDP as the main metric of success.
- Investors require comparability, which a social investment framework can provide, and thus encourage private investments in social infrastructure.
- A social investment framework would allow for an easier identification of what is considered socially sustainable and address a just transition across the entire economy. Just like the environmental taxonomy, a consistent definition of what 'social' means is needed.
- With a social investment framework, there will be more transparency and, therefore, more investments. A framework will also improve the coherence and consistency of sustainability reporting and increase its acceptance throughout the EU economy.
- A social investment framework can reassure investors that their investments are socially sustainable, and it will enable them to communicate that to their stakeholders.
- Development of new social business models, whereby investments in basic services and human rights increase and capital is mobilized to affordable social services.

## WORKSHOP 2

### THE SELF-ASSESSMENT TOOL FOR SOCIAL CONTRIBUTIONS: ITS IMPACT & APPLICABILITY

Based on the interview phase of the Finance4EPSR project, desk research on the existing regulation on Environmental Taxonomy and the proposal for a Social Taxonomy, a draft proposal for a Self-Assessment Tool was put forward for organisations to implement during the workshop.

The starting point of this Self-Assessment Tool is identifying a specific activity or project in SGIs operations that requires investment and which could be described as a tangible social contribution, that is, at the same time, attractive enough for external investors. The steps for this Self-Assessment Tool follow the proposal for a Social Taxonomy and the European Pillar of Social Rights. The outcome of the Self-Assessment Tool in this framework was to identify and structure a social contribution based on a specific set of objectives and criteria mentioned in the Social Taxonomy and the European Pillar of Social Rights and identify specific metrics to measure the impact that organizations of services of general interest have. By structuring the output of the Self-Assessment Tool in a way that is familiar to what investment institutions would require, the organizations could create a framework for investment and access sustainable finance instruments, such as social bonds, or sustainability-linked loans.

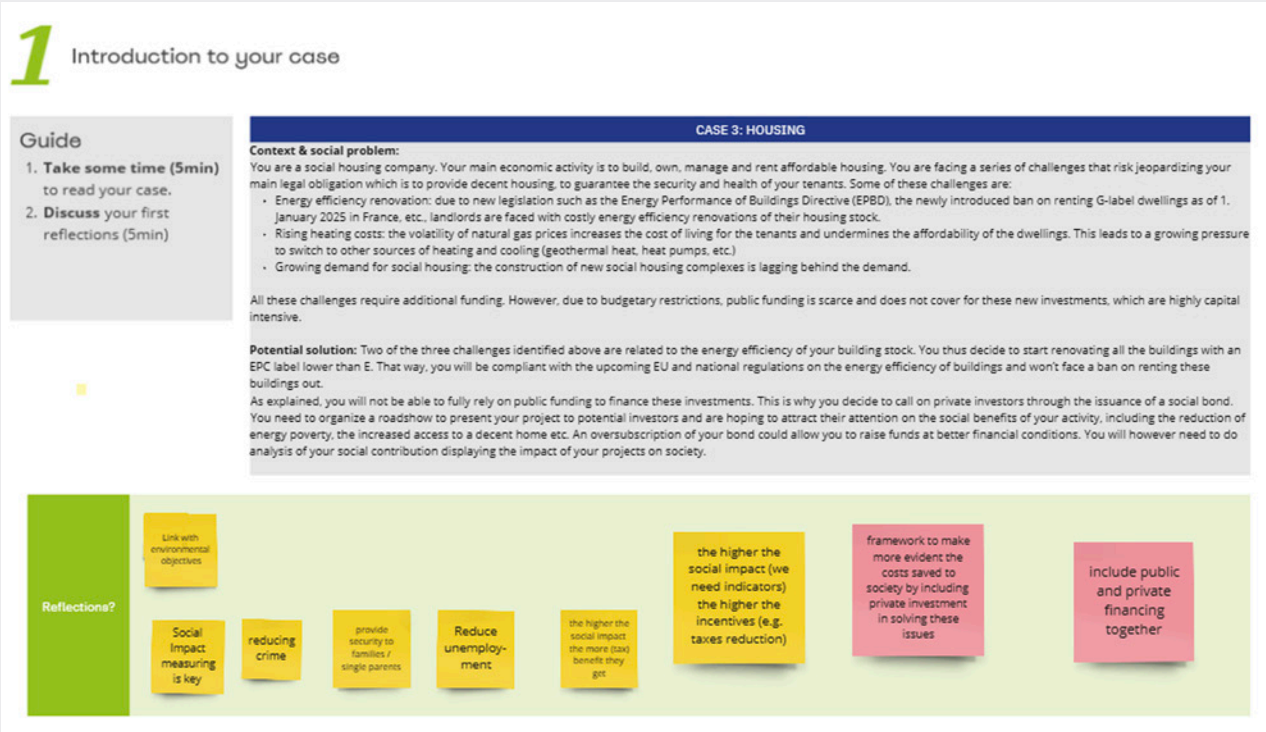
This workshop was designed with the objective to put this proposal of the Self-Assessment Tool to the test based on three fictitious cases for each of the sectors involved in the project (water, energy & transport, healthcare, and social housing).

Participants were split into groups and a fictitious case was assigned to each group. Based on the situation described in the case, they were tasked to:

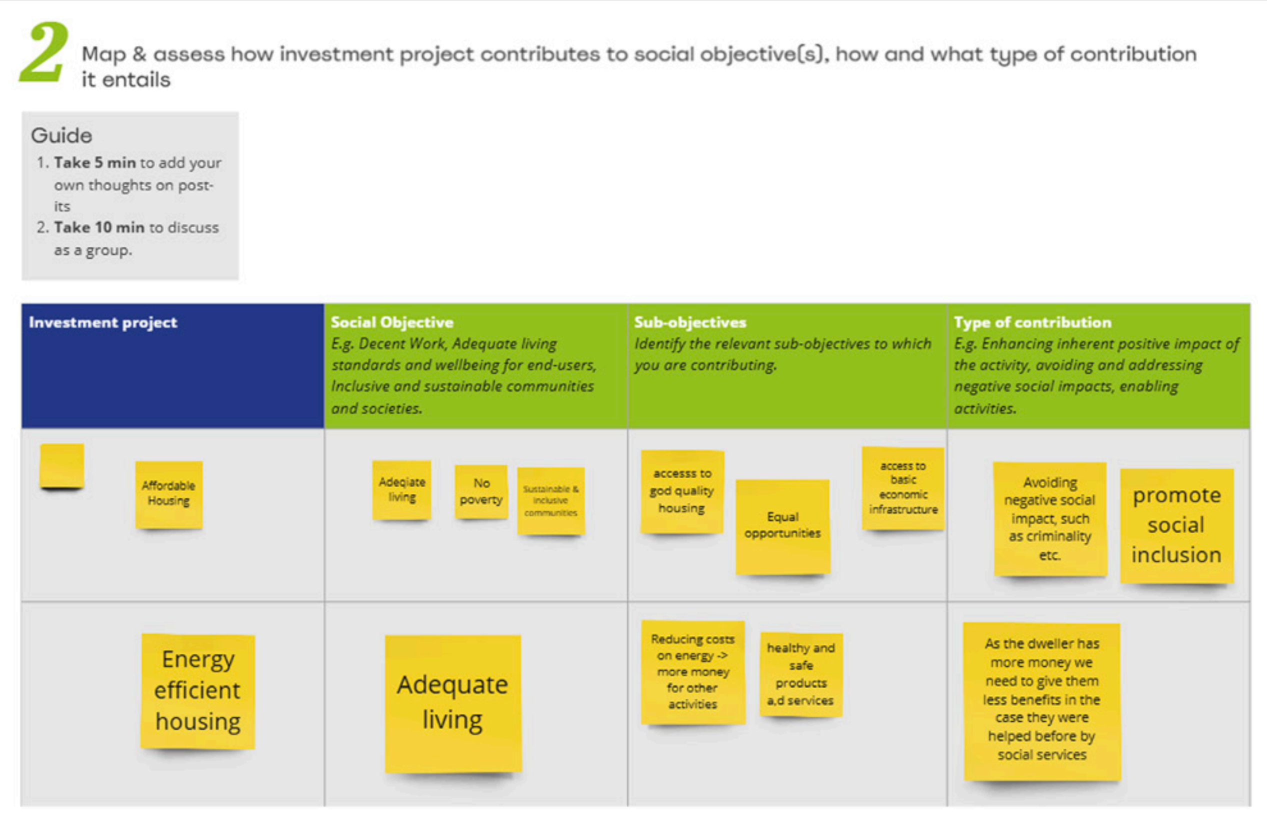
1. Identify a specific area of investment or relevant economic activity (i.e. a specific social problem and a potential solution).
2. Link this with the relevant objectives of proposed in the Social Taxonomy and its sub-objectives, and the type of contribution it entails.
3. Identify to which other social rights this activity or investment contributes.
4. Using the AAAQ criteria, where relevant, analyse how the proposal enhances provision of services of general interest.

The main value of this workshop was that participants had the opportunity to broadly implement the proposed steps of the Self-Assessment Tool and gather practical experience to further develop it considering the participants' insights and recommendations going forward. This workshop was crucial for the next steps of the Finance4EPSR project, since the outcome should be a tool that they can use to describe their impact and attract private financing and set the evaluation criteria for a potential label. Their recommendations and insights, described in the outcome of Workshop 3, would further inform the more detailed development of the Self-Assessment Tool developed in co-creation with the intended users.

## Below is a visual of the output of one of the workshops for social housing:



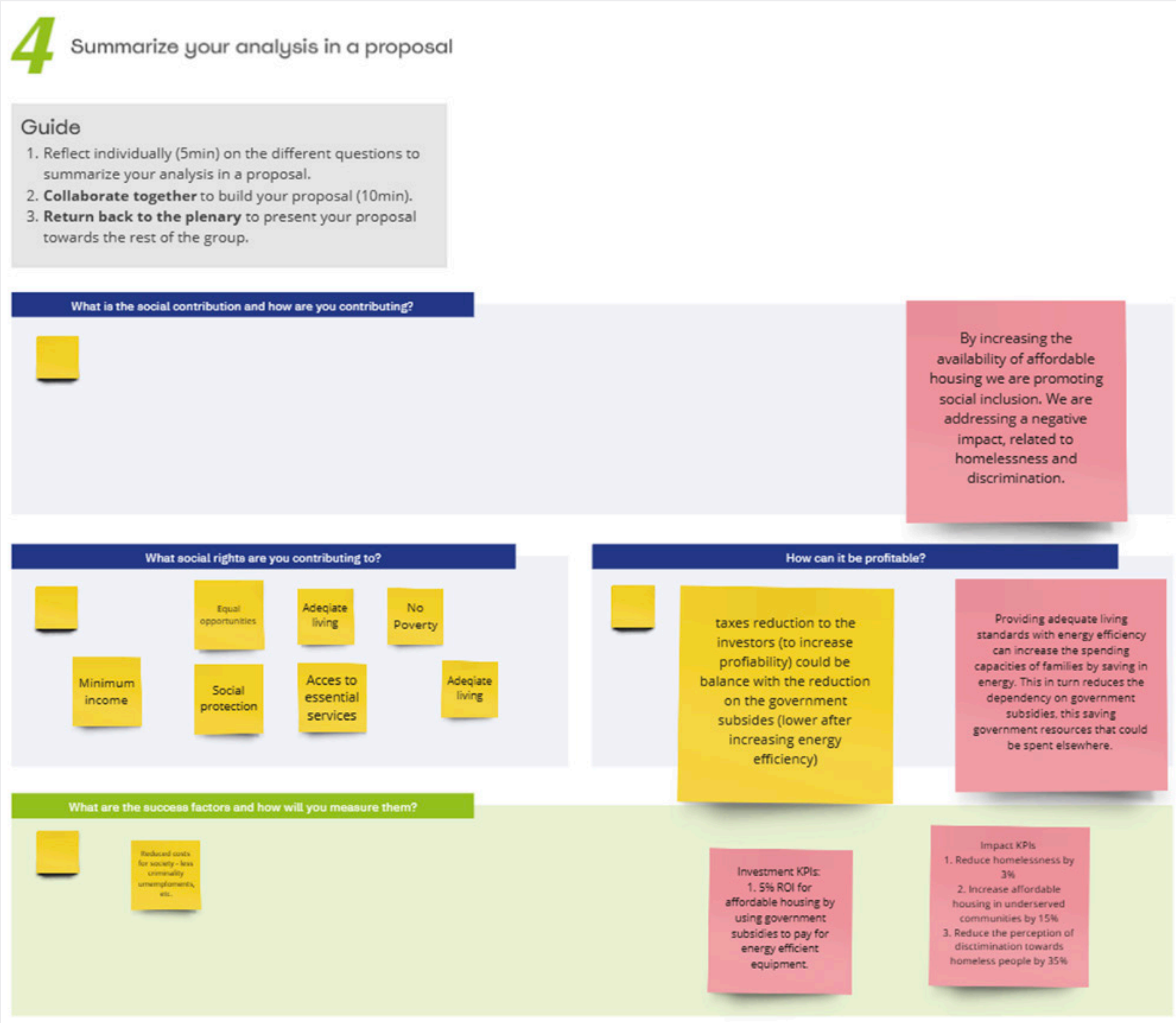

The first step was an introduction to a sector-specific case given to participants. This particular example refers to a case around socia housing. The case provides a description of the context and the social problem, for example: costs of energy efficiency renovation measures, rising heating costs, and an increase in demand for social housing. To address these challenges, funding is necessary. Participants were asked to reflect on what would be the benefits of addressing these challenges, the potential social impact, as well as how they can ultimately demonstrate their social contribution. Participants suggested that one way of demonstrating their impact is by analysing how society saves costs (i.e by reducing unemplyment, reducing crime rates, or providing security) by including private investment in solving these issues.




The second step was an assessment of how the previous investment project contributes to social objectives. The objective here was to use the proposed social taxonomy framework to reflect on all the possible social contribution areas should the example project be developed. Some of the social contributions identified by increasing social housing were: less dependency on government benefits by lowering their cost of living, greater social inclusion and less poverty, reduction of energy and rent costs, and avoidance of negative impacts, such as criminality.


The third step in this workshop was to describe how this project proposal was aligned to the AAAQ framework. The participants suggested that availability and accessibility could be positively impacted, by increasing the supply of social housing.

A SOCIAL INVESTMENT FRAMEWORK WOULD ALLOW FOR AN EASIER IDENTIFICATION OF WHAT IS CONSIDERED SOCIALLY SUSTAINABLE AND ADDRESS A JUST TRANSITION ACROSS THE ENTIRE ECONOMY. JUST LIKE THE ENVIRONMENTAL TAXONOMY, A CONSISTENT DEFINITION OF WHAT 'SOCIAL' MEANS IS NEEDED.




The last step in this exercise was an individual summary of the previous steps and a reflection on the potential profitability of the social contribution and the success factors.

The identified social contribution was described in the following manner: "by increasing the availability and affordability of housing, we are promoting social inclusion. We are addressing a negative impact, related to homelessness and discrimination".

The social rights to which this project could contribute to were: adequate living standards, minimum income, social protection and access to essential services.

When asked how this project could be profitable, participants identified that a tax reduction to investors to increase profitability could be balanced with a reduction on government subsidies, or increase the spending capacities of families by providing a less costly standard of living, which reduces dependency on government subsidies that could be spent elsewhere.

Some impact KPIs were suggested to measure the potential success of this project, such as: reduction of homelessness, increase affordable housing in underserved communities, reduce perception of discrimination towards homelessness. Financial KPIs were also mentioned in an attempt to reflect on how this project could be financially successful.

## WORKSHOP 3
## MAKING THE SELF-ASSESSMENT TOOL ACTIONABLE

The objective of this workshop was to gather the experiences of the participants in putting the Self-Assessment Tool into practice and learn more about its potential shortcomings, how it can be improved, how it can be made more useful for the intended users, and to go deeper into the discussion of why this Self-Assessment Tool is needed, and what it should become.

Participants were asked to reflect on the applicability of the Tool as well as the hopes and fears they have for the Tool and for attracting investment in general. All participants wrote down their reflections and were invited to discuss these with the group.

The main points and takeaways discussed in this workshop were:

### APPLICABILITY & REFLECTIONS

- The concept needs to be further developed to clarify how it can interact within the different sectors.
- SGI providers are difficult in this aspect as they are not classical investment sectors. Different asset classes need to be considered, such as lending, equity, and bonds. The framework should be linked to social bond principles, economic indicators (i.e. Social Return on Investments) and clear KPIs to measure success.
- A challenge that SGI providers face is that the services they offer are linked to basic human rights and needs. Their provision is not optional, they must be provided, and cannot be jeopardized.
- We need to further develop good practices - the concept is a starting point.
- The need is to have a tool, which is a first of its kind for SGI providers, and it should be easy to use with relevant KPIs.
- Conditionalities for investments should be considered.
- Raising awareness for potential investors is necessary to make this work.
- The scope and implementation linked to the European Pillar of Social Rights should be further developed.
- The indicators to measure success should be clear; a pitfall would be that it can pose another barrier.

- The framework should have a limited number of objectives. These objectives should be selected from United Nations documents with universal acceptance to gather greater consensus.
- It is critical that public services remain in public hands; so, we should not create our own pitfall.
- The assessment tool is not suitable/applicable to all SGI services.

## HOPES

- Provide guidance to investors that are interested in socially beneficial sectors.
- SGI providers will receive a better recognition by citizens of the services they provide.
- A social reporting framework would have the capacity to outline the benefits for SGI providers and investors.
- Cost benefit analysis + KPIs should be added, in addition to the social parameters.
- Five to ten positive examples/ good practices should be included.
- It is good to close off the Self-Assessment Tool with a strategic assessment, e.g. competitive advantage.
- SGI providers could innovate by implementing new social business models.
- Public banks should serve as role models to further green financing.

## FEARS

- There is a fear that a reporting framework will increase the administrative burden of the organizations. Data gathering for reporting should not become a burden.
- Organizations are concerned about how interesting SGI providers are for investors, because profit should never be the goal in these sectors. Other factors, such as accessibility, should be considered. This could unfold into private equity dominating or too few investments being directed to SGI providers.
- The criteria to decide what a social objective is are not universally accepted.

**A CHALLENGE THAT SGI PROVIDERS FACE IS THAT THE SERVICES THEY OFFER ARE LINKED TO BASIC HUMAN RIGHTS AND NEEDS. THEIR PROVISION IS NOT OPTIONAL, THEY MUST BE PROVIDED, AND CANNOT BE JEOPARDIZED.**

The relevant inputs gathered during these workshops were included in the Self-Assessment Tool. Although not all observations, comments and recommendations are within the scope of this project, they have been considered in the design of the tool, specifically:

- Simplicity of use.
- Social objectives that are widely recognized and accepted.
- A low-reporting requirement investment framework adapted to social investments that SGIs could leverage on to attract investment.
- A suggestion of KPIs that could be applicable to the nature of the organisations.

# PART 2
# THE SELF-ASSESSMENT TOOL

Providers of Services of General Interest are uniquely placed in the economy to make substantial contributions to the social sphere. Their contribution is inherent, meaning that their core business activities are designed to make a positive social impact through the provision of public services, such as healthcare, transport, energy, water, and social housing. Specifically, SGIs contribute to the operationalization of the European Pillar of Social Rights. As such, this project aims at delivering the necessary capacity building for SGIs to be able to access financing to increase, and demonstrate, their contribution to these social priorities.

Before describing the Tool and how it works, it is necessary to deep-dive into the frameworks and standards on which it is based. Below is a brief summary of the different frameworks and standards that are part of the Self-Assessment Tool.

## THE EUROPEAN PILLAR OF SOCIAL RIGHTS AS RECOGNIZED SOCIAL PRIORITIES

The European Pillar of Social Rights (EPSR), adopted by the Council of the European Union, the European Parliament and the European Commission in 2017, sets out 20 principles to promote fairer, more inclusive societies. These principles and rights are the backbone of this Finance for EPSR project which, as its name suggest, seeks to mobilize financing to fulfil these rights.

One of the setbacks of not having a Social Taxonomy regulation is the lack of guidance as to what activities are considered to substantially contribute to society. To bridge this gap, the Self-Assessment Tool aligns with the European Pillar of Social Rights as a way to reorient capital flows to areas where positive social contributions are needed within the European Union. What makes these social rights recognized social priorities, is that they were agreed-upon by the European Union, and there is consensus in the need to strengthen their implementation and guarantee their fulfilment.

The European Pillar of Social Rights is composed of three main themes:

1. Equal opportunities and access to the labour market
2. Fair working conditions
3. Social protection

These rights are aimed at improving working conditions and living conditions through actions related to gender equality, fair wages, childcare, to name a few. For a full list of the social rights, see Annex 2.

## THE SOCIAL TAXONOMY. A STARTING POINT FOR ASSESSING SOCIAL CONTRIBUTIONS

In 2020, the Technical Expert Group (TEG) of the Platform on Sustainable Finance (PSF), in line with the EU Taxonomy, identified the need to clearly define what constitutes a social investment to prevent 'social washing'. According to the PSF, social objectives should be included in the Taxonomy beyond the Minimum Social Safeguards to be able to quantify substantial contributions to specific, agreed-upon social objectives. In laying out the framework for a potential Social Taxonomy, the TEG aligned its definition of social contributions with the European Social Charter and the European Pillar of Social Rights, highlighting the EU's social agenda: *equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion*. These areas, or objectives, would create opportunities for investors to contribute to these outcomes.

The Social Taxonomy proposal is modelled on the Environmental Taxonomy's structure in labelling what is considered sustainable from a social perspective and in defining activities and social objectives, describing what would constitute a substantial contribution and defining Do No Significant Harm criteria, arguing that this structure is a viable way to reorient investments towards achieving social outcomes, in the same way as the Environmental Taxonomy does. In this sense, the PSF highlights two types of Social Contributions: a) reducing negative impacts, and b) enhancing positive impacts, depending on the type of activities the entities are concerned with.

The PSF further develops how to link these contributions to financial KPIs and concludes that for these types of activities, the contribution should be linked to the turnover KPI, although this can differ on a case-by-case basis.

While the proposal for a Social Taxonomy provides a good structure for stating relevant social objectives, including criteria for social contributions and how these should be assessed, it is not a workable framework; it is unfinished, and has not been adopted as a legally binding way of proceeding as it was intended to unify the market under a common understanding of a social investment. However, it does offer a good starting point on how to structure a social contribution assessment and how to maximize social impact where it matters through the identified social objectives.

The final report on Social Taxonomy incorporates the AAAQ approach into the proposal as a starting point to develop criteria for enhancing positive impact. The Availability, Accessibility, Acceptability and Quality criteria are used to implement Economic, Social and Cultural Rights[4]. According to the Social Taxonomy proposal, "products and services with inherent social benefits can qualify for the social taxonomy if they meet the criteria based on the AAAQ concept"[5]. This means that any product or service, will have to be available in sufficient quantity, accessible both economically and physically, acceptable in terms of minorities and specific culture practices, and of good and safe quality to be considered as having a positive social impact. The Self-Assessment Tool developed through this project incorporates these principles and argumentation as a way to further assess a social contribution.

4 Final Report on Social Taxonomy, pg. 41. https://commission.europa.eu/system/files/2022-03/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf

5 Final Report on Social Taxonomy, pg. 42. https://commission.europa.eu/system/files/2022-03/280222-sustainable-finance-platform-finance-report-social-taxonomy.pdf

PROVIDERS OF SERVICES OF GENERAL INTEREST ARE UNIQUELY PLACED IN THE ECONOMY TO MAKE SUBSTANTIAL CONTRIBUTIONS TO THE SOCIAL SPHERE. THEIR CONTRIBUTION IS INHERENT, MEANING THAT THEIR CORE BUSINESS ACTIVITIES ARE DESIGNED TO MAKE A POSITIVE SOCIAL IMPACT THROUGH THE PROVISION OF PUBLIC SERVICES.

## ICMAs SOCIAL BOND PRINCIPLES. A TOOL FOR SOCIAL INVESTMENTS

As mentioned above, the Finance4EPSR project aims to help providers of services of general interest to identify their social contributions in line with the proposed Social Taxonomy and the European Pillar of Social Rights, but also to aid these organisations in accessing sustainable financing. Since the proposed Social Taxonomy is not yet a recognized tool to reorient capital flow towards socially sustainable activities, the Self-Assessment Tool has been aligned for this objective to the ICMA's Social Bond Principles[6].

A social bond is like a traditional bond: a debt instrument whereby issuers seek investment for specific projects. Typically, funds are borrowed with a specific interest rate and should be paid back at an agreed maturity date.

The difference with a social bond is that the projects that are invested in seek to make a positive social impact.

ICMA's Social Bond Principles, while voluntary, have a wide market acceptance and are recognized by financial institutions and corporations alike. These guidelines promote credibility and transparency for the market, both in the financial aspect (use and management of proceeds) as well as in the social impact aspect. Issuing social bonds is a way for SGIs to access sustainable finance without the risk of privatisation; it is flexible enough to tailor the expected impact to their actual impact and to define the KPIs that best describe their achievements. The main requirement is that the funds are used as they were originally intended by the issuer, and that the expected social impact is clear and measurable.

6 For further information regarding ICMA's Social Bond Principles, please see: Social-Bond-Principles-SBP-June-2023-220623.pdf

If an organization wishes to be aligned with the Social Bond Principles, it must follow its four main components: Use of Proceeds, Process for Evaluation and Selection, Management of Proceeds and Reporting. These components are further explained below:

## 1 USE OF PROCEEDS

This component specifies how the proceeds will be used. They should be allocated to eligible social projects as described by the issuer. A social project will seek to address specific social issues for affected populations. While the Principles mention the most common categories of social project financing, these are not exhaustive, and the framework is flexible to incorporate any relevant social impact project. As a reference, some of the categories contemplated by the Social Bond Principles are in line with the social contribution areas identified by the proposed Social Taxonomy, European Social Rights, as well as the sectors represented in SGI Europe. For example: healthcare, transport, energy, employment generation, social housing, equitable access to services and opportunities.

## 2 PROCESS FOR EVALUATION AND SELECTION

This component deals with the eligibility of the projects, the criteria by which they are to be evaluated as social projects, as well as the intended social outcomes and risks associated to the project. The issuer of the bond determines the criteria for eligibility.

## 3 MANAGEMENT OF PROCEEDS

The issuer should track how the proceeds of the bonds are managed and allocated, as well as be fully transparent on the unallocated proceeds, if any. ICMA recommends the use of an external party to verify the management of the proceeds.

## 4 REPORTING

ICMA encourages social bond issuers to report on an annual basis how the proceeds are used, included the expected impact of the projects using qualitative and quantitative performance indicators.

As part of the Self-Assessment Tool, users will be guided to reflect on these four main components as a first step in developing their own framework to issue a social bond.

For developing the Self-Assessment Tool, the most relevant and useful concepts of each of the frameworks described above have been used to produce a tool that organisations can use to identify and align their social contribution to pre-defined European social priorities and to lay out the criteria for a potential label using the AAAQ concept. The access to finance objective of the tool will be based on the specifications and criteria set out in ICMA's Social Bond Principles.

## SELF-ASSESSMENT TOOL

The Self-Assessment Tool developed as part of the Finance4EPSR project and in co-creation with the relevant stakeholders of SGI Europe, aims to bring together different frameworks for reporting on social contributions to support SGIs in attracting socially-minded investment and setting the groundwork for a potential label based on the enhancement of inherent social contributions by these organisations.

The tool incorporates relevant elements from various frameworks for each step of the assessment:

### 1 IDENTIFYING A SOCIAL CONTRIBUTION

We identified a concern among stakeholders and potential users of this tool that there is no consistent definition of what socially sustainable means, specifically because the proposal of the Social Taxonomy is unfinished and there are no specific criteria to perform the full assessment of a substantial contribution. However, the proposal for a social taxonomy, as detailed below, does provide specific objectives and sub-objectives to which SGIs can align their activities to increase their impact. These objectives and sub-objectives are also aligned with the categories of the European Pillar of Social Rights. Given that the social contribution areas are similar and complementary, and recognized as social priorities for the European Union, this tool proposes to use these as guidance to identify and assess their social contribution.

### 2 DEVELOPING A FRAMEWORK FOR INVESTMENT

another concern among stakeholders is that a reporting framework to attract investors would increase the administrative burden. Furthermore, with a lack of a recognized social taxonomy, there are fewer opportunities to be able to attract social investments under a consistent, market-accepted framework. Instead of focusing on reporting, the Self-Assessment Tool gives a larger weight on supporting SGIs on making a framework for investment, that also includes reporting. For this, we use ICMA's Social Bond Principles as the main guidance. As detailed below, two of the main criteria for issuing a social bond under the ICMA principles are to identify the eligibility of the projects (including expected social outcomes) and reporting on impact criteria. Both criteria are considered in the Self-Assessment Tool. This way, it facilitates the next steps needed to complete the requirements to be aligned with ICMA's principles in case the organisations would seek to attract investment via these instruments.

## 3 DEFINING KPIs

Regarding KPIs, there are market-recognized standards that have developed KPIs that are relevant to SGI sectors in measuring impact. Even though SGIs can produce their specific KPIs, it is recommended that they use existing standards to ensure market comparability and a consistent measuring methodology.

## 4 EVALUATION CRITERIA FOR THE CREATION OF A LABEL

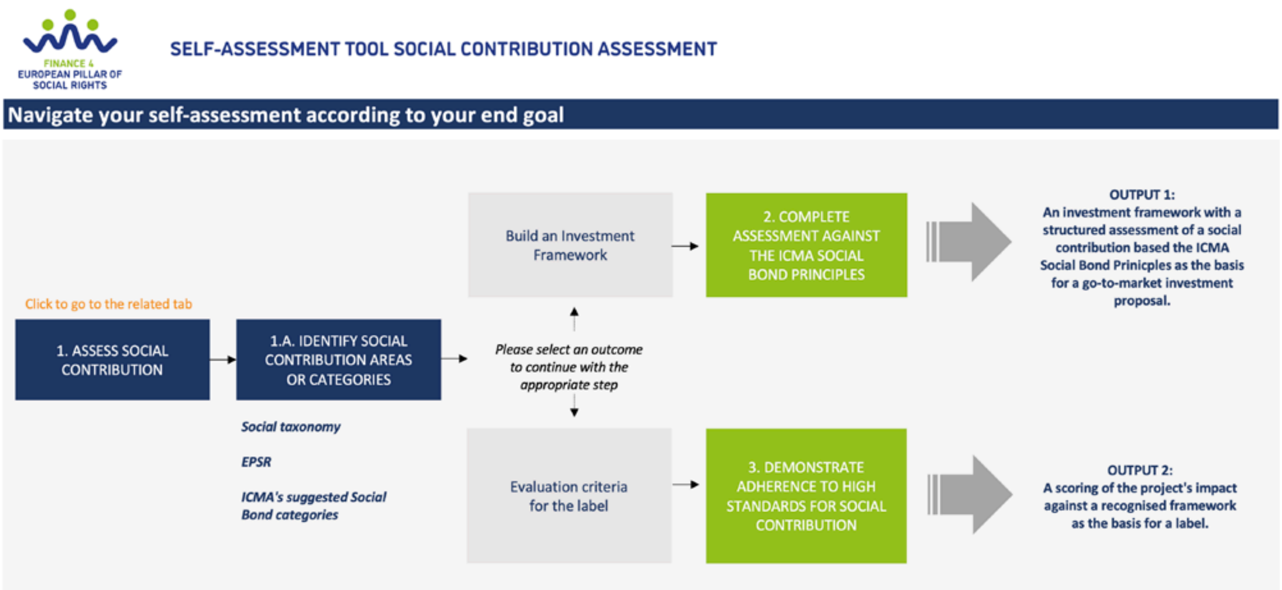
By using the AAAQ criteria as a basis, SGI Europe can further assess the breadth and depth of the social contribution made by organisations.

## DESCRIPTION OF THE TOOL

The Self-Assessment Tool has two pathways that the user can take depending on the purpose of use, as demonstrated in the graphic below. The starting point is to aid an organisation in assessing a current or potential social contribution enabled by their activities. After the user has completed this assessment, two pathways are possible.

The first pathway is to use the assessment of a social contribution to develop a framework for attracting investment. This framework is based on ICMA's Social Bond Principles. The second pathway is to go through a further evaluation to be eligible to receive a future label. The evaluation criteria are based on the AAAQ framework. Each section and pathway are further described below.

### Possible Pathways in the Self-Assessment Tool



THE SELF-ASSESSMENT TOOL BRINGS TOGETHER DIFFERENT FRAMEWORKS FOR REPORTING ON SOCIAL CONTRIBUTIONS TO SUPPORT SGIS IN ATTRACTING SOCIALLY-MINDED INVESTMENT AND SETTING THE GROUNDWORK FOR A POTENTIAL LABEL.

## ASSESSING A SOCIAL CONTRIBUTION

The starting point of the Self-Assessment Tool is to assess the project, activity or organization's social contribution. In this section of the Tool the user is prompted by different questions that will aid in identifying, tailoring, and refining its social contribution, how it addresses specific social needs and how it fits into a broader sustainability strategy, if there is one. Once completed, this tab provides a summary of the intended impact, which serves as the foundation for building a social investment framework and the aspects to be evaluated against the evaluation criteria for a label. This step includes a sub-tab with a mapping tool that assists the users in identifying the areas of their contributions and how they are made, as well as mapping these contributions across various recognised standards relevant to SGIs: the European Pillar of Social Rights, the objectives drafted in the proposal for a Social Taxonomy, and those listed in ICMA's Social Bond Principles.

The mapping tool presents a checklist the different social priorities, objectives, and areas where a contribution is possible and needed. This list is non-exhaustive. While it includes the principles and Social Rights listed in the European Pillar of Social Rights, as well as the suggested objectives in the proposal for a Social Taxonomy as the core social contribution areas, other categories can also be included, such as alignment with the Sustainable Development Goals, or other entity-specific objectives. This mapping tool is an easy-to-use checklist where the user can select all the objectives, sub-objectives and social rights that are positively impacted by their project, activity, or organisation. This way, it is simpler to align the intended impact to predefined social objectives or standards, as well as to consider other potential impact areas, or additional actions an organisation can take to increase their social contribution. Once each category has been selected, the user must explain how their activities contribute to that specific topic: positive or negative impact, direct or indirect, intended, or unintended. This provides the rationale that will aid the user in describing their social contribution and refining the subsequent steps in the assessment.

The social contribution assessment prompts gather the necessary information to complete a full reflection and impact assessment, as well as to complete the subsequent steps in the tool, whether the organisation is looking to develop an investment framework for a social bond issuance or go through the assessment criteria for a label. Aside from the specific social contribution, part of the assessment includes describing the project and how it is part of an overall strategy; identifying the target population of the intervention; specifying if the project avoids negative impacts or enhances positive impacts.

To have a full picture of the intended social contribution, the user is also requested to reflect on any additional benefits other than the core benefit identified whether they are social or environmental or of a different type, as well as risks or negative unintended consequences that the project might provoke, either social or environmental in nature.

To set up a proper monitoring and reporting process, users are also requested to define KPIs that would best describe their contribution.

Annex I in the Self-Assessment Tool provides suggestions of KPIs that are relevant for the SGI sectors. These suggestions come from different sustainability-related standards and frameworks, such as GRI, SASB and SDGs. Using the relevant KPIs from these standards and frameworks ensures a sound methodology as well as comparability across initiatives and within specific sectors. Entity-specific KPIs are also encouraged, where the suggested standards and frameworks do not provide the necessary level of granularity or specificity to reflect the intended impact.

THE PROPOSAL FOR A SOCIAL TAXONOMY PROVIDES SPECIFIC OBJECTIVES AND SUB-OBJECTIVES TO WHICH SGIS CAN ALIGN THEIR ACTIVITIES TO INCREASE THEIR IMPACT. THESE ARE ALSO ALIGNED WITH THE CATEGORIES OF THE EUROPEAN PILLAR OF SOCIAL RIGHTS.

## PATHWAY 1
### SETTING UP A FRAMEWORK FOR ISSUING A SOCIAL BOND

As mentioned above, when issuing a social bond, it is best to follow a framework that will promote transparency and clear social impacts for potential investors. ICMA's Social Bond Principles require the development of a framework structured into four main components. This framework sets out how the social bond will operate: how proceeds will be used and managed, how projects that are to be invested in will be selected and according to which criteria, and reporting.

The first element to consider while developing a framework that is aligned with ICMA's Social Bond Principles is to determine how the proceeds will be used. If you are an issuing organisation you can decide where these proceeds will be destined to, either one or multiple projects. For the sake of transparency, the eligibility criteria need to be set out from the start. These criteria will guide the investment, and, since it is a social bond, the projects must have a social purpose.

Using the social contribution assessment as a starting point, the user will be able to determine the eligibility criteria necessary for the framework. This eligibility criteria should be based on the main characteristics of the projects that will be funded. This ensures that the proceeds from the social bonds are only allocated to projects that are aimed at achieving specific, pre-determined, social contributions. Furthermore, the user will be requested to describe the intended social impact, as well as the assessment for selecting eligible projects. The evaluation of the bond will be based on the eligibility criteria and the impact KPIs set forth from the start. The eligibility criteria can be defined by using specific expected outcomes as the criteria, or characteristics of socially minded projects, as well as third-party certifications or standards that are aligned with the expected outcome.

Once the user has established how the funds will be used, it will be necessary to define the process by which the projects will be evaluated and selected for investment. In this section, the user can leverage on the social contribution assessment performed in the previous step to describe the social objectives of the project. This section must include the target group, the type of contribution, the expected impact as well as how this impact will be measured, using qualitative or quantitative KPIs. Furthermore, based on the eligibility criteria, the user will justify how the assessment of these criteria will be performed: how the selected project meets those eligibility criteria. A third element to take into consideration while describing the process of evaluation and selection, is the unintended consequences of the project, or any social or environmental risks associated to the project. A description of these risks, and how they will be identified and managed is encouraged.

The third component of the framework relates to how the proceeds of the bond will be managed. To ensure transparency and certainty to the investor, the issuer of the social bond must state clearly how the proceeds will be tracked and where the unallocated proceeds will be placed. These can be placed in a separate account managed by the organisation, or within an investment account with a sustainability focus. The issuer is encouraged to have an external party verify the tracking and allocation of the net proceeds of the bond.

The fourth and final component of the framework concerns reporting. This reporting is to be performed on an annual basis. The report should include, if applicable, a list of the projects to which proceeds have been allocated, as well as the amounts allocated to each project. A brief description of the project as well as the expected impact is also to be provided. This report, if externally verified, will be evaluated against the eligibility criteria set forth in the framework.

The Self-Assessment Tool provides users with the minimum information required to develop a framework that is aligned with ICMA's Social Bond Principles. The outcome of this step should inform the basis of this framework. The user is encouraged to independently follow further guidance provided by ICMA to ensure that the framework and reporting requirements are met. Annex 2 of the Self-Assessment Tool provides the relevant documents for the user to continue developing its framework.

**THE SELF-ASSESSMENT TOOL GIVES A LARGER WEIGHT ON SUPPORTING SGIS ON MAKING A FRAMEWORK FOR INVESTMENT, THAT ALSO INCLUDES REPORTING.**

### PATHWAY 2
### CRITERIA FOR DEVELOPING A FUTURE LABEL

The other goal of Finance4EPSR is to establish the groundwork for the creation of a label to incentivise providers of services of general interest to assess their social contributions and promote their impact. This label is meant to aid SGI providers in increasing awareness of the recognized social contribution they are making in their market. The groundwork of this label consists in developing the evaluation criteria to determine the level of contribution being made. This second pathway of the tool also uses the social contribution assessment as the starting point. Once the user has described the actual or potential impact its project or organisation intends, this assessment of the identified social contribution is then evaluated against the AAAQ criteria and evaluated against a numeric score.

Loosely based on the rationale set out in the proposal for a Social Taxonomy, where the use of the AAAQ criteria is meant to determine contribution or do no significant harm, this evaluation criteria also uses the AAAQ criteria to determine how the organisation is impacting the provision of services.

For the purpose of the evaluation, the four concepts have been regrouped in the following manner: Availability and Accessibility, and Acceptability and Quality. The first group is where a social contribution is tangible and measurable. Increasing access and availability of a service are the core components of a social contribution. The second group, as was pointed out by stakeholders, are not linked to positive contributions. Rather, they are more like the Do No Significant Harm criteria as laid out in the context of the Proposal for a Social Taxonomy. The objective discussed in the Platform for Sustainable Finance was to increase accessibility and availability without compromising acceptability and quality of a service. In line with this reasoning, we have developed quantitative evaluation criteria to complement the qualitative assessment that reflect this reasoning.

For the first group of criteria, the user is asked to provide a scoring on a scale of 1 to 5 to the questions *'To what extent does the intervention expand or maintain service provision?*' and *'To what extent is the service more inclusive and equitable?*', where 1 'significantly deteriorates' a service, and 5 'significantly improves' it. A fixed weight of 45% of the total score was given to the availability criterium and 45% to acceptability. After scoring, the user is prompted to describe how the project contributes to each of the criteria and provide specific metrics to further illustrate the contribution. For the metrics, it is advised that the starting point, or status quo, is described and known in order to measure how much more available and accessible a service will be. Other KPIs that illustrate availability and accessibility are encouraged.

The second group of criteria has a slightly different reasoning behind the scoring. Instead of scoring on a scale of 1 to 5, these criteria are evaluated qualitatively. Answers to the questions *'Are services aligned with cultural or social norms?'* and *'Does the intervention improve service outcomes?'* are 'Yes', 'No', and 'Stays the same'. Depending on the answer given, a numeric score is automatically given: 5, 1 and 3, respectively. The reasoning behind this scoring is that an increase in availability and accessibility needs to, at a minimum, not affect the acceptability of the service provided nor its quality. This way, a significant positive contribution can be made in terms of availability and accessibility. However, if there is a decrease in acceptability or quality, then the contribution will not be considered positive. A fixed weight of 5% regarding the total score was assigned to each of these criteria. As with the first group of criteria, the user is prompted to describe the contribution according to each criterion and provide illustrative KPIs.

The reason for assigning 90% of the total score to availability and accessibility criteria, and only 10% to acceptability and quality is to privilege the positive contribution in the total score, while also providing the necessary nuance when the provision of a service is being negatively affected.

The maximum possible score is 100%. However, a threshold has been set at 60%. Any score below 60% is considered to deteriorate the status quo, meaning there is no positive contribution. A score of 60% is considered to preserve the status quo and should be considered the minimum threshold for a potential positive contribution. A score of above 60% is considered to make a positive contribution. For both thresholds at and above 60%, if there is a negative contribution to either Acceptability or Quality criteria, then it is not considered as a positive contribution. In other words, the project should at least preserve the status quo on all four criteria. A positive contribution can be made in terms of accessibility and availability provided the quality or acceptability of a service is not affected.

# CONCLUSIONS

The Finance4EPSR project confirms that providers of Services of General Interest make essential contributions to social well-being. Their social mission is embedded in the core services they provide—whether in water, energy, housing, transport, or healthcare. However, their ability to access sustainable finance is hindered by a lack of frameworks that reflect the specific nature of their work and align with their operating logic.

One of the main challenges remains the absence of an adopted Social Taxonomy. This has created a regulatory gap that makes it harder to identify what constitutes a substantial contribution to social objectives in a way that is recognised by financial markets. In response, SGI Europe developed the Self-Assessment Tool presented in this document. The Tool serves both as a reflection exercise to help organisations describe and assess their social contribution, and as a practical support for accessing finance—through instruments such as social bonds or a future social label.

By issuing bonds according to ICMA's Social Bond Principles, reorienting capital becomes a structured strategy that reduces social washing, while being flexible enough to adapt to SGI's particular needs, without losing focus in contributing to the European Social Agenda by aligning to the European Pillar of Social Rights. While a label to incentivise SGIs to demonstrate their social contribution will still be developed, the evaluation criteria using the AAAQ concepts is a solid first step in being able to evaluate the depth and breadth of said contributions.

The consultation process revealed that many SGIs are willing to engage with sustainable finance but remain cautious about the risk of increased administrative burden or a disconnect between investment logic and public service values. The Self-Assessment Tool addresses these concerns by offering a flexible, user-oriented structure that accommodates the diversity of SGI missions, sectors, and capacities.

While the tool is not meant to replace regulation, it helps to fill a temporary gap and opens a path toward more structured and recognised forms of social investment. It provides a foundation for SGIs to align their work with recognised social objectives, better communicate their impact, and prepare for the evolving sustainable finance landscape.

Going forward, we expect the financial market participants to increasingly recognize social investments as an attractive investment opportunity (supply and demand must grow together), and that regulatory frameworks that institutionally redirect investment to social impacts are developed.

THE SELF-ASSESSMENT TOOL IS NOT MEANT TO REPLACE REGULATION, IT HELPS TO FILL A TEMPORARY GAP AND OPENS A PATH TOWARD MORE STRUCTURED AND RECOGNISED FORMS OF SOCIAL INVESTMENT.

# APPENDIX

## ANNEX 1
LIST OF PARTICIPATING ORGANISATIONS IN FINANCE4EPSR PROJECT

| Participating Organisations |
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| Arbeitskreis Kirchliche Investoren |
| Association unit in Germany run by protestant churches to promote social jobs in healthcare and child and young adults programmes |
| ASSTRA |
| ATDZ, Alliance pro telemedicinu a digitalizaci zdravotnictvi a socialnich sluzeb, Czech Republic |
| B.A.U.M. e.V. |
| bvöd |
| Caisse des Dépôts |
| Caritas Germany |
| Croatian Employers' Association |
| CSR Europe- European Business Network for Corporate Sustainability and Responsibility- support businesses & industry sectors |
| Danish Regions, Denmark |
| EAPB |
| ENTEGA AG |
| ETUC |
| EU association of public banks |
| Eurodiaconia |
| Eurofound |
| European Institute for Labour and Industrial Relations |
| European Parliament |
| FEBEA |
| FedEpl |
| FIASO Federazione Italiana Aziende Sanitarie e Ospedaliere, Italy |
| Forum Nachhaltige Geldanlagen e.V. (the German Sustainable Investment Forum) |
| GLS Bank |
| HEAG Holding AG |
| Health Service Executive, Ireland |
| Hessian Ministry of the Environment |
| HOSPEEM - The European Hospital and Healthcare Employers' Association |
| HVB - UniCredit |
| Investment Bank for social projects |

| Participating Organisations |
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| Investors from protestant churches -german |
| Kommuninvest (Swedish Local Government Funding Agency) |
| KT Local Government and County Employers, Finland |
| Latvian Hospital Association, Latvia |
| Lithuanian National Association of Healthcare organisations, Lithuania |
| NFU Netherlands Federation of University Medical Centres, the Netherlands |
| NHS Confederation, UK |
| Pracodawcy RP |
| Prague University of Economics and Business |
| Public banks in Germany |
| SGI Europe |
| SKR SE The Swedish Association of Local Authorities and Regions |
| Social Services Europe |
| SPEKTER, Norway |
| The International Transport Workers' Federation ITF is a democratic, affiliate-led federation recognised as the world's leading transport authority |
| Trade Unions- interest of employees |
| Triodos Bank |
| Trøndelag European Office |
| Umbrella organisation of persons with disabilities, bringing together representative organisations of persons with disabilities from across Europe |
| Umweltcampus Birkenfeld / Professor of Umweltplanung/Umwelttechnik - Business Administration and Engineering |
| UN PRI |
| UniCredit Bank GmbH |
| Union of Employers´ Associations of the Czech Rep. |
| Universidad de Sevilla |
| UTILITALIA |
| Veolia |
| VKA Die Vereinigung der kommunalen Arbeitgeberverbande, Germany |
| Working Group of Church Investors (AKI) |
| Zorgnet-Icuro |

**ANNEX 2**
# EUROPEAN PILLAR OF SOCIAL RIGHTS

## EQUAL OPPORTUNITIES AND ACCESS TO THE LABOUR MARKET

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|---|---|
| **Education, training, and life-long learning** | Everyone has the right to quality and inclusive education, training, and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market. |
| **Gender equality** | Equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression.<br><br>Women and men have the right to equal pay for work of equal value. |
| **Equal opportunities** | Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered. |
| **Active support to employment** | Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job search, training and re-qualification. Everyone has the right to transfer social protection and training entitlements during professional transitions.<br><br>Young people have the right to continued education, apprenticeship, traineeship, or a job offer of good standing within 4 months of becoming unemployed or leaving education.<br><br>People unemployed have the right to personalized, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment at the latest at 18 months of unemployment. |

## FAIR WORKING CONDITIONS

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| **Secure and adaptable employment** | Regardless of the type and duration of the employment relationship, workers have the right to fair and equal treatment regarding working conditions, access to social protection and training. The transition towards open-ended forms of employment shall be fostered.<br><br>In accordance with legislation and collective agreements, the necessary flexibility for employers to adapt swiftly to changes in the economic context shall be ensured. Innovative forms of work that ensure quality working conditions shall be fostered. Entrepreneurship and self-employment shall be encouraged. Occupational mobility shall be facilitated. Employment relationships that lead to precarious working conditions shall be prevented, including by prohibiting abuse of atypical contracts. Any probation period should be of reasonable duration. |
| **Wages** | Workers have the right to fair wages that provide for a decent standard of living. Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented. All wages shall be set in a transparent and predictable |
| **Information about conditions and protection in case of dismissals** | Workers have the right to be informed in writing at the start of employment about their rights and obligations resulting from the employment relationship, including on probation period. Prior to any dismissal, workers have the right to be informed of the reasons and be granted a reasonable period of notice. They have the right to access to effective and impartial dispute resolution and, in case of unjustified dismissal, a right to redress, including adequate compensation. |

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| Social dialogue and involvement of workers | The social partners shall be consulted on the design and implementation of economic, employment and social policies according to national practices. They shall be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action. Where appropriate, agreements concluded between the social partners shall be implemented at the level of the Union and its Member States. Workers or their representatives have the right to be informed and consulted in good time on matters relevant to them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies. Support for increased capacity of social partners to promote social dialogue shall be encouraged. |
| Work-life balance | Parents and people with caring responsibilities have the right to suitable leave, flexible working arrangements and access to care services. Women and men shall have equal access to special leaves of absence in order to fulfil their caring responsibilities and be encouraged to use them in a balanced way. |
| Healthy, safe, and well-adapted environment and data | Workers have the right to a high level of protection of their health and safety at work.<br><br>Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market. Workers have the right to have their personal data protected in the employment context. |

## SOCIAL PROTECTION AND INCLUSION

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| Childcare and support to children | Children have the right to affordable early childhood education and care of good quality.<br><br>Children have the right to protection from poverty. Children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities. |
| Social protection | Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection. |
| Unemployment benefits | The unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment. |
| Minimum income | Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits should be combined with incentives to (re)integrate into the labour market. |
| Old-age income and pensions | Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income. Women and men shall have equal opportunities to acquire pension rights.<br><br>Everyone in old age has the right to resources that ensure living in dignity. |
| Healthcare | Everyone has the right to timely access to affordable, preventive, and curative health care of good quality. |
| Inclusion of people with disabilities | People with disabilities have the right to income support that ensures living in dignity, services that enable them to participate in the labour market and in society, and a work environment adapted to their needs. |
| Long-term care | Everyone has the right to affordable long-term care services of good quality, in particular homecare and community-based services. |
| Housing and assistance for the homeless | 1. Access to social housing or housing assistance of good quality shall be provided for those in need.<br><br>2. Vulnerable people have the right to appropriate assistance and protection against forced eviction.<br><br>3. Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion. |
| Access to essential services | Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services, and digital communications. Support for access to such services shall be available for those in need. |

Employers entrusted to deliver
Sustainability Growth Innovation

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