

# Sustainable economy jargon note

May 2020

*This sustainable economy jargon note aims to shed light on the increasingly complex yet distinct terminology related to building a sustainable global economy.*

## Actors

**Private sector:** Organisations that engage in **profit-seeking activities with majority private ownership** (i.e. not owned or operated by a government). The term includes: financial institutions and intermediaries; micro- small- and medium-sized and enterprises; multinational companies; co-operatives; individual entrepreneurs; and farmers who operate in the formal and informal sectors. The term excludes actors with a non-profit focus, such as civil society organisations.<sup>1</sup>

**Micro, small and medium enterprises (MSMEs):** There are two main factors determining enterprise size: **staff headcount** and either **annual turnover** (the amount of money taken in a particular period) or **balance sheet total** (a statement of a company's assets and liabilities). The European Commission's definition:

- **micro-enterprise:** fewer than 10 employees and an annual turnover or balance sheet below €2 million;
- **small enterprise:** fewer than 50 employees and an annual turnover or balance sheet below €10 million;
- **medium-sized enterprise:** fewer than 250 employees and annual turnover below €50 million or balance sheet below €43 million.<sup>23</sup>

In both developing and developed countries, MSMEs account for around two-thirds of total employment. In developing countries especially, small firms are critical vehicles for social inclusion, including giving women opportunities to participate in income-generating activities.<sup>4</sup>

**Multi- or transnational corporation (MNC or TNC):** A multinational corporation **has its management headquarters in one** (or, rarely, more than one) **country**, the home country, **while also operating in other countries**, the host countries.<sup>5</sup>

**Cooperative:** Autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.<sup>6</sup> Cooperatives are driven by values, not only profit, they **share internationally agreed principles** and aim, through cooperation, to build a better world. **Putting fairness, equality and social justice at the heart of the enterprise**, cooperatives around the world allow people to work together creating sustainable enterprises that generate long-term jobs and prosperity.

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<sup>1</sup> Crishna Morgado et al., forthcoming; Di Bella et al., 2013 definition used in the EC staff working document 'Corporate Social Responsibility, Responsible Business Conduct, and Business & Human - Rights: Overview of Progress' 20.03.2019 SWD(2019) 143 final,

<https://ec.europa.eu/transparency/regexpert/index.cfm?do=groupDetail.groupMeetingDoc&docid=34866>

<sup>2</sup> An impact assessment, a consultation strategy and a public consultation have been done on a possible revision of the SME's definition

<sup>3</sup> European Commission, User guide to the SME definition Ref. Ares(2016)956541 - 24/02/2016,

[https://ec.europa.eu/regional\\_policy/sources/conferences/state-aid/sme/smedefinitionguide\\_en.pdf](https://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf)

<sup>4</sup> WTO 11th ministerial conference briefing notes - Buenos Aires 2017,

[https://www.wto.org/english/thewto\\_e/minist\\_e/mc11\\_e/briefing\\_notes\\_e/bfmsmes\\_e.htm](https://www.wto.org/english/thewto_e/minist_e/mc11_e/briefing_notes_e/bfmsmes_e.htm)

<sup>5</sup> EUROSTAT definition, [https://ec.europa.eu/eurostat/statistics-](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Multinational_enterprise_(MNE))

[explained/index.php?title=Glossary:Multinational\\_enterprise\\_\(MNE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Multinational_enterprise_(MNE))

<sup>6</sup> International cooperative alliance, Statement on cooperative identity,

[https://www.ica.coop/en/cooperatives/cooperative-identity?\\_ga=2.111093254.2042974719.1589891758-304843405.1586528285](https://www.ica.coop/en/cooperatives/cooperative-identity?_ga=2.111093254.2042974719.1589891758-304843405.1586528285)

**Social enterprise:** Social organisation that applies market-based strategies to achieve a social change. Social enterprise can be either non-profit or for-profit<sup>7</sup>. It is an operator in the social economy whose **main objective is to have a social, societal or environmental impact for the general interest rather than make a profit for their owners or shareholders**. It is managed in an autonomous, transparent, open and responsible manner and, in particular, it involves employees, consumers and stakeholders affected by its commercial activities.<sup>8</sup>

**Public-private partnership:** No widely accepted definition. The OECD defines it as an **arrangement whereby the private sector provides infrastructure assets and services that traditionally have been provided by the government**, such as hospitals, schools, prisons, roads, bridges, tunnels, railways, and water and sanitation plants.<sup>9</sup> The World Bank defines it as a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.<sup>10</sup> The European Commission seems to use the following definition in most of its communications: “Public-Private Partnerships are **long-term contractual arrangements between a government body and a non-government partner, usually for public service building projects**. The partner is responsible for building, operating and maintaining an asset, and in exchange, the government body pays regular fees to the partner.”<sup>11</sup> Civil society has long raised concerns regarding the privatisation of public services and public-private partnerships, notably because they often tend to exacerbate inequalities, contribute to governments’ indebtedness and often involve limited transparency and accountability.<sup>12</sup>

**Informal economy:** All economic activities performed by workers that are – in law or in practice – **not covered or insufficiently covered by formal arrangements**. The informal economy does not include illicit activities.<sup>13</sup> Most people enter the informal economy not by choice but as a **consequence of a lack of opportunities** in the formal economy and in the absence of other means of livelihood.

## Economic models

**Capitalist economy:** In a capitalist economy, capital assets - such as factories, mines, and railroads - can be privately owned and controlled, labour is purchased for money wages, capital gains accrue to private owners, and prices allocate capital and labour between competing uses. **The essential feature of capitalism is the motive to make a profit.**<sup>14</sup>

**Extractive economy:** No broadly agreed definition. A model based on extractive industries, whose **primary activities involve the extraction of non-renewable resources** (i.e. the mining, oil and gas sectors).<sup>15</sup>

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<sup>7</sup> Karen H Lyons et al., 2012, SAGE Publication Inc, The SAGE Handbook of international Social Work

<sup>8</sup> European Commission, [https://ec.europa.eu/growth/sectors/social-economy/enterprises\\_en](https://ec.europa.eu/growth/sectors/social-economy/enterprises_en)

<sup>9</sup> OECD glossary of statistical terms, <https://www.oecd.org/gov/budgeting/oecd-principles-for-public-governance-of-public-private-partnerships.htm>

<sup>10</sup> World Bank, <https://www.oecd.org/gov/budgeting/oecd-principles-for-public-governance-of-public-private-partnerships.htm>

<sup>11</sup> Eurostat, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/WDN-20180907-1>

<sup>12</sup> See for example Eurodad, 2018, History RePPPeated - How public-private partnerships are failing, <https://eurodad.org/HistoryRePPPeated>

Oxfam, 2019, False Promises - How delivering education through public-private partnerships risks fueling inequality instead of achieving quality, <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620720/bp-world-bank-education-ppps-090419-en.pdf>; UN, 2018, Special Rapporteur on extreme poverty and human rights, Annual Report, Privatization and its Impact on extreme poverty and human rights A/73/396, ODI, 2019, <https://undocs.org/A/73/396> Blended finance in the poorest countries: the need for a better approach, <https://www.odi.org/publications/11303-blended-finance-poorest-countries-need-better-approach>

<sup>13</sup> ILO Recommendation n°204 concerning the transition from the informal to the formal economy, [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---relconf/documents/meetingdocument/wcms\\_377774.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_377774.pdf)

<sup>14</sup> International monetary fund, <https://www.imf.org/external/pubs/ft/fandd/2015/06/basics.htm>

<sup>15</sup> UNCTAD: World Investment Report 2007. Transnational Corporations, Extractive Industry and Development, New York and Geneva, 2007, [https://unctad.org/en/Docs/wir2007\\_en.pdf](https://unctad.org/en/Docs/wir2007_en.pdf)

**Brown economy:** An economic model that relies heavily on fossil fuels and does not consider the negative side effects that economic production and consumption have on the environment.<sup>16</sup>

**Green economy:** A green economy is defined as **low carbon, resource-efficient and socially inclusive**. In a green economy, growth in employment and income are driven by public and private investment into such economic activities, infrastructure and assets that allow reduced carbon emissions and pollution, enhanced energy and resource efficiency, and prevention of the loss of biodiversity and ecosystem services.<sup>17</sup> Within a green economy, green jobs are decent jobs that contribute to preserve or restore the environment, be they in traditional sectors such as manufacturing and construction, or in new, emerging green sectors such as renewable energy and energy efficiency.<sup>18</sup>

**Circular Economy:** A model aiming to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use while minimising the generation of waste. The fewer products we discard, the less materials we extract, the better for our environment.<sup>19</sup>

**Restoration Economy:** The model of adding new value to natural or built assets, ideally in a manner that does not detract either from their other pre-existing values, or from the value of other assets.<sup>20</sup> It is based on the assessment that economic growth based primarily on the exploitation of new resources and territories is giving way to economic growth based on expanding our resources (by, for example, repurposing or recycling) and improving our existing assets.

**Feminist economy:** Promotes economic equality between women and men. The activities, behaviours and decisions of men and women have a major impact on the economy. The mainstream economy has a tendency to be based on men's lives and recognises only work that is done for money. Traditional economic models also provide an incomplete picture of what affects men's lives, since men's existence also depends on unpaid work, on production for direct use (as opposed to production for profit) and on care, and many men are involved in these activities too. In terms of subject matter, feminist economics takes a more holistic approach, factoring in all activities that currently fall outside of the mainstream economic sphere, but that without which the economy would not be able to run. **It is concerned with all of the things that human beings need to survive and flourish**, but particularly with the provision of care of and unpaid domestic labour, sometimes referred to as "social provisioning". In making this its focus, **it seeks to challenge notions of "work" and "production" that are based solely on manufacturing and asks us to rethink how we value the different sorts of activity that occur within our economy.**<sup>21</sup>

**Social economy:** A model with the primary objective of serving the **members** (persons involved in the production but other than investors or owners) **and not to obtain a return on investment** as the traditional mainstream capital companies do. The members act in accordance with the principle of solidarity and mutuality. An important and growing group of social economy enterprises are social enterprises.<sup>22</sup> It includes cooperatives, mutual societies, non-profit associations, foundations and social enterprises. They operate a very broad number of commercial activities, provide a wide range of products and are also the engine for social innovation.<sup>23</sup>

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<sup>16</sup> World Bank, Growing green - The economic benefits of climate action, Report 76821, <http://documents.worldbank.org/curated/en/501061468283462662/pdf/Growing-green-the-economic-benefits-of-climate-action.pdf>

<sup>17</sup> UNEP, <https://www.unenvironment.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency/green-economy>

<sup>18</sup> ILO, [https://www.ilo.org/global/topics/green-jobs/news/WCMS\\_220248/lang--en/index.htm](https://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang--en/index.htm)

<sup>19</sup> Eurostat, <https://ec.europa.eu/eurostat/web/circular-economy>

<sup>20</sup> Storm Cunningham, The Restoration Economy: The Greatest New Growth Frontier, Berrett-Koehler Publishers, [https://www.bkconnection.com/static/The\\_Restoration\\_Economy\\_EXCERPT.pdf](https://www.bkconnection.com/static/The_Restoration_Economy_EXCERPT.pdf)

<sup>21</sup> Women's budget group, <https://wbg.org.uk/blog/what-is-feminist-economics/>

<sup>22</sup> European Commission, [https://ec.europa.eu/growth/sectors/social-economy\\_en](https://ec.europa.eu/growth/sectors/social-economy_en)

<sup>23</sup> Social Economy Europe, <https://www.socialeconomy.eu.org/socialeconomy/>

**Solidarity Economy: Enterprises and organisations** (cooperatives, mutual benefit societies, associations, foundations and social enterprises) **which produce goods, services and knowledge that meet the needs of the community they serve**, through the pursuit of specific social and environmental objectives and the fostering of solidarity.<sup>24</sup> Solidarity economy enterprises function with autonomous and democratic forms of management and ownership, resulting from collective actions in which all stakeholders have the right to the same power and importance; establishing bonds of reciprocity between members as an identitarian characteristic; the objective of contributing to sustainable development in respect for the environment and in solidarity with future generations.<sup>25</sup>

The social economy and solidarity economy are often merged together under the term **Social and Solidarity Economy (SSE)**.

**Social circular economy** : The social circular economy combines the concept of circular economy and social enterprise to deliver benefits for people, planet and profit. It allows a fully systemic view by drawing on the environmental principles of circular economy and the societal vision of social enterprise, both of which are underpinned by a pursuit of economic prosperity.<sup>26</sup>

## Business behaviour

**Mission-driven vs profit-driven**: Profit-driven businesses are managed with the goal of making profit. **Mission-driven** (also called purpose-oriented) **businesses are managed to accomplish goals that extend beyond profits for stakeholders, shareholders, and owners to include a societal benefit.**

**Corporate Social Responsibility (CSR)**: The Commission has defined CSR as **the responsibility of enterprises for their impact on society** and, therefore, that it should be company led. Companies can become socially responsible by integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations. Public authorities play a supporting role through voluntary policy measures and, where necessary, complementary regulation.<sup>27</sup>

**Responsible Business Conduct (RBC)**: RBC is an alternative term for CSR introduced by the OECD. It is used interchangeably with CSR by the EU. The OECD defines RBC as *'making a positive contribution to economic, environmental and social progress to achieve sustainable development and avoiding and addressing adverse impacts related to an enterprise's direct and indirect operations, products or services'*.<sup>28</sup>

**Business and Human Rights Guiding Principles**: United Nations Guiding Principles on Business and Human Rights (UNGPs) are a **set of legally binding UN guidelines for States and companies to prevent, address and remedy human rights abuses committed in business operations**.<sup>29</sup> Those UN Guiding Principles define what companies and governments should so businesses do not have a negative impact on human rights. Proposed by UN Special Representative on business & human rights John Ruggie and endorsed by the UN Human Rights Council in 2011, they state that business enterprises are specialised organs of society, which requires them to comply with all applicable laws and to respect human rights. The EU endorsed the UN Guiding Principles in its 2015 Action Plan on Human Rights and Democracy and has

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<sup>24</sup> ILO, [https://www.ilo.org/global/topics/cooperatives/news/WCMS\\_546299/lang--en/index.htm](https://www.ilo.org/global/topics/cooperatives/news/WCMS_546299/lang--en/index.htm)

<sup>25</sup> Éric DACHEUX et Daniel GOUJON (2011), *Principes d'économie solidaire*, Paris, Ellipses Marketing, <https://journals.openedition.org/communication/4341>

<sup>26</sup> Social circular economy opportunities for people, planet and profit report, [http://www.socialcirculareconomy.com/uploads/7/3/5/2/73522419/social\\_circular\\_economy.pdf](http://www.socialcirculareconomy.com/uploads/7/3/5/2/73522419/social_circular_economy.pdf)

<sup>27</sup> Commission staff working documents, Corporate Social Responsibility, Responsible Business Conduct, and Business & Human Rights: Overview of Progress, 20.3.2019, SWD(2019) 143 final, <https://ec.europa.eu/transparency/regdoc/rep/10102/2019/EN/SWD-2019-143-F1-EN-MAIN-PART-1.PDF>

<sup>28</sup> OECD, MNEs guidelines, Responsible Business Conduct and the sustainable development goals, <https://mneguidelines.oecd.org/RBC-and-the-sustainable-development-goals.pdf>

<sup>29</sup> OHCHR, Guiding recommendations on business and human rights, Implementing the United Nations "Protect, Respect and Remedy" Framework, 2011, [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

committed to supporting their implementation.<sup>30</sup> In 2019, the UN published guidance on the gender dimensions of the UN Guiding Principles, with recommendations to companies and states on gender-responsive measures<sup>31</sup>.

**Sustainable corporate governance:** Corporate sustainability is understood as **the ability of companies to positively influence environmental, social and economic development** through their governance practices and market presence. Sustainable Corporate Governance is when sustainability becomes an integral part of strategic management and corporate planning.<sup>32</sup>

**Business model:** Describes the rationale of **how an organisation defines, creates, delivers and captures value.**<sup>33</sup>

**Inclusive business model:** An inclusive business model **includes the poor, or other disadvantaged groups of people, into a company's supply chains as employees, producers and business owners or develops affordable goods and services needed by these groups of people.** Here, human and business development go hand in hand. Sustainability, concerning natural resources, is inherent in the concept.<sup>34</sup>

**Responsible business model:** A model in which **for-profit businesses proactively conduct projects to achieve the long-term economic, social and environmental objectives of society,** or the triple bottom line of business. A sustainable business model is by definition a responsible business model.<sup>35</sup>

**Sustainable business model:** The term 'sustainability' covers **environmental issues, broader corporate social responsibility (CSR), and the long-term continuity and economic survival of a business.** A sustainable business is an enterprise that has a minimal negative impact, or potentially a positive effect, on the global or local environment, community, society, or economy. A sustainable business model has three characteristics: it must be commercially successful, future ready and part of a sustainable society. (All business models to be called sustainable, those conditions must match with a thriving economy that is delivering social progress within environmental limits).<sup>36</sup>

**Global value chain (GVCs):** **When the production of a product spreads across countries, regions and continents gathering cost advantages.** The rise of global value chains (also called global supply chains) has fragmented production processes across countries and continents and boosted network trade. The fragmentation of production improved the cost competitiveness of the final products to become globally competitive.<sup>37</sup>

**Sustainable supply chain:** A supply chain is defined as all parties involved in fulfilling a customer order. A sustainable supply chain is **the management of environmental, social and economic impacts and the encouragement of good governance practices, throughout the life cycles of goods and services.** The objective of supply chain sustainability is to create, protect and grow long-term environmental, social and economic value for all stakeholders involved in bringing products and services to market.<sup>38</sup> It is especially

<sup>30</sup> European Commission, [https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility\\_en](https://ec.europa.eu/growth/industry/sustainability/corporate-social-responsibility_en)

<sup>31</sup> OHCHR, Booklet gender dimensions guiding principles,

<https://www.ohchr.org/Documents/Issues/Business/BookletGenderDimensionsGuidingPrinciples.pdf>

<sup>32</sup> Michaela Krechovska, Petra Taušl Procházková, Sustainability and its Integration into Corporate Governance Focusing on Corporate Performance Management and Reporting,

<https://www.sciencedirect.com/science/article/pii/S187770581400349X>

<sup>33</sup> Alex Osterwalder

<sup>34</sup> Private sector division, UNDP, Inclusive market development, Brokering inclusive business models, 2010,

<http://www.undp.org/content/dam/undp/library/corporate/Partnerships/Private%20Sector/Brokering%20Inclusive%20Business%20Models.pdf>

<sup>35</sup> United Nations economic and social commission for Asia and the Pacific, Socially Responsible Business: A Model for A Sustainable Future, Studies in Trade, Investment and Innovation No. 88, <https://www.unescap.org/publications/socially-responsible-business-model-sustainable-future-studies-trade-investment-and>

<sup>36</sup> George Harding-Rolls

<sup>37</sup> UNCTAD, measuring value in a global value chain, [https://unctad.org/en/PublicationsLibrary/ecidc2013misc1\\_bp8.pdf](https://unctad.org/en/PublicationsLibrary/ecidc2013misc1_bp8.pdf)

<sup>38</sup> United Nation Global Compact, Sustainable supply chains: A Practical Guide for Continuous Improvement, second edition, 2015, [https://d306pr3pise04h.cloudfront.net/docs/issues\\_doc%2Fsupply\\_chain%2FSupplyChainRep\\_spread.pdf](https://d306pr3pise04h.cloudfront.net/docs/issues_doc%2Fsupply_chain%2FSupplyChainRep_spread.pdf)

important for industries that are known to face particular challenges, or from countries where national legislation and internationally recognised principles for human rights and labour rights, the environment and anti-corruption, are not fully respected. Companies that practice sustainable supply chain management strive to satisfy multiple, possibly conflicting, objectives: while maximising profits calls for reducing operations costs, minimising the environmental impacts and maximising the social well-being can add to the supply chain's operational costs.<sup>39</sup>

**Human Rights Due Diligence (HRDD):** Human rights due diligence is a way for enterprises to proactively manage potential and actual adverse human rights impacts with which they are involved. It involves four core components:

- **Identifying and assessing actual or potential adverse human rights impacts** that the enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services or by its business relationships;
- **Preventing or mitigating the adverse impacts: integrating findings from impact assessments** across relevant company processes and taking appropriate action according to its involvement in the impact;
- **Tracking the effectiveness of measures** and processes to address adverse human rights impacts to know if they are working;
- **Communicating on how impacts are being addressed** and showing stakeholders – in particular, affected stakeholders – that there are adequate policies and processes in place.<sup>40</sup>

Currently there is no mandatory HRDD legislation at the EU level.<sup>41</sup>

**Responsible tax behaviour:** Governments need sufficient and sustainable revenues from taxation to fund essential public services for the population, to raise living standards, achieve gender equality and build well-functioning economies. Corporate tax behaviour (like corporate investments, operational decisions and sourcing decisions) can have impacts on the realisation of fundamental human rights, for example when MNCs exploit their ability to move across borders and their political and economic power to avoid tax. Responsible companies, committed to making a contribution to sustainable development, must think about the impacts of tax avoidance, and manage them for the common good. A tax responsible company:

- **Is radically and proactively transparent** about its business structure and operations, its tax affairs and tax decision-making;
- **Assesses and publicly reports the fiscal, economic and social impacts (positive and negative) of its tax-related decisions and practices** in a manner that is accessible and comprehensive;
- **Takes steps – progressively, measurably and in dialogue with its stakeholders – to improve the impact of its tax behaviour** on sustainable development and on the human rights of employees, customers and the public in the places where it does business.<sup>42</sup>

**Non-financial reporting:** EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. The non-financial reporting directive (NFRD) lays down the rules on disclosure of non-financial and diversity information by large companies (>500 employees). This covers approximately 6,000 large companies and groups across the EU, including, listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities. Under Directive 2014/95/EU (currently under revision), large companies have

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<sup>39</sup> Elkafi Hassini, Chirag Surti, Cory Searcy; A literature review and a case study of sustainable supply chains with a focus on metrics, 2012 Elsevier B.V., <https://www.sciencedirect.com/science/article/abs/pii/S0925527312000576?via%3Dihub>

<sup>40</sup> OHCHR, Guiding recommendations on business and human rights, Implementing the United Nations “Protect, Respect and Remedy” Framework, 2011, [https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](https://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>41</sup> In April 2020 Commissioner Reynders committed to put mandatory HRDD legislation in place, Business and human rights resource center, <https://www.business-humanrights.org/en/eu-commissioner-for-justice-commits-to-legislation-on-mandatory-due-diligence-for-companies>

<sup>42</sup> ActionAid, Oxfam and Christian Aid 2015 report Getting to Good: Towards Responsible Corporate Tax Behaviour, [https://www.actionaid.org.uk/sites/default/files/publications/getting\\_to\\_good\\_towards\\_responsible\\_corporate\\_tax\\_behaviour.pdf](https://www.actionaid.org.uk/sites/default/files/publications/getting_to_good_towards_responsible_corporate_tax_behaviour.pdf)

to publish reports on the policies they implement in relation to environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards (in terms of age, gender, educational and professional background).<sup>43,44</sup>

## Sustainable Finance

**Sustainable finance:** Generally refers to the process of taking due account of environmental and social considerations when making investment decisions, leading to increased investment in longer-term and sustainable activities.<sup>45</sup> It can be any form of financial service integrating environmental, social and governance (ESG) criteria. Environmental considerations refer to climate change mitigation and adaptation, as well as the environment more broadly and the related risks (e.g. natural disasters or biodiversity loss). Social considerations may refer to issues of inequality, inclusiveness, labour relations, investment in human capital and communities. Governance considerations include management structures, employee relations and executive remuneration.

**(EU) Taxonomy: The practice and science of classification.** For the EU, an EU-wide classification system for sustainable investments. The EU will develop a “green list” of economic activities that are considered environmentally sustainable for investment purposes.<sup>46</sup> This is a part of the Action Plan on Sustainable Finance.<sup>47</sup>

**Benchmarks: A standard or point of reference against which things may be compared.** The EU will set performance thresholds for companies and industries that seek to reduce greenhouse gas emissions or adapt to a changing climate, called low-carbon and positive carbon impact benchmarks, as a part of the Action Plan on Sustainable Finance.

## Principles

**10 Principles of Fair Trade:** in 2017 the World Fair Trade Association created a list of 10 principles that Fair Trade Organizations must follow in their day-to-day work. The principles are: (1) creating opportunities for economically disadvantaged producers, (2) transparency and accountability, (3) fair trading practices, (4) payment of a fair price, (5) ensuring no child labour or forced labor, (6) commitment to non-discrimination, gender equity and women’s economic empowerment and freedom of association, (7) ensuring good working conditions, (8) providing capacity building, (9) promoting fair trade, (10) respect for the Environment.<sup>48</sup>

**7 Cooperative Principles:** Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others. All cooperatives operate following seven key internationally recognised principles, regardless of which economic sector they participate in: (1) voluntary and open membership, (2) democratic member control, (3) members’ economic participation, (4) autonomy and independence, (5) education, training, and

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<sup>43</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095>

<sup>44</sup> A public consultation on non-financial reporting by large companies is ongoing, <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation>

<sup>45</sup> European Commission, [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en)

<sup>46</sup> European Commission press release 18.12-2019 Sustainable finance: Commission welcomes deal on an EU-wide classification system for sustainable investments, [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_19\\_6793](https://ec.europa.eu/commission/presscorner/detail/en/IP_19_6793)

<sup>47</sup> Council of the EU Regulation on the establishment of a framework to facilitate sustainable investment, and amending Regulation 2019/2088 on sustainability-related disclosures in the financial services sector, COM (2018) 353 final, <https://data.consilium.europa.eu/doc/document/ST-14970-2019-ADD-1/en/pdf>

<sup>48</sup> World free trade organisation, <https://wfto-europe.org/the-10-principles-of-fair-trade-2/>

information, (6) cooperation among cooperatives, (7) concern for community.<sup>49</sup>

**UN Guiding Principles on Business and Human Rights:** These principles were developed by the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises. The Human Rights Council endorsed the Guiding Principles in its resolution 17/4 of 16 June 2011. These 3 Principles are grounded in recognition of:

- (a) States' existing obligations to respect, protect and fulfil human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized organs of society performing specialised functions, required to comply with all applicable laws and to respect human rights;
- (c) The need for rights and obligations to be matched to appropriate and effective remedies when breached.<sup>50</sup>

**Kampala Principles: the principles for effective private sector engagement through development co-operation,** also called the Kampala principles. The Global Partnership for Effective Development Co-operation (GPEDC) developed a set of principles to guide collective work on making private sector partnerships for development co-operation more effective. The Principles were endorsed by the Steering Committee of the Global Partnership in Kampala, Uganda in March 2019. The five mutually reinforcing principles are: inclusive country ownership; results and targeted impact; inclusive partnership; transparency and accountability; and leave no one behind.<sup>51</sup>

**Abidjan Principles: guiding principles on the human rights obligations of States to provide public education and to regulate private involvement in education,** also called the Abidjan principles. They were adopted in 2019 in Côte d'Ivoire, following a three-year participatory consultation and drafting process. They are made up of 10 overarching principles and 97 Guiding Principles.<sup>52</sup> The Guiding Principles are that **States must respect, protect, and fulfill the right to education of everyone** within their jurisdiction in accordance with the rights to equality and nondiscrimination.

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<sup>49</sup> International Cooperative Alliance, <https://www.ica.coop/en/cooperatives/cooperative-identity>

<sup>50</sup> Guiding principles on business and human rights - Implementing the UN "protect, respect and remedy" framework, [https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr\\_en.pdf](https://www.ohchr.org/documents/publications/guidingprinciplesbusinesshr_en.pdf)

<sup>51</sup> Global Partnership for Effective Development Co-operation, Principles for effective private sector engagement through development co-operation, <https://effectivecooperation.org/wp-content/uploads/2019/06/Kampala-Principles-final.pdf>

<sup>52</sup> Abidjan Principles, [https://static1.squarespace.com/static/5c2d081daf2096648cc801da/t/5dc414bb9f409d285dc9abf2/1573131454068/Online+version\\_A4\\_WEB\\_COUV%2BTEXTE\\_THE-ABIDJAN-PRINCIPLES\\_Nov\\_2019.pdf](https://static1.squarespace.com/static/5c2d081daf2096648cc801da/t/5dc414bb9f409d285dc9abf2/1573131454068/Online+version_A4_WEB_COUV%2BTEXTE_THE-ABIDJAN-PRINCIPLES_Nov_2019.pdf)