

STATEMENT:

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**THE DANISH INSTITUTE FOR HUMAN RIGHTS WELCOMES
THE FINAL REPORT ON THE SOCIAL TAXONOMY BY THE EU
PLATFORM ON SUSTAINABLE FINANCE**

On Monday, February 28 the EU Platform on Sustainable Finance released its [final report](#) on a social taxonomy. The Institute echoes the report recommendation that the EU should move ahead with developing an urgently needed social taxonomy in respect and support of human rights.

Similarly to the existing environmental taxonomy, the report proposes the development of a classification system for economic activities providing much needed guidance to investors and businesses around what constitutes a social investment. Such a system can be key to combatting ‘social-washing’ by companies and investors while supporting an uptick in investments that are genuinely socially sustainable.

The report suggests two main pathways for economic activities to be socially sustainable. The first pathway would ensure that activities that have traditionally been considered ‘social’, such as those in the housing, health or education sectors, meet human rights-based criteria around, for example, accessibility and quality. The second pathway would ensure that economic activities in other sectors of the economy starting with those which pose high human rights risks, respect the rights of workers, communities, and consumers, and create positive social impacts for these stakeholder groups.

The report is released less than a week after the European Commission had published its proposal for an EU wide law on [corporate sustainable due diligence](#) (CSDD) setting out to foster respect for human rights and environmental protection by companies. The draft law importantly includes provisions around civil liability and sanctions, which hold the potential to improve accountability for human rights abuses and provide access to remedy for victims. While the draft law is still at proposal stage and might undergo further changes, it should be noted that, according to the current draft, it applies to less than 1% of EU companies.

While the social taxonomy would have touchpoints with a future CSDD law, the social taxonomy is a very different instrument from that of a mandatory due diligence regime. The social taxonomy is intended to harness the power of capital flows and provide financial incentives for improved human rights performance by businesses. It would provide a complementary tool to scale up of respect for human rights by the private sector as part of an EU level smart mix of measures as envisaged by the UN Guiding Principles on Business and Human Rights.

Signe Andreasen Lysgaard, member the EU Platform on Sustainable Finance and Strategic Adviser at the Institute comments: *'The publication of the report marks a milestone. Representing different expertise areas and constituencies, the Platform is recommending the EU to move ahead with the development of a social taxonomy which should be firmly based in human rights standards. I strongly hope the EU follows the recommendations and we will see the social taxonomy come to life over the coming years'*.

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