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## STATEMENT:

### THE DANISH INSTITUTE FOR HUMAN RIGHTS WELCOMES THE DRAFT REPORT BY THE EU PLATFORM ON SUSTAINABLE FINANCE ON A SOCIAL TAXONOMY

The Danish Institute for Human Rights welcomes the [draft report](#) on a social taxonomy published this week by the [EU Platform on Sustainable Finance](#), following its mandate to advise the EU Commission on the extension of the current sustainable finance taxonomy to social sustainability objectives. The Institute also welcomes the recently published [EU Strategy for Financing the Transition to a Sustainable Economy](#) which emphasises the need to support credible social investments, including those that respect human rights, as part of the transition towards a green economy. The Institute notes that respect for human rights is a necessary foundation for a just and inclusive sustainable economy.

The draft report on the social taxonomy contains a number of considerations and recommendations of importance for the EU Commission as it considers the possible design of a social taxonomy as well as its interplay with other existing and developing regulation addressing responsible business conduct and the role of the private sector in sustainable development:

**First**, it outlines the need for and merits of extending the current taxonomy to social objectives, which is a necessary step for the taxonomy to move from a ‘green’ taxonomy to one that underpins ‘sustainable finance’ more broadly.

**Second**, it outlines a potential design structure for a social taxonomy that recognises both what has traditionally been recognised as ‘social goods and services’, for example health or housing related economic activities, highlighting the need to further qualify the degree to which such activities can be considered socially sustainable, as well as objectives of a more crosscutting or horizontal nature that capture impacts on the people, or stakeholders, most commonly affected by economic activities namely workers across the value chain, consumers and communities.

**Third**, it includes scenarios for how a social taxonomy could complement the ‘green taxonomy’ and suggests different models for

their integration including as it relates to the role of minimum safeguards.

Signe Andreasen Lysgaard, Strategic Adviser on Business and Human Rights at the Institute and member of the EU Platform on Sustainable Finance comments, "The draft report contains foundational analysis and recommendations key to the potential crafting of the social taxonomy. Through recommending the inclusion of so-called horizontal objectives, the platform has emphasised that in a social taxonomy respect for human rights by economic actors needs to be more than a safeguard measure, rather it should be at the heart of their contribution to sustainable development."

The Institute recalls that the report is a draft report and hopes for broad engagement from diverse stakeholder groups in the associated call for feedback including to inform its finalisation. The Institute also notes that some of the analysis and recommendations of the Platform could benefit from further development and clarification, including in relation to: suggesting pathways for developing criteria for 'substantial contribution' and 'doing no significant harm' to social objectives; clarifying how criteria aimed at economic activities (e.g. manufacturing) and economic entities (e.g. the business enterprise) might co-exist and clarifying the role and functioning of minimum safeguards both in the current taxonomy, but also if/when extending to social objectives.

Elin Wrzoncki, Department Director, Human Rights and Business at the Institute states: "As much as we need to focus on the green transition, it is important that we address social inequalities and human rights abuses including where these are ingrained in economic activities. Therefore, we much encourage the EU to move ahead with the extension of the taxonomy to social objectives and to adequately reflect the transformative potential of respect for human rights by economic actors when doing so."