**Response to the European Commission Consultation on the renewed sustainable finance strategy**

Many thanks for the opportunity to participate to the consultation on such an importance strategy.

We believe that it is important that social and human rights issues are taken into considerations during the development of a sustainable finance framework. We would like to raise the following points:

* Compliance of taxonomy-eligible economic activities with “minimum safeguards” should be demonstrable through due diligence effectively proportionate to the size of investment.
* Due diligence should take place at a company level and not at an “economic activity” level, as recommended in the TEG Final Report on Taxonomy. Within a given economic activity human rights risks vary dramatically according to contextual situations such as the country’s track record in protecting human rights, pre-existing or low-intensity conflicts, lack of civic spaces, and many other factors. Screening tools currently used by investors (norm-based assessments and assessments of reputational risk, as well as ESG ratings) have shown to be inadequate to cover the extent of corporate’s impacts on human rights. These assessment/tools mostly look backward and are not able to provide investors with good ex-ante assessment of actual and potential impacts connected to their investments.
* Research by Swedwatch and other civil society organizations has also highlighted how current human rights assessment tools used by investors arbitrarily leave out of their scope and coverage important issues recognized in international treaties, such as the rights of women, gender-sensitive factors and contextual information, indigenous rights, and the rights of children and youth.
* Our research has also shown that companies, investors and service providers are generally poorly equipped with understanding long term impacts of corporate activities, failing to identify contexts in which investments and projects increase social conflict and contribute to harm to communities and the environment.
* Research has also shown the importance for companies and investors to engage with stakeholders and local civil society organizations and human rights, environmental and land rights defenders, in order to truly identify risks and ensure the respect of human rights.

We urge the Commission to take into account these considerations in the application of the “minimum safeguards” performance threshold, **requiring** (and not merely recommending) companies and investors to carry out effective and proportionate human rights due diligence in line with the UN Guiding Principles on Business and Human Rights when assessing compliance with social safeguards in the context of the EU taxonomy.

2020-07-10, Stockhom.