

Finnwatch expresses gratitude for the opportunity to provide input to the Special Rapporteur on access to information on climate change and human rights. In our response, we focus on the guiding question number 5 on “specific challenges for business to communicate information on risks, including in different countries, in relation to climate change and human rights”.

As a civil society organization working on corporate climate responsibility, we have identified three areas of improvement with regard to businesses communicating on their climate related risks. These three are:

1. Reporting on current emissions is often inadequate and only few products include information on their carbon footprint to support climate conscious consumer decisions.
2. The targets for the emission reductions are usually not comprehensive or defined properly. Ambiguous targets are not useful in assessing whether businesses take their climate related responsibilities on human rights seriously or not.
3. When planning or executing emissions reductions in the value chain, perspectives of just transition are almost always neglected. This means that climate measures may lead to unnecessary negative impacts, which could have been avoided with carefully planned support mechanisms and coordination with stakeholders.

Below we discuss these in more detail.

1. Reporting on current emissions is often inadequate

The requirements for emissions disclosures – whether on the level of organization or product – have been somewhat non-existent. Recently this has started to change as the largest businesses both in the EU as well as in the US are subject to such requirements. In addition to strengthening the requirements for businesses, there is also a need to improve the guidance and the quality of the data collection and reporting. Our recent (October 2023) study on company level emissions reporting (<https://finnwatch.org/fi/julkaisut/valistuneita-arvauksia>) found that few companies provide comprehensive and transparent information on the methods and data sources for their calculations. Without such disclosures it is difficult for stakeholders to assess whether the results are reliable and comparable. This means that there is no clarity on the extent of the damage caused by companies to climate and subsequently to human rights.

While setting such requirements for emission reporting, it is crucial that the reporting is required for the entire value chain, including so called scope 3 emissions as these typically constitute a largest share of value chain emissions. For example, in the United States the recent Rules to Enhance and Standardize Climate-Related Disclosures for Investors (<https://www.sec.gov/news/press-release/2024-31>) by the SEC requires only scope 1 and 2 reporting. When scope 3 reporting is not required, companies may reduce their scope 1 and 2 emissions by outsourcing operations, which effectively transfers the emissions to scope 3 and outside the reporting. In the EU, there is a new requirement (<https://eur-lex.europa.eu/legal->

[content/EN/TXT/HTML/?uri=OJ:L_202302772](#)) to report the scope 3 emissions, but it should be noted that it applies only to the largest companies.

We find it important that the scope 3 reporting is included in the recent Information Note (<https://www.ohchr.org/sites/default/files/documents/issues/business/workinggroupbusiness/Information-Note-Climate-Change-and-UNGPs.pdf>) by the Working Group on the issue of human rights and transnational corporations and other business enterprises. However, the public reporting is only listed as a requirement for States to "require businesses to disclose in an accessible way the greenhouse gas emissions of their value chain, measures to reduce such emissions, and to address their contribution to climate and climate mitigation targets, throughout their operations". We strongly advise that the requirement to disclose annual emission data should apply directly to all businesses, whether or not required by the local authorities as this is one of the key metrics to assess the impact of a company on climate change and thus its impacts also on human rights. This would be in line with the foundational principles of the UNGPs that the responsibilities of business enterprises exist "independently of States' abilities and/or willingness to fulfil their own human rights obligations". Further, UNGPs recommend (principle 21) that in order to account for how companies' address their human rights impacts, business enterprises should be prepared to communicate this externally.

In order to support green transition and facilitate climate conscious decisions by consumers, companies should strive to calculate and report the climate footprint of their products and services. This information should be provided to consumers on the products so that it can inform the decision making. While organization level carbon accounting is already being brought into legal requirements, the product level disclosures require development of more advanced and product category specific calculation guidelines. Based on our study from May 2024 (<https://finnwatch.org/fi/julkaisut/jalanjaelkia-ilmassa>), without such guidance the carbon footprints are not reliable for comparison purposes. The development of these methodologies would also lay groundwork for mandatory disclosures or even emissions-based taxation.

2. The targets for the emission reductions are usually not comprehensive or defined properly

Our second observation relates to the reduction targets the companies have set for their future emissions. These are crucial "to evaluate the adequacy of an enterprise's response to" its climate impact. Target setting should include a science-based intermediate target for the next five or ten years, a net-zero target for 2050 or before and a climate transition plan that ensures the compatibility of the business model with the long term climate target.

While Science-Based Targets initiative is regarded as a high standard for climate targets, our 2022 analysis of fashion companies (<https://finnwatch.org/fi/tutkimukset/vaatebraendien-ilmastotavoitteet-taeysin-riittaemaettoemiae>) showed that the targets for scope 3 emissions often fall short of the reduction rate required for scope 1 and 2 emissions. Out of one hundred

fashion brands included in the analysis only twelve had scope 3 targets that matched the ambition of their scope 1 and 2 target. Furthermore, another study of ours (<https://finnwatch.org/fi/julkaisut/valistuneita-arvauksia>) found that while reporting their actual emissions only few companies include a comparison to the pathway to their near term target.

It also important to note that the emission reduction targets must be achieved with actual reduction within the value chain (i.e. without any offsetting), but in addition to emissions reductions the companies should use the carbon markets to counterbalance all their residual emissions (<https://carbon-pulse.com/208438/>).

3. Perspective of just transition almost always neglected

Finally, the climate transition plans are crucial also in ensuring a just transition for companies' own workers and those in the value chain. The necessary emission reductions will change the structures of production, which will have an impact on workers. These impacts may have negative consequences on human rights that could have been avoided with early and open stakeholder consultations and inclusive planning.

For example, in the fashion industry the transition risk to current employees is quite high as the substantial carbon footprint makes it necessary to rethink business models and transition away from fast fashion. In 2023 we at Finnwatch published a report on just transition in the fashion and textile industry (<https://finnwatch.org/en/news/left-unmanaged-green-transition-in-the-garment-and-textile-industry-can-lead-to-serious-problems-in-bangladesh>). Based on our study the preparedness for such transition in countries like Bangladesh is still at its infancy. Sudden but fortunately temporary reduction in production of the garment sector in COVID-19 pandemic showed that the mechanisms to support unemployed workers are insufficient. Our report provides guidance to others sectors as well and highlights the need for companies to include just transition and stakeholder participation in the early phases of any climate related restructuring of business operations.