Finnwatch response to the European Commission consultation on the sustainability reporting standard for voluntary use

When it comes to human rights, the proposed voluntary standard is simply not fit for purpose. It does not require any reporting on actions to address adverse human rights impacts, only confirmed incidents. For the users of sustainability information, including the reporting companies' customers, information on how companies manage their human rights risks is arguably more useful information than (past) confirmed human rights incidents. Information on actions aimed at managing human rights impacts enables e.g. the customers to understand, where in their supply chains they may have elevated risks and gaps because their business partner is not adequately addressing them. As a bare minimum, the voluntary standard should require companies to disclose whether they have a sustainability due diligence process in place and if yes, to disclose a description of it. Companies should also be required to disclose which impacts they have prioritised for action, whether the prioritisation is based on how serious the impact is, and what are the main actions they are taking in order to prevent, mitigate and bring to an end those impacts.

Also, the proposed standard does not provide a suitable or sufficient basis to provide an adequate understanding of the climate impact of the reporting undertaking. For companies with more than ten employees, the requirement should be to report scope 1, 2 and 3 emissions. This would give these companies and their business partners a reasonable understanding of their impact on the climate.

If the requirement is limited to scope 1 and 2 emissions the value chain cap will become a significant obstacle for CSRD compliant business partners to identify emissions related to value chain activities. While we see that the scope 3 emissions should be included in the requirements, we also recommend a clarification (in the Article 3 for example) that data collection from business partners for the purposes of GHG emission calculation, or other sustainability related work such as due diligence or work on transition plans and targets qualify as data gathering for “other purposes” and is therefore unaffected by the value chain cap.

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