

Feedback upon Commission adoption: Sustainable corporate governance

Finnwatch, a business and human rights NGO based in Helsinki, Finland, welcomes the long-awaited commission proposal for the Corporate Sustainability Due Diligence Directive. At times when we are facing multiple crises from covid-19 to climate emergency, rapidly accelerating holocene extinction and a war in Europe, this directive could represent a landmark step towards minimising the adverse impacts of unsustainable business practices on workers, communities and the environment worldwide. Importantly, the directive also has the potential to considerably advance corporate accountability and access to justice for victims of corporate human rights abuse. However, for the directive to reach its potential and truly become the game changer it is intended to be, the European Parliament and EU Member States must address the proposals' many shortcomings and loopholes during the legislative process.

The CSDDD proposal contains many ambitious elements, including corporate duty to conduct human rights and environmental due diligence with a view to addressing adverse impacts in the full value chain, obligation to adopt a climate transition plan, and provisions on public enforcement and civil liability. However, the proposal also includes many components that risk undermining its effectiveness and impacts. These include, for example, the limited company scope, the novel concept of “established business relationships” which is used to limit the scope of due diligence requirements contrary to the international standards on corporate responsibility such as the UNGPs and the OECD guidelines, heavy reliance on contractual assurances, cascading and third-party verification, absence of an explicit duty to reduce climate impacts and implement the climate transition plan, and lack of provisions on fair distribution of burden of proof in civil cases.

For the purpose of strengthening the proposal, we encourage the co-legislators to take into account the [reflections and recommendations put together by the European Coalition for Corporate Justice](#) of which Finnwatch is a member of.