

Didier Reynders  
European Commissioner for Justice  
Rue de la Loi / Wetstraat 200,  
1049, Brussels

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## Including the finance sector in the European Corporate Sustainability Due Diligence Directive

Dear Commissioner Reynders,

We are writing on behalf of UNI Global Union, the global trade union federation for service workers, as well as UNI Europa, the European Services Workers Union, that is also the European sectoral social partner for the finance industry. We are calling for the full and effective inclusion of the financial sector in the European Corporate Sustainability Due Diligence Directive (CSDDD) currently being negotiated by the EU.

We represent 3 million finance workers around the world, half of these in Europe. We believe excluding the finance industry in the CSDDD would weaken the directive's goals of advancing human rights and environmental justice, fail to meet international standards, and ultimately hinder the standing of finance itself.

The directive has the potential for a game-changing impact both within Europe and globally by requiring European companies to respect workers' rights in their operations and value chains worldwide. In addition to the necessity of the inclusion of finance to realize these impacts, we must reiterate that the directive must strongly and directly mandate the meaningful involvement of trade unions and other stakeholders throughout the due diligence process.

Despite input arguing otherwise from finance industry associations, the European directive warrants global concern due to the reach of European-based finance companies around the world, and operations of global finance companies in the EU. Regardless of whether a headquarters is in the EU or outside, due diligence requirements should be the same so that respect for human rights is taken out of competition between any firm operating in the EU market.

**International standards have clearly established the responsibility of financial institutions for human rights due diligence.** Indeed, the OECD has [published](#) several distinctive standards for due diligence in the financial sector. Through their development, which included extensive involvement of firms in the financial sector in the process, the OECD standards show that the arguments given by the finance industry's lobbyists are weak and should not sway European legislators, including:

1. **The feasibility:** As with many companies with vast value chains, financial firms have argued that their reach across the economy makes conducting human rights due diligence an unreasonable obligation. However, again in line with other types of companies, the principle of prioritization of risk established in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines means that responsibilities are already narrowed to the areas prioritized as the greatest risks. There is no need for the directive to limit the scope of due diligence through blanket exemptions as this process of risk identification and prioritization already builds in this flexibility. Moreover, in line with both the international standards and practices amongst firms in the financial sector, financial sector due diligence can typically focus upon ensuring their client or investee companies have adequate due diligence themselves, a manageable exercise, particularly given the increasing data that will be provided from the CSRD.

2. **The business relationship:** Finance industry lobbyists have argued that due to the different nature of the relationship between an investment service provider and an investee company and a contractual relationship between a company and its supplier, investment relationships should not be in scope of the directive. An investment relationship is indeed distinctive. However, once again, the international standards have clearly and comprehensively acknowledged and addressed this question of responsibilities. As concluded by the OECD:

“As a result, investors are expected to consider RBC [responsible business conduct] risks throughout their investment process and to use their so-called ‘leverage’ with companies they invest in to influence those investee companies to prevent or mitigate adverse impacts. However, investors are not responsible for addressing those adverse impacts themselves.”

Specifically, while the OECD Guidelines assert that most investment relationships would likely be considered to be “directly linked,” they do not in any way support the presumption that this is always the case, whereas the European Parliament’s position does. Investment relationships may vary – from a minority or majority share ownership, from passive to active, from conducting stewardship to encourage responsible practice to pressuring for cutting costs in such a way as to endanger human rights. Presuming all investment relationships function the same is to ignore the nuance of the investment relationship, not reflect it.

3. **The interconnection with other regulation:** The finance industry has also claimed that they are already over-regulated, and thus their inclusion would add a burden without adding value. There is no EU regulation currently requiring financial institutions to conduct human rights due diligence. While there are finance-specific reporting obligations under the Sustainable Finance Package, reporting is not the same as acting. Indeed, acting should underpin reporting and thus carving finance out of this obligation actually undermines the alignment of the interconnected EU files. Current practices also starkly show the need for regulation to drive due diligence in finance. **According to the [World Benchmarking Alliance](#), less than 7 per cent of the 400 institutions assessed disclose the process they have in place to identify human rights risks and impacts within their own operations, and less than 3 per cent within their financing activities.**

4. **The benefits to finance:** The carveouts the finance sector is seeking to win for itself are claimed to be in the interest of their competitiveness, but ultimately serve to shoot the industry in the foot. **Effective human rights due diligence also serves as a means for identifying and mitigating material risks that could weaken financial performance.** Indeed, investors, including nearly 100 investors with more than US\$6.3 trillion in assets under management coordinated by the Investor Alliance for Human Rights, and investment bodies such as the Principles for

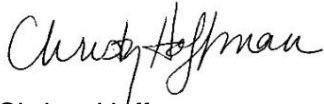
Responsible Investment, Eurosif, have recognized this and called upon the EU to incorporate finance in the scope of the directive. **On the flip side, ugly industry lobbying claiming that human rights do not apply to finance, and in turn the absence of effective efforts by finance to respect human rights if successful, will leave a stain on the industry still desperately needing to rebuild trust and demonstrate how it is serving society.**

Thus, we reiterate the demands that we made through our finance sector in [September 2022](#) that the legislators ensure that finance is appropriately included in the CSDDD directive, in particular regarding the scope of companies covered, human rights due diligence responsibilities, and how far these responsibilities extend in corporations' value chains. **Alongside, across all sectors, the meaningful involvement of trade unions in the entire due diligence process is critical to ensure the directive is effective in practice.**

International standards already foresee and address the needs for effective but manageable human rights due diligence in finance. Thus, if the directive adequately embeds these standards, there is no need for the special carveouts or blanket rules for how finance must be treated. These exemptions then do not reflect the particularities of finance itself, but a blatant reflection of the ferocity of finance lobbying at the EU.

We believe the [June 2023 position of the European Parliament](#) effectively addresses these concerns in a way in which will both realize the aims of the directive and be feasible to implement, and call upon the EU governments to align the directive to the report backed by the Members of the European Parliament.

Yours sincerely,



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