FINANSSIALA

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Finance Finland supports the objectives of the Corporate Sustainability Due Diligence Directive but is deeply concerned on its clarity and predictability as a legal framework

Finance Finland welcomes the Commission's proposal on Corporate Sustainability Due Diligence Directive that sets a concrete legal obligation for companies to respect human rights and to protect the environment. We support the objectives of the proposal to advance respect for human rights and environmental protection, as well as to create a level playing field and to avoid fragmentation amongst Member States. The financial industry already carries out due diligence on their customers as a part of risk management.

We emphasize that the legal framework for mandatory due diligence should be principle-based and take duly into account the differences in the legal traditions of the Member States. We also highlight that mandatory due diligence introduced in the Directive should be based on and aligned with the *UN Guiding Principles on Business and Human Rights* (UNGP). It should not introduce a new, UNGP-resembling definition of due diligence. Due diligence should be based on the assessment of the probability and severeness of the risk of harmful impacts, not on the nature of business relations.

As it is now, we are concerned that the Directive will not deliver on its objectives but will create considerable administrative burden and legal uncertainty for companies, including creating barriers for access to financial services. To make the Directive work better, we emphasize that:

1. **The civil liability provisions need to be removed from the Directive** or at the very least be rewritten so that the liability is proportionate, clear and appropriate. Otherwise, the Directive might create massive legal uncertainty and cause legal risks of companies to become uninsurable. Administrative sanctions are sufficient to ensure enforcement.
2. **The Directive needs to be aligned and cross-referenced with existing financial sector regulation** and rules to avoid confusion and focus where additional provisions add value.
3. **We appreciate that the proposal considers specificities of the financial sector. However, the financial sector value chain should be defined more clearly**. Services and business relations where mandatory due diligence does not add value should be excluded.
4. **The Directive needs to respect the legal traditions of Members States in company law**, and not dictate how companies organize their operations in accordance with legal requirements.
5. **The appropriate measures** to prevent and end adverse impacts **and the complementary actions should be improved as legal norms**
6. The complaints procedure should be based on established practices and allow for cooperation
7. Legal obligations should not be duplicated in different regulations
8. Supervisory powers should be predictable and accurate

1. **The provisions for civil liability are not appropriate, clear or proportionate and should not be included in the Directive.**

We strongly oppose the inclusion of the proposed provisions on civil liability (article 22) and the payment of damages to affected groups (article 8) in the Directive. They go against the established principles of national civil law and create an unaccountable and uncertain legal risk for companies, which might go against the objectives of the Directive. We believe that the powers granted to the supervisory authorities without civil liability would be sufficient for the effective enforcement of the Directive. Injured persons can also bring forward claims in accordance with the established principles and rules of international civil law already.

First, the extent of civil liability is very difficult to ascertain as the Directive does not set out a clear definition of damage, or of sufficient due diligence measures, or establish a cause and effect between the incurred damage and the failure to meet due diligence requirements. In addition, the definitions of the value chain and the established business relationship are not clear enough to bring legal certainty which business partners the company would be liable for.

Second, the damages are not adequately predictable. The Directive does not provide objective criteria to establish the amount of damages to be paid, lay out how people affected by a damage are to be paid and how the damages are to be divided between them nor how the damages between the companies in the value chain of the company that caused the actual damage are to be divided. There also is no centralized body to co-ordinate multiple payments of damages by various companies to the same affected group, which likely to result in difficult and costly disputes, often in third countries.

Third, the provisions for civil liability seem to go beyond what is currently required by the UNGPs. A company should not be required to remediate for adverse impacts that the company has not caused or contributed to, even if they are directly linked to its operations. It should also be noted that financial compensation should not be the only form of remedy when neutralizing adverse impacts.

Should the provisions for civil liability be retained in the Directive, these concerns should be resolved to make the provisions appropriate, clear, proportionate and achievable. In addition, it should be clarified that the primary responsibility to pay damages rests with the company causing the damage. Any damages paid based on the failure to meet due diligence obligations should be secondary.

2. **The Directive should align with the existing rules for the financial sector, and better consider the nature and complexity of the financial market**

We highly appreciate that the proposed Directive pays attention to the differing nature of financial services compared to business transactions in the real economy and provides a narrower definition of a value chain and exception in the appropriate measures in the identification, prevention, and mitigation of adverse impacts. Given the complex nature of the financial market, further clarification would still be needed to ensure legal clarity.

It should be clarified how the proposal will fit with other legal requirements set out by other regulations applicable to the financial sector. Policymakers should ensure that sustainability due diligence sectoral financial rules do not duplicate or contradict the existing rules for financial sector. Sectoral regulations often impose identical, if not stricter, obligations to the proposed directive, and the Directive should cross-reference them to avoid confusion.

Where mandatory due diligence does not add value, the provision of financial services should be clearly excluded from the scope of the Directive. These would include the relationships between regulated financial undertakings and the provision of financial services where the company does not have discretionary power in choosing its clients or hold little to no leverage over the client.

- ➔ The business relationships between regulated financial undertakings should not be in the scope as these undertakings are, by definition, established in the EU and already subject to harmonized regulation and supervision, including that of ESG risks. The wide range, large number and complexity of business relationships within the financial sector would also make it disproportionately burdensome to apply the Directive, for example, in the interbank market and in securities clearing and settlement.

- ➔ Financial undertakings do not have discretionary power in the provision of statutory services, such as traffic insurance, pension insurance or premium loans. They cannot deny service based on due diligence proposed by the Directive, making it redundant in the provision of these services.

- ➔ In the contractual agreement between a financial adviser or an asset manager and a client and an insurer and a policyholder, the financial undertaking holds little to no leverage over the client and their business operations. It would also be practically impossible for the financial undertaking to oversee the operations of that client.

Investing should clearly be excluded from the scope of the Directive. The responsibility for corporate strategy and operations lies with the board and the management. The plethora of various shareholders cannot be expected to assume responsibility for managing corporate activities. Investment decisions are guided by the information available on companies' performance, including that of due diligence, and the availability of sustainable information is already facilitated by the existing and upcoming EU sustainable finance regulation.

Overall, the definition of the "other financial services" in the financial sector value chain should be more clearly defined. We think that is should refer to all regulated financial services that the regulated financial undertakings are legally mandated to provide, with the above exceptions. The exclusion of SMEs from the value chain should apply to all these services, not only to loan, credit, insurance, and reinsurance.

The definition of a "client" in the financial sector value chain should be more clearly defined. Currently the Directive does not define a client in the financial sector value chain. It remains unclear if legal persons other than companies, as defined in

article 3 (a), are in the scope of mandatory due diligence of the financial undertaking. This could mean that even small legal entities, such as limited liability housing companies and not-for-profit foundations and associations, could be included in the value chain when SMEs are not.

We do agree that the mandatory due diligence to be fully applicable to the procurement procedures of financial undertakings, when size and nature of such procurements are deemed to be material for the business of the financial undertakings.

3. The Directive should stay focused on due diligence and respect the legal traditions of different Member States

The Directive should not go beyond its focus of due diligence and introduce new elements to the director's duty of care. All companies have material sustainability matters that their directors need to take duly into account in their decisions. However, the definition of director's duty of care has not been harmonized at EU level and Member States have different legal traditions in this regard. Should article 25 be retained in the Directive, it should be explicitly explained that it is solely to provide further clarification on the interpretation of director's duty of care, and thus does not necessitate changes in national law.

Companies should be free to decide for themselves how they will internally set up and manage the due diligence processes required by the Directive. The directors, and boards of directors of companies are already responsible to plan, implement and monitor issues that are material to the undertaking. They are best equipped to decide how due diligence is most effectively organized within the company. For example, the assessment of potential and actual adverse impacts is usually driven by operative risk management rather than corporate strategy.

Renumeration policies are a matter between the owners and managers of an undertaking. The possibilities of shareholders to influence a company's renumeration policy has already recently been increased through Directive 2017/828. Therefore, we consider the inclusion of the issue of renumeration in this Directive to be unnecessary.

4. The appropriate measures to prevent and end adverse impacts need to be improved as legal norms

The fundamental principles of honoring existing contracts, *pacta sunt servanda*, need to be respected and safeguarded. Therefore, the proposed obligation to terminate a contract when potential adverse impacts could not be prevented or mitigated or when actual adverse impacts could not be ended should be removed. Their inclusion might also violate the prohibition against retrospective legislation. It would disproportionately disrupt the existing business of companies, undermining the overall market stability.

Overall, the provisions of article 7 and 8 on appropriate measures in preventing and ending adverse impacts should be reassessed as legal norms. While all of them can be appropriate measures for companies in certain situations, some of them

do not establish good legal norms as they do not create or modify a legal right or obligation for anyone.

The appropriate measures and how they apply to the provision of financial services should be further clarified. Regulated financial undertakings are only required to identify the impacts before providing a service, due to the nature of many financial services, it would be disproportionate to require all of the appropriate measures from financial undertakings. Should financial undertakings be required to provide e.g. targeted support to SMEs, especially regardless of the nature and volume of the service provided, it could create additional barriers for SMEs to access financial services.

Finally, impacts cannot be prevented or mitigated before they have been identified. Therefore, it is unreasonable to require prevention or mitigation measures to impacts that *should* have been identified, and especially to base any civil liability based on this hypothetical concept.

5. The requirement for reporting on a transition plan should not be duplicated in the Directive to avoid confusion

The upcoming Corporate Sustainability Reporting Directive will require companies to report on their plans to ensure that their business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming. Therefore, there is no need to add the requirement in this Directive as well. Should it be retained, the Directive should cross-reference CSRD to ensure alignment and avoid duplicate reporting obligations.

6. Complaint procedure should allow for cooperation

The Directive allow and prioritize cooperation and the use of existing complaints procedures, such as those established under Directive 2019/1937 and the National Contact Points for Responsible Business Conduct under the OECD Guidelines for Multinational Enterprises, for the complaint procedure required by article 9.

The obligation to meet with any complainants would create a heavy administrative burden for the companies and should be removed. It should also be clarified that relevant stakeholders do not need to be identified in advance, as this would be unnecessary and disproportionately burdensome for companies.

7. Supervisory powers should be predictable and accurate

The power to require remedial action as proposed in the Directive does not meet the general requirement for predictability, as it could be interpreted to allow the supervisory authorities rather unlimited discretion. The authorities could e.g. decide the detailed measures to neutralize or minimize adverse impacts and the exact amount of damages to be paid to affected stakeholders. The responsibility to choose such measures should remain primarily with the company, in consultation with the affected stakeholders.

Moreover, the proposed powers should not interfere with the powers of judicial courts as laid down in national law, in order to ensure a consistent application of the overall legal framework of a Member State.

8. We appreciate the accompanying measures, but call for more clarity

We appreciate that the proposed Directive recognizes the value in industry cooperation, industry schemes and multi-stakeholder initiatives in due diligence. However, the legal significance of article 14(2) is unclear as Member States are already allowed to support SMEs within the EU State aid framework and we understand that the current state aid rules continue to apply. We also highlight that the proposed delegated powers of the Commission need to be clear to ensure that the Commission cannot lay down additional obligation for companies.

Article 3 (g)	
'value chain' means activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream established business relationships of the company. As regards companies within the meaning of point (a)(iv), 'value chain' with respect to the provision of these specific services shall only include the activities of the clients receiving such loan, credit, and other financial services and of other companies belonging to the same group whose activities are linked to the contract in question. The value chain of such regulated financial undertakings does not cover SMEs receiving loan, credit, financing, insurance or reinsurance of such entities.	'value chain' means activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream established business relationships of the company. As regards companies within the meaning of point (a)(iv), 'value chain' with respect to the provision of these specific services shall only include the activities of the clients receiving such loan, credit, and other financial services and of other companies belonging to the same group whose activities are linked to the contract in question. The value chain of such regulated financial undertakings does not cover SMEs **nor not-for-profit associations and foundations** receiving loan, credit, financing, insurance or reinsurance of such entities **nor other regulated financial undertakings nor the provision of statutory services, such as pension insurance.**

Article 7	**Amendment**
1. Member States shall ensure that companies take appropriate measures to prevent, or where prevention is not possible or not immediately possible, adequately mitigate potential adverse human rights impacts and adverse environmental impacts that have been, or should have been, identified pursuant to Article 6, in accordance with paragraphs 2, 3, 4 and 5 of this Article. 2. Companies shall be required to take the following actions, where relevant: (a) where necessary due to the nature or complexity of the measures required for prevention, develop and implement a prevention action plan, with reasonable	1. Member States shall ensure that companies take appropriate measures to prevent, or where prevention is not possible or not immediately possible, adequately mitigate potential adverse human rights impacts and adverse environmental impacts that have been, ~~**or should have been,**~~ identified pursuant to Article 6, in accordance with paragraphs 2, 3, 4 and 5 of this Article. 2. Companies shall be required to take the following actions, where relevant: (a) where necessary due to the nature or complexity of the measures required for prevention, develop and implement

and clearly defined timelines for action and qualitative and quantitative indicators for measuring improvement. The prevention action plan shall be developed in consultation with affected stakeholders; (b) seek contractual assurances from a business partner with whom it has a direct business relationship that it will ensure compliance with the company's code of conduct and, as necessary, a prevention action plan, including by seeking corresponding contractual assurances from its partners, to the extent that their activities are part of the company's value chain (contractual cascading). When such contractual assurances are obtained, paragraph 4 shall apply; (c) make necessary investments, such as into management or production processes and infrastructures, to comply with paragraph 1; (d) provide targeted and proportionate support for an SME with which the company has an established business relationship, where compliance with the code of conduct or the prevention action plan would jeopardise the viability of the SME; (e) in compliance with Union law including competition law, collaborate with other entities, including, where relevant, to increase the company's ability to bring the adverse impact to an end, in particular where no other action is suitable or effective. 3. As regards potential adverse impacts that could not be prevented or adequately mitigated by the measures in paragraph 2, the company may seek to conclude a contract with a partner with whom it has an indirect relationship, with a view to achieving compliance with the company's code of conduct or a prevention action	a prevention action plan, with reasonable and clearly defined timelines for action and qualitative and quantitative indicators for measuring improvement. The prevention action plan shall be developed in consultation with affected stakeholders; (b) seek contractual assurances from a business partner with whom it has a direct business relationship that it will ensure compliance with the company's code of conduct and, as necessary, a prevention action plan, including by seeking corresponding contractual assurances from its partners, to the extent that their activities are part of the company's value chain (contractual cascading). When such contractual assurances are obtained, paragraph 4 shall apply; (c) make necessary investments, such as into management or production processes and infrastructures, to comply with paragraph 1; (d) provide targeted and proportionate support for an SME with which the company has an established business relationship, where compliance with the code of conduct or the prevention action plan would jeopardise the viability of the SME; ~~**(e) in compliance with Union law including competition law, collaborate with other entities, including, where relevant, to increase the company's ability to bring the adverse impact to an end, in particular where no other action is suitable or effective.**~~ ~~**3. As regards potential adverse impacts that could not be prevented or adequately mitigated by the measures in paragraph 2, the company may seek to conclude a contract with a partner with whom it has an indirect relationship, with a**~~

plan. When such a contract is concluded, paragraph 4 shall apply. 4. The contractual assurances or the contract shall be accompanied by the appropriate measures to verify compliance. For the purposes of verifying compliance, the company may refer to suitable industry initiatives or independent third-party verification. When contractual assurances are obtained from, or a contract is entered into, with an SME, the terms used shall be fair, reasonable and non-discriminatory. Where measures to verify compliance are carried out in relation to SMEs, the company shall bear the cost of the independent third-party verification. 5. As regards potential adverse impacts within the meaning of paragraph 1 that could not be prevented or adequately mitigated by the measures in paragraphs 2, 3 and 4, the company shall be required to refrain from entering into new or extending existing relations with the partner in connection with or in the value chain of which the impact has arisen and shall, where the law governing their relations so entitles them to, take the following actions: (a) temporarily suspend commercial relations with the partner in question, while pursuing prevention and minimisation efforts, if there is reasonable expectation that these efforts will succeed in the short-term; (b) terminate the business relationship with respect to the activities concerned if the potential adverse impact is severe. Member States shall provide for the availability of an option to terminate the business relationship in contracts governed by their laws. 6. By way of derogation from paragraph 5, point (b), when companies referred to in Article 3, point (a)(iv), provide credit,	~~view to achieving compliance with the company's code of conduct or a prevention action plan. When such a contract is concluded, paragraph 4 shall apply.~~ 4. The contractual assurances ~~or the contract~~ **referred to in paragraph 2 (b)** shall be accompanied by the appropriate measures to verify compliance. For the purposes of verifying compliance, the company may refer to suitable industry initiatives or independent third-party verification. When contractual assurances are obtained from, or ~~a contract is entered into, with~~ an SME, the terms used shall be fair, reasonable and non-discriminatory. Where measures to verify compliance are carried out in relation to SMEs, the company shall bear the cost of the independent third-party verification. 5. As regards potential adverse impacts within the meaning of paragraph 1 that could not be prevented or adequately mitigated by the measures in paragraphs 2, 3 and 4, the company shall be required to refrain from entering into new or extending existing relations with the partner in connection with or in the value chain of which the impact has arisen ~~and shall, where the law governing their relations so entitles them to, take the following actions~~: ~~(a) temporarily suspend commercial relations with the partner in question, while pursuing prevention and minimisation efforts, if there is reasonable expectation that these efforts will succeed in the short-term;~~ ~~(b) terminate the business relationship with respect to the activities concerned if the potential adverse impact is severe. Member~~

loan or other financial services, they shall not be required to terminate the credit, loan or other financial service contract when this can be reasonably expected to cause substantial prejudice to the entity to whom that service is being provided.	~~**States shall provide for the availability of an option to terminate the business relationship in contracts governed by their laws.**~~ ~~**6. By way of derogation from paragraph 5, point (b), when companies referred to in Article 3, point (a)(iv), provide credit, loan or other financial services, they shall not be required to terminate the credit, loan or other financial service contract when this can be reasonably expected to cause substantial prejudice to the entity to whom that service is being provided.**~~

Article 8	**Amendment**
1. Member States shall ensure that companies take appropriate measures to bring actual adverse impacts that have been, or should have been, identified pursuant to Article 6 to an end, in accordance with paragraphs 2 to 6 of this Article. 2. Where the adverse impact cannot be brought to an end, Member States shall ensure that companies minimise the extent of such an impact. 3. Companies shall be required to take the following actions, where relevant: (a) neutralise the adverse impact or minimise its extent, including by the payment of damages to the affected persons and of financial compensation to the affected communities. The action shall be proportionate to the significance and scale of the adverse impact and to the contribution of the company's conduct to the adverse impact; (b) where necessary due to the fact that the adverse impact cannot be immediately brought to an end, develop and implement a corrective action plan with reasonable and clearly defined	1. Member States shall ensure that companies take appropriate measures to bring actual adverse impacts that have been, or should have been, identified pursuant to Article 6 to an end, in accordance with paragraphs 2 to 6 of this Article. 2. Where the adverse impact cannot be brought to an end, Member States shall ensure that companies minimise the extent of such an impact. 3. Companies shall be required to take the following actions, where relevant: (a) **seek to** neutralise the adverse impact or minimise its extent~~**, including by the payment of damages to the affected persons and of financial compensation to the affected communities. The action shall be proportionate to the significance and scale of the adverse impact and to the contribution of the company's conduct to the adverse impact**~~; (b) where necessary due to the fact that the adverse impact cannot be immediately brought to an end,

timelines for action and qualitative and quantitative indicators for measuring improvement. Where relevant, the corrective action plan shall be developed in consultation with stakeholders; (c) seek contractual assurances from a direct partner with whom it has an established business relationship that it will ensure compliance with the code of conduct and, as necessary, a corrective action plan, including by seeking corresponding contractual assurances from its partners, to the extent that they are part of the value chain (contractual cascading). When such contractual assurances are obtained, paragraph 5 shall apply. (d) make necessary investments, such as into management or production processes and infrastructures to comply with paragraphs 1, 2 and 3; (e) provide targeted and proportionate support for an SME with which the company has an established business relationship, where compliance with the code of conduct or the corrective action plan would jeopardise the viability of the SME; (f) in compliance with Union law including competition law, collaborate with other entities, including, where relevant, to increase the company's ability to bring the adverse impact to an end, in particular where no other action is suitable or effective. 4. As regards actual adverse impacts that could not be brought to an end or adequately mitigated by the measures in paragraph 3, the company may seek to conclude a contract with a partner with whom it has an indirect relationship, with a view to achieving compliance with the company's code of conduct or a corrective action plan. When such a contract is concluded, paragraph 5 shall apply.	develop and implement a corrective action plan with reasonable and clearly defined timelines for action and qualitative and quantitative indicators for measuring improvement. Where relevant, the corrective action plan shall be developed in consultation with stakeholders; (c) seek contractual assurances from a direct partner with whom it has an established business relationship that it will ensure compliance with the code of conduct and, as necessary, a corrective action plan, including by seeking corresponding contractual assurances from its partners, to the extent that they are part of the value chain (contractual cascading). When such contractual assurances are obtained, paragraph 5 shall apply. (d) make necessary investments, such as into management or production processes and infrastructures to comply with paragraphs 1, 2 and 3; (e) provide targeted and proportionate support for an SME with which the company has an established business relationship, where compliance with the code of conduct or the corrective action plan would jeopardise the viability of the SME; (f) in compliance with Union law including competition law, **seek to** collaborate with other entities, including, where relevant, to increase the company's ability to bring the adverse impact to an end, in particular where no other action is suitable or effective. ~~**4. As regards actual adverse impacts that could not be brought to an end or adequately mitigated by the measures in paragraph 3, the company may seek to conclude a contract with a partner with whom it has an indirect relationship, with a**~~

5. The contractual assurances or the contract shall be accompanied by the appropriate measures to verify compliance. For the purposes of verifying compliance, the company may refer to suitable industry initiatives or independent third-party verification. When contractual assurances are obtained from, or a contract is entered into, with an SME, the terms used shall be fair, reasonable and non-discriminatory. Where measures to verify compliance are carried out in relation to SMEs, the company shall bear the cost of the independent third-party verification. 6. As regards actual adverse impacts within the meaning of paragraph 1 that could not be brought to an end or the extent of which could not be minimised by the measures provided for in paragraphs 3, 4 and 5, the company shall refrain from entering into new or extending existing relations with the partner in connection to or in the value chain of which the impact has arisen and shall, where the law governing their relations so entitles them to, take one of the following actions: (a) temporarily suspend commercial relationships with the partner in question, while pursuing efforts to bring to an end or minimise the extent of the adverse impact, or (b) terminate the business relationship with respect to the activities concerned, if the adverse impact is considered severe. Member States shall provide for the availability of an option to terminate the business relationship in contracts governed by their laws. 7. By way of derogation from paragraph 6, point (b), when companies referred to in Article 3, point (a)(iv), provide credit, loan or other financial services, they shall	~~**view to achieving compliance with the company's code of conduct or a corrective action plan. When such a contract is concluded, paragraph 5 shall apply.**~~ 5. The contractual assurances ~~**or the contract**~~ **referred to in paragraph 3 (c)** shall be accompanied by the appropriate measures to verify compliance. For the purposes of verifying compliance, the company may refer to suitable industry initiatives or independent third-party verification. When contractual assurances are obtained from~~**, or a contract is entered into,**~~ with an SME, the terms used shall be fair, reasonable and non-discriminatory. Where measures to verify compliance are carried out in relation to SMEs, the company shall bear the cost of the independent third-party verification. 6. As regards actual adverse impacts within the meaning of paragraph 1 that could not be brought to an end or the extent of which could not be minimised by the measures provided for in paragraphs 3, 4 and 5, the company shall refrain from entering into new or extending existing relations with the partner in connection to or in the value chain of which the impact has arisen ~~**and shall, where the law governing their relations so entitles them to, take one of the following actions:**~~ ~~**(a) temporarily suspend commercial relationships with the partner in question, while pursuing efforts to bring to an end or minimise the extent of the adverse impact, or**~~ ~~**(b) terminate the business relationship with respect to the activities concerned, if the adverse impact is considered severe.**~~

not be required to terminate the credit, loan or other financial service contract, when this can be reasonably expected to cause substantial prejudice to the entity to whom that service is being provided.	~~**Member States shall provide for the availability of an option to terminate the business relationship in contracts governed by their laws.**~~ ~~**7. By way of derogation from paragraph 6, point (b), when companies referred to in Article 3, point (a)(iv), provide credit, loan or other financial services, they shall not be required to terminate the credit, loan or other financial service contract, when this can be reasonably expected to cause substantial prejudice to the entity to whom that service is being provided.**~~

Article 9	**Amendment**
1. Member States shall ensure that companies provide the possibility for persons and organisations listed in paragraph 2 to submit complaints to them where they have legitimate concerns regarding actual or potential adverse human rights impacts and adverse environmental impacts with respect to their own operations, the operations of their subsidiaries and their value chains. 2. Member States shall ensure that the complaints may be submitted by: (a) persons who are affected or have reasonable grounds to believe that they might be affected by an adverse impact, (b) trade unions and other workers' representatives representing individuals working in the value chain concerned, (c) civil society organisations active in the areas related to the value chain concerned. 3. Member States shall ensure that the companies establish a procedure for dealing with complaints referred to in paragraph 1, including a procedure when	1. Member States shall ensure that companies provide the possibility for persons and organisations listed in paragraph 2 to submit complaints ~~**to them**~~ where they have legitimate concerns regarding actual or potential adverse human rights impacts and adverse environmental impacts with respect to their own operations, the operations of their subsidiaries and their value chains. 2. Member States shall ensure that the complaints may be submitted by: (a) persons who are affected or have reasonable grounds to believe that they might be affected by an adverse impact **in the value chain concerned**, (b) trade unions and other workers' representatives representing individuals working in the value chain concerned, (c) civil society organisations active in the areas related to the value chain concerned.

the company considers the complaint to be unfounded, and inform the relevant workers and trade unions of those procedures. Member States shall ensure that where the complaint is well-founded, the adverse impact that is the subject matter of the complaint is deemed to be identified within the meaning of Article 6. 4. Member States shall ensure that complainants are entitled (a) to request appropriate follow-up on the complaint from the company with which they have filed a complaint pursuant to paragraph 1, and (b) to meet with the company's representatives at an appropriate level to discuss potential or actual severe adverse impacts that are the subject matter of the complaint.	3. Member States shall ensure that the companies ~~**establish**~~ **publish on their website** a procedure for dealing with complaints referred to in paragraph 1, including a procedure when the company considers the complaint to be unfounded~~**, and inform the relevant workers and trade unions of those procedures**~~. Member States shall ensure that where the complaint is well-founded, the adverse impact that is the subject matter of the complaint is deemed to be identified within the meaning of Article 6. 4. Member States shall ensure that complainants are entitled ~~**(a)**~~ to request appropriate follow-up on the complaint from the company with which they have filed a complaint pursuant to paragraph 1, and ~~**(b) to meet with the company's representatives at an appropriate level to discuss potential or actual severe adverse impacts that are the subject matter of the complaint.**~~ **5. Companies may use the internal reporting channels established under the DIRECTIVE (EU) 2019/1937 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 23 October 2019 on the protection of persons who report breaches of Union law as well as the National Contact Points established under the OECD Guidelines for Multinational Enterprises as complaint mechanisms** **5. Companies may share resources as regards the receipt of reports and any investigation to be carried out. This shall be without prejudice to the obligations imposed upon**

	such entities to address the reported breach.

Article 14	**Amendment**
1. Member States shall, in order to provide information and support to companies and the partners with whom they have established business relationships in their value chains in their efforts to fulfil the obligations resulting from this Directive, set up and operate individually or jointly dedicated websites, platforms or portals. Specific consideration shall be given, in that respect, to the SMEs that are present in the value chains of companies. 2. Without prejudice to applicable State aid rules, Member States may financially support SMEs. 3. The Commission may complement Member States' support measures building on existing Union action to support due diligence in the Union and in third countries and may devise new measures, including facilitation of joint stakeholder initiatives to help companies fulfil their obligations. 4. Companies may rely on industry schemes and multi-stakeholder initiatives to support the implementation of their obligations referred to in Articles 5 to 11 of this Directive to the extent that such schemes and initiatives are appropriate to support the fulfilment of those obligations. The Commission and the Member States may facilitate the dissemination of information on such schemes or initiatives and their outcome. The Commission, in collaboration with Member States, may issue guidance for assessing the fitness of industry schemes and multi-stakeholder initiatives.	1. Member States shall, in order to provide information and support to companies and the partners with whom they have established business relationships in their value chains in their efforts to fulfil the obligations resulting from this Directive, set up and operate individually or jointly dedicated websites, platforms or portals. Specific consideration shall be given, in that respect, to the SMEs that are present in the value chains of companies. ~~**2. Without prejudice to applicable State aid rules, Member States may financially support SMEs.**~~ 3. The Commission may complement Member States' support measures building on existing Union action to support due diligence in the Union and in third countries and may devise new measures, including facilitation of joint stakeholder initiatives to help companies fulfil their obligations. **Such measures shall not impose new obligations for companies.** 4. Companies may rely on industry schemes and multi-stakeholder initiatives to support the implementation of their obligations referred to in Articles 5 to 11 of this Directive to the extent that such schemes and initiatives are appropriate to support the fulfilment of those obligations. The Commission and the Member States may facilitate the dissemination of information on such schemes or initiatives and their outcome. The Commission, in collaboration with Member States, may issue guidance for assessing the

	fitness of industry schemes and multi-stakeholder initiatives.

Article 15	**Amendment**
1. Member States shall ensure that companies referred to in Article 2(1), point (a), and Article 2(2), point (a), shall adopt a plan to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement. This plan shall, in particular, identify, on the basis of information reasonably available to the company, the extent to which climate change is a risk for, or an impact of, the company's operations. 2. Member States shall ensure that, in case climate change is or should have been identified as a principal risk for, or a principal impact of, the company's operations, the company includes emission reduction objectives in its plan. 3. Member States shall ensure that companies duly take into account the fulfilment of the obligations referred to in paragraphs 1 and 2 when setting variable remuneration, if variable remuneration is linked to the contribution of a director to the company's business strategy and long-term interests and sustainability.	~~**1. Member States shall ensure that companies referred to in Article 2(1), point (a), and Article 2(2), point (a), shall adopt a plan to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement. This plan shall, in particular, identify, on the basis of information reasonably available to the company, the extent to which climate change is a risk for, or an impact of, the company's operations.**~~ ~~**2. Member States shall ensure that, in case climate change is or should have been identified as a principal risk for, or a principal impact of, the company's operations, the company includes emission reduction objectives in its plan.**~~ ~~**3. Member States shall ensure that companies duly take into account the fulfilment of the obligations referred to in paragraphs 1 and 2 when setting variable remuneration, if variable remuneration is linked to the contribution of a director to the company's business strategy and long-term interests and sustainability.**~~

Article 18 (5)	**Amendment**
5. When carrying out their tasks, supervisory authorities shall have at least the following powers:	5. When carrying out their tasks, supervisory authorities shall have at least the following powers, **unless such powers are vested with other**

(a) to order the cessation of infringements of the national provisions adopted pursuant to this Directive, abstention from any repetition of the relevant conduct and, where appropriate, remedial action proportionate to the infringement and necessary to bring it to an end; (b) to impose pecuniary sanctions in accordance with Article 20; (c) to adopt interim measures to avoid the risk of severe and irreparable harm.	**administrative or judicial authorities of the Member State:** (a) to order the cessation of infringements of the national provisions adopted pursuant to this Directive, **and** abstention from any repetition of the relevant conduct ~~**and, where appropriate, remedial action proportionate to the infringement and necessary to bring it to an end**~~; (b) to impose pecuniary sanctions in accordance with Article 20; ~~**(c) to adopt interim measures to avoid the risk of severe and irreparable harm.**~~

Article 22	**Amendment**
1. Member States shall ensure that companies are liable for damages if: (a) they failed to comply with the obligations laid down in Articles 7 and 8 and; (b) as a result of this failure an adverse impact that should have been identified, prevented, mitigated, brought to an end or its extent minimised through the appropriate measures laid down in Articles 7 and 8 occurred and led to damage. 2. Notwithstanding paragraph 1, Member States shall ensure that where a company has taken the actions referred to in Article 7(2), point (b) and Article 7(4), or Article 8(3), point (c), and Article 8(5), it shall not be liable for damages caused by an adverse impact arising as a result of the activities of an indirect partner with whom it has an established business relationship, unless it was unreasonable, in the circumstances of the case, to expect that the action actually taken, including as regards verifying compliance, would be adequate to prevent, mitigate, bring to an end or minimise the extent of the adverse impact.	~~**1. Member States shall ensure that companies are liable for damages if: (a) they failed to comply with the obligations laid down in Articles 7 and 8 and; (b) as a result of this failure an adverse impact that should have been identified, prevented, mitigated, brought to an end or its extent minimised through the appropriate measures laid down in Articles 7 and 8 occurred and led to damage.**~~ ~~**2. Notwithstanding paragraph 1, Member States shall ensure that where a company has taken the actions referred to in Article 7(2), point (b) and Article 7(4), or Article 8(3), point (c), and Article 8(5), it shall not be liable for damages caused by an adverse impact arising as a result of the activities of an indirect partner with whom it has an established business relationship, unless it was unreasonable, in the circumstances of the case, to expect that the action actually taken, including as regards**~~

In the assessment of the existence and extent of liability under this paragraph, due account shall be taken of the company's efforts, insofar as they relate directly to the damage in question, to comply with any remedial action required of them by a supervisory authority, any investments made and any targeted support provided pursuant to Articles 7 and 8, as well as any collaboration with other entities to address adverse impacts in its value chains. 3. The civil liability of a company for damages arising under this provision shall be without prejudice to the civil liability of its subsidiaries or of any direct and indirect business partners in the value chain. 4. The civil liability rules under this Directive shall be without prejudice to Union or national rules on civil liability related to adverse human rights impacts or to adverse environmental impacts that provide for liability in situations not covered by or providing for stricter liability than this Directive. 5. Member States shall ensure that the liability provided for in provisions of national law transposing this Article is of overriding mandatory application in cases where the law applicable to claims to that effect is not the law of a Member State.	~~**verifying compliance, would be adequate to prevent, mitigate, bring to an end or minimise the extent of the adverse impact.**~~ ~~**In the assessment of the existence and extent of liability under this paragraph, due account shall be taken of the company's efforts, insofar as they relate directly to the damage in question, to comply with any remedial action required of them by a supervisory authority, any investments made and any targeted support provided pursuant to Articles 7 and 8, as well as any collaboration with other entities to address adverse impacts in its value chains.**~~ ~~**3. The civil liability of a company for damages arising under this provision shall be without prejudice to the civil liability of its subsidiaries or of any direct and indirect business partners in the value chain.**~~ ~~**4. The civil liability rules under this Directive shall be without prejudice to Union or national rules on civil liability related to adverse human rights impacts or to adverse environmental impacts that provide for liability in situations not covered by or providing for stricter liability than this Directive.**~~ ~~**5. Member States shall ensure that the liability provided for in provisions of national law transposing this Article is of overriding mandatory application in cases where the law applicable to claims to that effect is not the law of a Member State.**~~

Article 25	**Amendment**
1. Member States shall ensure that, when fulfilling their duty to act in the best interest	~~**1. Member States shall ensure that, when fulfilling their duty to**~~

of the company, directors of companies referred to in Article 2(1) take into account the consequences of their decisions for sustainability matters, including, where applicable, human rights, climate change and environmental consequences, including in the short, medium and long term. 2. Member States shall ensure that their laws, regulations and administrative provisions providing for a breach of directors' duties apply also to the provisions of this Article.	~~act in the best interest of the company, directors of companies referred to in Article 2(1) take into account the consequences of their decisions for sustainability matters, including, where applicable, human rights, climate change and environmental consequences, including in the short, medium and long term.~~ ~~2. Member States shall ensure that their laws, regulations and administrative provisions providing for a breach of directors' duties apply also to the provisions of this Article.~~

Article 26	**Amendment**
1. Member States shall ensure that directors of companies referred to in Article 2(1) are responsible for putting in place and overseeing the due diligence actions referred to in Article 4 and in particular the due diligence policy referred to in Article 5, with due consideration for relevant input from stakeholders and civil society organisations. The directors shall report to the board of directors in that respect. 2. Member States shall ensure that directors take steps to adapt the corporate strategy to take into account the actual and potential adverse impacts identified pursuant to Article 6 and any measures taken pursuant to Articles 7 to 9.	~~1. Member States shall ensure that directors of companies referred to in Article 2(1) are responsible for putting in place and overseeing the due diligence actions referred to in Article 4 and in particular the due diligence policy referred to in Article 5, with due consideration for relevant input from stakeholders and civil society organisations. The directors shall report to the board of directors in that respect.~~ ~~2. Member States shall ensure that directors take steps to adapt the corporate strategy to take into account the actual and potential adverse impacts identified pursuant to Article 6 and any measures taken pursuant to Articles 7 to 9.~~

For more information:

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