GIVE FINANCE A ROLE IN SUSTAINBLE VALUE CHAINS WITH A SINGLE AND CONSISTENT DUE DILIGENCE FRAMEWORK

Key messages

- *We call for a unified, horizontal, and consistent due diligence framework that includes financial services*
- *The European due diligence framework must be aligned with the OECD Guidelines*
- *Due diligence on deforestation for financial services should be integrated as part of the CSDDD*

The Dutch insurance and pensions sector recognize the significant challenges in terms of sustainability and human rights. We believe that financial institutions play an important role in making the European and global economy more sustainable and while upholding human rights. Inspired by the OECD Guidelines for Multinational Enterprises (OECD Guidelines), the European Commission aims to harness this potential in the Corporate Sustainability Due Diligence Directive (CSDDD). The EU proposal that introduces due diligence requirements in value chains can make a real difference if it is aligned with the OECD Guidelines. The need for an unified, horizontal, and consistent due diligence European framework is essential because it will, among others, create legal certainty and guarantee a level playing field.

In the Netherlands the financial sector has experience implementing sustainability due diligence processes. The Dutch insurance and pension sector signed sectoral agreements back in 2016 and 2018 to implement sustainability due diligence under the OECD Guidelines to mitigate human rights abuses, environmental damage and other harmful activities. Over the years, we developed tools and policies to identify and act upon the most egregious violations. For example, **pension funds** joined forces with unions and NGOs for collaborative engagement with companies on labor rights in the mining and palm oil sectors. **Insurers** developed thematic guidelines for investing in animal welfare, climate change and energy transition, biodiversity, controversial arms and arms trade, children's rights and land rights.

Building on our voluntary commitment, **we support the introduction of uniform due diligence requirements that include financial service providers and investors**, and are calibrated to their specific role in the value chain. Crucially, in order to make sure our voluntary efforts have not been in vain, the CSDDD should be aligned with the OECD Guidelines. The OECD Guidelines set out a **risk-based due diligence** approach, which enables financial institutions to tackle the most severe environmental and human rights violations. Most violations occur a few tiers down in the supply chain of the company receiving financing and therefore are not caused by or contributed to by financial institutions themselves. As a result, financial institutions should not face a duty for remediation or liability under the CSDDD.

Moreover, we urge European policymakers to stick to a **single due diligence framework** for financial institutions, rather than bringing us in scope of various sectoral requirements. The most relevant example is currently the **Deforestation Regulation**. The proposal requires companies to verify that goods sold in the EU are not produced on deforested or degraded land. **We welcome the European Commission's proposal** for the Deforestation Regulation as it contributes to stopping deforestation in line with the Convention of Biological Diversity (CBD) and the Paris Agreement on climate change. While the financial sector has a role to play in sustainable agriculture and preventing deforestation, **we strongly oppose including the financial sector in this law**. It would make overall due diligence more burdensome and difficult to execute effectively because, among others, there will be two due diligence frameworks with diverging rules. Moreover, the measures in the proposal are not calibrated to the role financial services It would be better for measures to curb deforestation to be integrated as part of the overall due diligence framework under the CSDDD.

We therefore urge legislators to follow the Commission's approach for a single due diligence framework that applies to financial services

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The Dutch Association of Insurers (Verbond van Verzekeraars) represents the interests of private insurance companies, non-life and life, operating in the Netherlands. The Association's members represent more than 95 percent of the insurance market expressed in terms of gross premium income. The Association is an independent organization managed and financed by its members.

On behalf of 166 pension funds, the Federation of the Dutch Pension Funds (Pensioenfederatie) promotes the pension interests of 6 million participants, 3.6 million pensioners and 9.4 million deferred members. About 85% of the total number of Dutch employees is participant of a pension fund which is associated with the Pensioenfederatie. The members of the Federation have around 1500 billion euros of assets under management.