Corporate due diligence and corporate accountability

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The Committee on Legal Affairs adopted the legislative initiative report Lara WOLTERS (S&D) NL) with recommendations to the Commission on corporate due diligence and corporate accountability.

According to a Commission study, only 37% of business respondents currently conduct environmental and human rights due diligence. The adoption of due diligence frameworks and standards within the United Nations, the Council of Europe, the OECD and the ILO are voluntary and consequently their uptake has been limited. EU legislation should progressively and constructively build on these frameworks and standards.

Members requested that the Commission submit without undue delay a legislative proposal on mandatory supply chain due diligence.

Binding measures

In this report, Members considered that the EU should urgently adopt binding requirements for undertakings to identify, assess, address, remediate and prevent potential and/or actual adverse impacts on human rights, the environment and good governance in their value chain. These binding requirements would enhance the reputation of EU undertakings and of the EU as a standard setter.

Traceability

Members called for supply chain traceability to be strengthened, based on the rules of origin of the Union Customs Code. The EU's human rights policy and future corporate due diligence requirements adopted as a result of a legislative proposal from the Commission should be taken into account in the conduct of Union trade policy, including in relation to the ratification of trade and investment agreements and should cover trade with all trading partners, not just those with whom the EU has concluded a free trade agreement.

Broader scope

The report considered that the scope of any future mandatory EU due diligence framework should be broad and cover all large undertakings, including those providing financial services. They also considered that the framework should also cover undertakings which are established outside the EU but are active on the internal market.

Compliance

Compliance with the due diligence obligations should be a condition for access to the internal market and that operators should be required to establish and provide evidence, through the exercise of due diligence, that the products that they place on the internal market are in conformity with the environmental and human rights criteria set out in the future due diligence legislation. Complementary measures should be introduced such as the prohibition of the importation of products related to severe human rights violations such as forced labour or child labour.

Enforcing due diligence

Members considered that, to enforce due diligence, Member States should set up or designate national authorities to share best practices, carry out investigations, supervise and impose sanctions, taking into account the severity and repeated nature of the infringements.

The Commission is called on to set up a European due diligence network to be responsible for, together with the national competent authorities, the coordination and convergence of regulatory, investigative, enforcement and supervisory practices, and the sharing of information and to monitor the performance of national competent authorities.

Transparency

The report highlighted that comprehensive transparency requirements are a crucial element of legislation on mandatory due diligence. It called on the Commission to investigate new technological solutions supportive of establishing and improving traceability in global supply chains.

Grievance mechanisms

A grievance mechanism at the level of an undertaking can provide effective early-stage recourse, provided they are legitimate, accessible, predictable, equitable, transparent, human rights-compatible, based on engagement and dialogue, and protect against retaliation. Such private mechanisms must be properly articulated with judicial mechanisms to guarantee the highest protection of fundamental rights, including the right to a fair trial. Such mechanisms should never undermine the right of a victim to file a complaint before competent authorities or to seek justice before a court.