Basic information

2020/2129(INL) INL - Legislative initiative procedure	Procedure completed
Corporate due diligence and corporate accountability **Subject** 3.45.01 Company law	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
JURI Legal Affairs	WOLTERS Lara (S&D)	15/06/2020
	Shadow rapporteur VOSS Axel (EPP) DURAND Pascal (Renew) HAUTALA Heidi (Greens/EFA) BUXADÉ VILLALBA Jorge (ECR) LEBRETON Gilles (ID) AUBRY Manon (GUE/NGL)	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs (Associated committee)	GLUCKSMANN Raphaël (S&D)	04/05/2020
DEVE Development	TARABELLA Marc (S&D)	22/01/2020
INTA International Trade (Associated committee)	LANGE Bernd (S&D)	11/06/2020
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	

Key events

Date	Event	Reference	Summary

17/09/2020	Committee referral announced in Parliament		
17/09/2020	Referral to associated committees announced in Parliament		
27/01/2021	Vote in committee		
12/02/2021	Committee report tabled for plenary	A9-0018/2021	Summary
08/03/2021	Debate in Parliament		
10/03/2021	Decision by Parliament	T9-0073/2021	Summary
11/03/2021	End of procedure in Parliament		

Technical information

Procedure reference	2020/2129(INL)
Procedure type	INL - Legislative initiative procedure
Procedure subtype	Request for legislative proposal
Legal basis	Rules of Procedure EP 47 Rules of Procedure EP 57_o
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	JURI/9/03601

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE657.191	11/09/2020	
Amendments tabled in committee		PE658.901	08/10/2020	
Amendments tabled in committee		PE658.902	08/10/2020	
Amendments tabled in committee		PE658.905	08/10/2020	
Amendments tabled in committee		PE658.906	08/10/2020	
Committee opinion	INTA	PE655.776	28/10/2020	
Committee opinion	DEVE	PE657.424	18/11/2020	
Committee opinion	AFET	PE655.782	25/11/2020	
Committee report tabled for plenary, single reading		A9-0018/2021	12/02/2021	Summary
Text adopted by Parliament, single reading		T9-0073/2021	10/03/2021	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Meetings with interest representatives published in line with the Rules of Procedure

Rapporteurs, Shadow Rapporteurs and Committee Chairs

Transparency				
Name	Role	Committee	Date	Interest representatives
CAVAZZINI Anna	Shadow rapporteur for opinion	INTA	10/03/2022	Deutscher Gewerkschaftsbund
CAVAZZINI Anna	Shadow rapporteur for opinion	INTA	28/02/2022	European Coalition for Corporate Justice 48872621093-60

Corporate due diligence and corporate accountability

2020/2129(INL) - 10/03/2021 - Text adopted by Parliament, single reading

The European Parliament adopted 504 votes to 79, with 112 abstentions, a resolution 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.

Binding measures at EU level

Members considered that the EU should urgently adopt binding requirements for undertakings to identify, assess, prevent, cease, mitigate, monitor, report, address and remedy potential and/or actual adverse impacts on human rights, the environment and good governance in their value chain.

Parliament called on the Commission to present a proposal for a directive on supply chain due diligence without delay. The resolution contains recommendations on the key elements of the proposed legislative initiative:

Scope

The scope of the future mandatory European due diligence framework should cover large undertakings governed by the law of a Member State or established on the territory of the Union and should also apply to all listed small and medium-sized enterprises, as well as to high-risk small and medium-sized enterprises.

Due diligence strategy

Under the proposed Directive, undertakings should:

- lay down rules to ensure that undertakings carry out effective due diligence with respect to potential or actual adverse impacts on human rights, the environment and good governance in their operations and business relationships;

- engage with stakeholders in good faith, in an effective, constructive and informed manner, when establishing and implementing their due diligence strategy;

- publish, in compliance with commercial confidentiality, the updated version of their compliance strategy or risk assessment statement and make it available to the public free of charge, in particular on their website;

- communicate their compliance strategy to workers' representatives and trade unions, as well as to the company's business relations and, on request, to one of the competent national authorities;

- evaluate the effectiveness and appropriateness of their due diligence strategy and its implementation at least once a year, and revise it whenever a revision is deemed necessary as a result of the evaluation;

- establish a complaints mechanism, both as an early warning of risks and as a mediation system, allowing any stakeholder to raise reasonable concerns about the existence of a potential or actual negative impact on human rights, the environment or good governance;

- provide or cooperate in a remediation process where they find that they have caused or contributed to an adverse impact.

Monitoring

Each Member State should designate one or more national competent authorities to monitor the application of the Directive and to disseminate best practice on due diligence. The designated national competent authorities should be independent and have the necessary human, technical and financial resources, premises and infrastructure, and expertise to carry out their duties effectively.

Member States' competent authorities could conduct investigations to ensure that undertakings comply with the obligations. This could include an examination of the undertaking's due diligence strategy, the functioning of the complaints mechanism, as well as on-site checks.

Guidelines

The Commission, in consultation with the Member States and the OECD, and with the assistance of the European Union Agency for Fundamental Rights, the European Environment Agency and the SME Executive Agency, should publish general non-binding guidelines for undertakings on how best to comply with due diligence obligations.

A specific portal for SMEs should be made available in the Member States to enable them to seek support and information on how best to comply with their obligations.

Corporate due diligence and corporate accountability

2020/2129(INL) - 12/02/2021 - Committee report tabled for plenary, single reading

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.