

# Making EU legislation on mandatory human rights and environmental due diligence effective

We, the undersigned, are deeply concerned by the serious delay in the publication of the EU Commission's proposal for mandatory human rights and environmental due diligence (mHREDD), within the Sustainable Corporate Governance initiative. We therefore urge the European Commission to adopt a legislative proposal without further delay.

We remain convinced that the mHREDD legislation can bring about a paradigm shift if it succeeds in driving better outcomes for people and planet across globalised value chains. For the initiative to achieve this, it is critical that requirements fully align with the international standards of the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises. We therefore urge the Commission to swiftly move forward with the proposal, reflecting the following five principles:

## 1. Companies subject to mHREDD legislation

All businesses established in the EU and/or active on the internal market, including financial actors, and regardless of size, should be covered by mHREDD legislation. Many European SMEs, including signatories to this statement, acknowledge that responsibility for human rights and the environment is not a matter of company size, and that their inclusion in the legislation's scope would give them more weight and legal certainty in implementing a shared responsibility for global value chains. Legislation will be more effective the more companies it covers, also in delivering an EU level-playing field.

The legislation should introduce an adaptable framework that sets an ambitious standard of conduct, and requires the widest possible range of businesses to reach it. Rather than excluding smaller EU companies, the legislation should ensure proportionality by anchoring the HREDD requirement in the UNGPs and OECD Guidelines' understanding that, while the responsibility to respect human rights and the environment applies to all businesses, the means through which a company meets this standard will vary according to its size and the severity of its impacts, among other factors.

## 2. Scope of due diligence obligation

The UNGPs set out that a company's responsibility to respect human rights and the environment extends throughout its business relationships across its full value chain, recognizing that appropriate action will vary depending on whether the company causes or contributes to an impact, including in its value chains and business relationships, or whether the impact is linked to its operations, products or services by its business relationships. It is however important to remember that there is a continuum between contribution and linkage. The combination of a wide scope with nuanced implications for adequate action provides the incentive structure for businesses to engage on issues deeply embedded in their supply chains where the harms may be most severe. The legislation should oblige businesses to carry out ongoing due diligence proactively and across all their operations and the full value chain. The UNGPs and OECD Guidelines already account for the complexity of today's supplier networks by allowing, where necessary, for a prioritisation of most salient issues identified and assessed across the full value chain, based on the severity of the harm to people and the environment, and constantly revisited.

## 3. Avoid a tick-box approach

Business and civil society stakeholders alike are concerned that the legislation should drive meaningful action on impacts on people and planet, rather than leading to the policing of supply chains through an overreliance on audits. The legislation should reflect the wide spectrum of avenues, including adjustments to own purchasing practices, to effectively influence and enable business partners as well as increase leverage if needed, rather than honing in narrowly on the extent to which a company can deploy contractual or commercial leverage. HREDD should also be embedded in appropriate governance and accountability structures, including at board level.

## 4. Meaningful stakeholder engagement

A key component of qualitative HREDD is meaningful engagement with affected stakeholders – those people that are at risk of negative impacts from business activity. Listening to the voices of workers, community members and others is vital to a company's understanding of risks to people and planet and strengthens its due diligence. To ensure that the EU legislation encourages people-centric HREDD, robust engagement with affected groups, workers and other relevant stakeholders including unions and human rights and environmental defenders should inform all stages of the required due diligence process. Engagement must also be safe, so that those speaking out can do so without suffering or fearing retaliation.

## 5. Credible accountability mechanisms

To level and harmonise the playing field in practice, the requirement needs to be accompanied by legal consequences – encompassing administrative penalties and provisions for civil liability – that will be strong enough to ensure that businesses falling within the personal scope of the legislation carry out HREDD to a high standard and that those that are harmed have access to remedy.

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Our view has always been that the due diligence expectations set out in the UNGPs and in the OECD Guidelines should form the core requirements on business in mHREDD legislation. We firmly believe that strong and ambitious EU legislation would make a tangible contribution to improving human rights and environmental conditions along global value chains, while helping businesses become more resilient and future-oriented. If such legislation is to be meaningful in practice, the EU Commission, as well as the European Parliament and EU Council, must reflect the above factors.



### Signatories (companies, investors, and business associations/initiatives):

- 3 Freunde
- ACCIONA
- ACCIONA Energía
- ACTIAM
- Adrian Dominican Sisters, Portfolio Advisory Board
- Agrofair
- AkademikerPension
- Altromercato
- Amber Capital
- Aquinas Associates
- Armed Angels
- As You Sow
- Autoteile Glauner
- Aviva Investors
- B Corps in the Nordics
- B Lab Europe
- Bâtirente
- Bel&Bo
- BlowerDoor
- Blutsgeschwister
- Boston Common Asset Management
- Brands Fashion
- BRIDGESTONE HISPANIA PENSION, FP
- Buna
- Bundesverband Nachhaltige Wirtschaft (BNW)
- CCOO, FP

Chotanapurgruppe  
Cometa  
CommonSpirit Health  
Compagnie Fruitière  
Congregation of St. Joseph  
Cruelty Free Super  
Danone  
Daughters of Charity, Province of St. Louise  
DAWN Denim  
Deuter  
ECOFI  
EFG Asset Management  
Elecosy  
EPSON Germany  
Equo Garantito  
Ericsson  
ESG Portfolio Management  
Ethical Trading Initiative  
Ethos Foundation  
Europlay  
EZA Fairer Handel  
fairafric  
Faircoop/Fairebel  
Fairfood  
Fair Trade Scotland  
Finnish Association of World Shops  
FONDITEL B  
Fondo de Pensiones de Empleados de Telefónica  
Friends Fiduciary  
Future Super  
Galler  
Ganesh Nepalhandel  
GEPA – The Fair Trade Company  
Geroa  
GLS Bank  
Greater Goods  
Guylian  
Haglöfs  
Hapag-Lloyd  
HAVEP  
Heartland Initiative  
Hertkorn Maschinenbau  
Icebug  
IKEA (Inter IKEA Group and Ingka Group)  
inoio  
International Cocoa Initiative  
Investor Advocates for Social Justice  
Jack Wolfskin  
Jalofoods  
JAVA koffie  
Kalani  
Kipepeo bio & fair  
Klinge  
Kuyichi  
Lady Lawyer Foundation with its Lady Lawyer Fashion  
Archive and Comitato Lady Lawyer Village  
Lattelier  
Local Authority Pension Fund Forum (LAPFF)  
Mammut Sports Group  
Mariposa Fair Trade

Matarenda  
Mercy Investment Services  
Miller/Howard Investments  
Moogoo  
NEI Investments  
Nia Impact Capital  
Novamont  
Our Market  
Outdoor & Sports Company (Mountain Equipment – Ronhill –  
Sprayway)  
P+ Pension Fund for Academics  
Patagonia  
Paulig  
Pensions Caixa 30 (PC30)  
Peter Riegel Weinimport  
Plan de Pensiones Asociado de UGT  
Polish Fair Trade Association (PFTA)  
Primark  
Principles for Responsible Investment (PRI)  
Profit mit Moral  
PYUA  
REGIONIQUE | Die Produktfabrik  
Regroupement pour la Responsabilité Sociale des Entreprises  
Responsible Sourcing Network  
Robeco  
Ruohonjuuri  
S Group  
SAW-B Solidarité des Alternatives Wallonnes et Bruxelloises  
Schijvens  
Schöffel  
Schöffel PRO  
Shiftphones (SHIFT)  
SOC Investment Group  
Socially Responsible Investment Coalition  
Solidar'Monde  
SOLO Group  
Storebrand Asset Management  
Studiosus  
Sustainalytics  
Symrise  
Telia Company  
Tony's Chocolonely  
The B&C Collection  
TK Elevator  
Tricorp  
Triodos Bank  
Unverpackt Kiel  
UTAMTSI  
Vancity Investment Management (VCIM)  
VAUDE  
Verve Super  
Weleda  
Ylva