Within an estimated population of **450 million workers** employed in global supply chains, the **number of vulnerable people**, who are experiencing reduced income or job loss, is **dramatically increasing as a result of the COVID-19 pandemic**.

This unprecedented situation is only adding to the already growing expectations faced by policymakers and industries around the world concerning the creation of mandatory laws requiring companies to undertake environment and human rights due diligence.

Following the examples of the **Duty of Vigilance Law** in France and the **Child Labour Due Diligence Act** in the Netherlands, civil society, enterprises, investors and members of the European Parliament (see, for instance, the [paper](#) recently written by **Bernd Lange**, **Chair of the International Trade Committee at the European Parliament**) are **seizing the opportunity to make the UN Guiding Principles on Business and Human Rights more actionable** by asking for more robust requirements for companies.
THE ISSUES AT STAKE

It is in this context that at the end of April Didier Reynders, European Commissioner for Justice, announced the Commission’s commitment to introducing rules for mandatory corporate environmental and human rights due diligence.

Later in May, Phil Hogan, European Commissioner for Trade, advocated the model of Open Strategic Autonomy “to achieve the right balance between a Europe that is ‘open for business’ and a Europe that protects its people and companies” (see his speech on 19 May 2020 at the OECD 2020 Global Forum on Responsible Business Conduct).

Here below are the main takeaways on the direction set by the European Commission:

1. **Sustainable value chains and due diligence** will be an important part of the Commission’s work. A truly resilient economy is one that protects workers, companies, and supply chains, while at the same time safeguarding international trade, keeping our markets open and discouraging import and export restrictions. So, rebuilding the economy in a sustainable way is not just a plus, it is a necessity.

2. **Responsible Business Conduct** will remain hugely important for the EU trade agenda. EU policymakers are operating mainly on three fronts:
   - Building and promoting international standards, through rule making and capacity building;
   - Using trade agreements as a platform to engage with partner countries;
   - Developing specific initiatives such as EU legislation on due diligence or conflict minerals.

3. **Capacity building is key.** The EU had set up two €9 million training and outreach programmes supported by the Organisation for Economic Co-operation and Development (OECD), the International Labour Organization (ILO), and the United Nations (UN) with key trading partners in Asia and Latin American.

4. **Commissioner Reynders is evaluating the options for regulating due diligence**, both in companies’ own operations and through their supply chains. Companies with due diligence policies in place are likely to build more long-term value and resilience – improving their prospects for recovery.

5. **The EC preference is for a mandatory, horizontal due diligence legislation with possible sectoral guidelines.** Subject to the results of consultations with stakeholders, the Commission would table legislative proposals in 2021.

6. The Commission also launched a review of the reporting obligations of businesses under the Non-Financial Reporting Directive with a view to better integrating environmental and biodiversity criteria.
SOME CONSIDERATIONS FROM THE PRACTICE

These new upcoming policy developments will substantially change how multinational companies address the impact of their value chain and its transparency.

CSR Europe welcomes this new legislative initiative from the European Commission which will aim at ensuring a level playing field. However, we believe that mandatory due diligence legislation must be part of a broader package of measures which should be implemented by the EU and its Member States.

As outlined in the previous Issue Insight, for CSR Europe it is important that due diligence efforts produce actual impact and change and not only assurance reports. To foster compliance and achieve impact, a smart policy mix of measures is needed, as highlighted in our two suggestions:

1. Environment and Human Rights Due Diligence needs further improvement and mandatory legislation plays a key role to set a level playing field. However, any future European supply chain law will only be effective if:
   - It is tightly coupled with European Sector Dialogues & Alliances;
   - It is coherent with other present and forthcoming policies on trade, development, public procurement, sustainable finance (EU Taxonomy) and corporate non-financial disclosure.

2. European Sector Dialogues & Alliances on Environment and Human Rights Due Diligence (HRDD) have a key role to play in the implementation of a mandatory horizontal legislation by:
   - Supplementing the legislation with sector guidelines;
   - Providing systematic monitoring of the current risks and Human Rights Due Diligence (HRDD) performance by companies and stakeholders;
   - Offering the platform for genuine solution- and collaboration-oriented dialogue;
   - Developing or expanding alliances or collaborative platforms that engage companies and stakeholders to boost local capacity building and explore new financial incentives and measurable solutions;
   - Explore and advice on policy (coherence) improvements to increase human rights and sustainability impacts.
WHAT’S IN IT FOR YOUR COMPANY

CSR Europe’s position will be discussed in the next weeks and months with several EU leaders in DG TRADE, JUST, DEVCO, GROW, peer networks and stakeholders from public, industry, research and civil society.

In the meantime, CSR Europe will remain focused on developing further capacity building via the European Pact for Sustainable Industry. Under the umbrella of the Pact, companies and industry federations are joining forces for sector and cross sector collaborations (see Drive Sustainability, Responsible Trucking and a new project on the creation of sustainability networks around battery-material mining operations in Africa).

PARTICIPATE IN PEER-TO-PEER LEARNING

Members interested in supply chain due diligence have the opportunity to engage in CSR Europe’s Community of Practice (CoP) “Beyond Due Diligence”. Under this framework, we would like to invite you to our webinar series, hosted in collaboration with Aim-Progress:

- 2 JULY 2020: Building a Raw Materials Database for a Sustainable Supply Chain. REGISTER
- 8 JULY 2020: How to make an EU mandatory due diligence work? REGISTER
- SEPTEMBER 2020: Measuring Impact
- NOVEMBER 2020: Financing Impact
- DECEMBER 2020: Technologies for Due Diligence

NEXT APPOINTMENTS

JUNE 2020:
Submission to the revision of the Non-Financial Disclosure Directive.

6-8 OCTOBER 2020:
German Presidency Conference on “Human Rights and Decent Working Conditions”.

26-27 OCTOBER 2020:
European SDG Summit (online). One plenary session will be dedicated to Due Diligence with speakers from the Commission, Industry and National Governments. Pre-Register!

THROUGHOUT 2020-2021:
Sustainable supply chains trainings, organised in collaboration with the German Corporation for International Cooperation (GIZ), will be delivered in several African countries, including the Democratic Republic of the Congo and Zambia.

The trainings are a first step in the creation of local sustainability networks.

FOR MORE INFORMATION

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