



# Corporate Sustainability Due Diligence: Context, content and accompanying measures

*INTPA.E3*

# Corporate Sustainability Due Diligence Directive

- On 23 February 2022, the Commission adopted a proposal for a Directive on corporate sustainability due diligence.
- The aim of this Directive is to foster sustainable and responsible corporate behaviour and to anchor human rights and environmental considerations in companies' operations and corporate governance.
- The new rules will ensure that businesses address adverse impacts of their actions, including in their value chains inside and outside Europe.
- Once adopted, **Member States will have 2 years to transpose it into national law the directive (pbbly 2027)**
- First tier of companies to fall under obligations in 3 years **(pbbly Jan 2028)**

# Normative foundations of human rights and environ. due diligence



## OECD Guidelines for Multinational Enterprises

- Government-backed recommendations on what constitutes **responsible business conduct (RBC)**
- Define **risk-based due diligence** as main tool to identify, prevent or mitigate risk
- Cover all areas of business responsibility (social, environmental and governance aspects)
- **OECD Due Diligence Guidance for RBC**, and sector-specific due diligence guidance provide practical support to companies



## UN Guiding Principles on Business and Human Rights

- 31 principles developed by Prof. John Ruggie; endorsed by HR Council in 2011
- Affirm (1) the **state duty to protect** against HR abuses; (2) the **corporate responsibility to respect** human rights; and (3) the need for **access to remedy** for victims of HR abuses linked to business activity
- Clarify that a core component of the corporate responsibility to respect is the concept of **on-going HR due diligence**



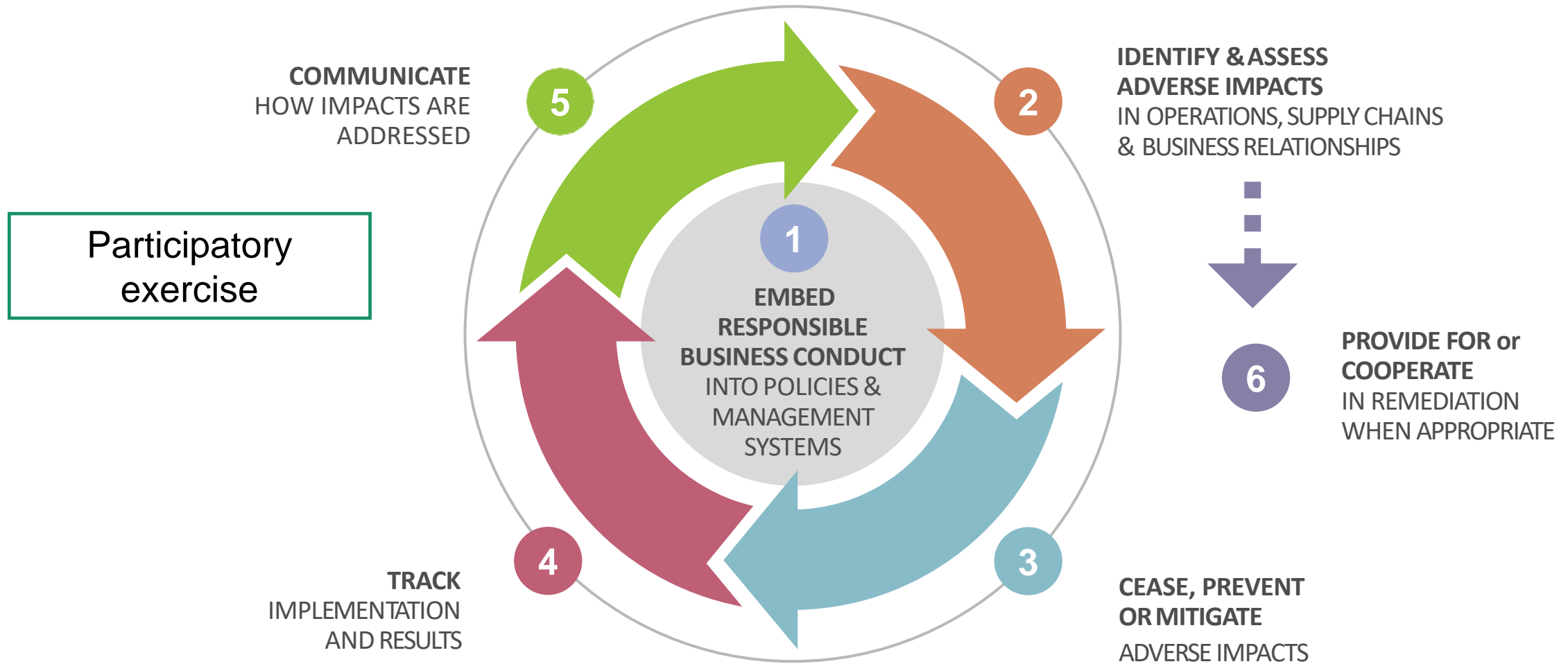
## ILO Tripartite Declaration of Principles concerning MNEs and Social Policy

- Only global instrument developed, adopted and supported by governments, employers' and workers' organizations
- Provides guidance of how companies can contribute to **decent work agenda**
- Based on **ILO Declaration on Fundamental Principles and Rights at Work** which addresses forced labour, child labour, non-discrimination and freedom of association and collective bargaining

# Snapshot on the Corporate Sustainability Due Diligence Directive

- **Companies in scope of the Directive**
  - Large EU companies: >1000 employees and >EUR 450 mln turnover worldwide (ca. 5.000)
  - Large non-EU companies: >EUR 450 mln turnover in EU (ca. 850)
- **Due diligence obligations**
  - In-scope companies required to implement all 6 steps of OECD due diligence process for own operations as well as established direct and indirect business relationships

# How does Human Rights and Environmental Due Diligence work?



# Snapshot on the Corporate Sustainability Due Diligence Directive

## **Material scope of due diligence**

- Human rights and environmental impacts included in international conventions (Annex 1).
- In-scope companies need to adopt and implement a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement.

## **Enforcement through administrative sanctions and civil liability**

- MSs supervisory authorities may impose fines in case of non-compliance. Victims may take legal action for damages that could have been avoided with due diligence measures.

# Accompanying support to EU legislation on human rights and environmental due diligence

# Global TEI: Sustainability in Global Value Chains

- **TEI members:** INTPA + DE, NL, SE, (BE & FR)
- **EU Helpdesk:**
  - will **refer** partner country stakeholders to relevant accompanying measures
  - platform for **exchange** among member states to foster synergies and avoid overlaps
- **Four entries:** businesses, government, social partners and civil society, multi-stakeholder initiatives and industry schemes
- Expected to be **operational in Q4 2024**



# New accompanying measures to support the implementation of the CS3D in partner countries

- At **global** level: new actions with the OECD, ILO, and ITC – e.g. training modules, impact assessment of CS3D on third countries, accessible database on labour standards, etc
- At **thematic** level: INTPA has allocated EUR 10M under the NDICI Human Rights Thematic Programme to support civil society organisations at global and regional level to prevent corporate harm and ensure corporate accountability in the implementation of the United Nations Guiding Principles (UNGPs) on BHRs (Business and Human Rights), and CS3D.
- At **regional** level: Pilots in ACP, regional LAC and (in preparation) regional Africa
- At **local** level: via programmes developed by EU delegations - 66% of country MIPs include supply chain sustainability among their priorities

# Thank you!



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