



JUST AND SUSTAINABLE ECONOMY: COMPANIES TO RESPECT HUMAN RIGHTS AND ENVIRONMENT IN GLOBAL VALUE CHAINS

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#corporatesustainability

On 23 February 2022, the Commission adopted a proposal for a Directive on corporate sustainability due diligence. The proposal aims to foster sustainable and responsible corporate behaviour throughout global value chains. Companies play a key role in building a sustainable economy and society. They will be required to avoid adverse impacts of their operations on human rights, such as child labour and exploitation of workers, and on the environment, for example pollution and biodiversity loss.

WHAT ARE THE BENEFITS OF THESE NEW RULES?

FOR CITIZENS



- ✓ Better protection of human rights, including labour rights
- ✓ Healthier environment for present and future generations
- ✓ Products and services made in sustainable way
- ✓ Increased trust in businesses
- ✓ More transparency and informed choices
- ✓ Better access to justice for victims

FOR COMPANIES



- ✓ Harmonised legal framework in the EU, creating legal certainty and level playing field
- ✓ Greater customers' trust and employees' commitment
- ✓ Greater awareness of negative impacts
- ✓ Better risk management (including reputational risks) and adaptability
- ✓ Better access to finance

FOR DEVELOPING COUNTRIES



- ✓ Better protection of human rights and the environment
- ✓ More awareness about sustainability issues
- ✓ Sustainable investment
- ✓ Improved living conditions for people

WHAT ARE THE OBLIGATIONS FOR COMPANIES AND THEIR DIRECTORS?



Companies have a corporate due diligence duty to identify, bring to an end, prevent, mitigate and account for negative human rights and environmental impacts in their own operations, subsidiaries and value chains. In addition, certain large companies need to have a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement. Directors are incentivised to contribute to sustainability and climate change mitigation goals.

Directors have the duty to set up and oversee the implementation of due diligence, as well as to integrate due diligence into the corporate strategy. In addition, when fulfilling their duty to act in the best interest of the company, directors must take into account the human rights, climate change and the environmental consequences of their decisions, including in the long term.

WHICH COMPANIES WILL THE NEW EU RULES APPLY TO?

		LARGE EU LIMITED LIABILITY COMPANIES	NON-EU COMPANIES	SMALL AND MEDIUM ENTERPRISES
GROUP 1	500+ employees and more than €150 million of turnover*	+/- 9,400 companies	+/- 2,600 companies	Micro companies and small and medium enterprises (SMEs) are not directly concerned by the proposed rules. However, the proposal provides supporting measures for SMEs, which could be indirectly affected.
GROUP 2	250+ employees and more than €40 million of turnover*, operating in defined high impact sectors such as textiles, agriculture, extraction of minerals. The rules will apply to this group 2 years later than to group 1.	+/- 3,400 companies	+/- 1,400 companies	

*Worldwide turnover for EU companies, and EU-wide turnover for non-EU companies

HOW WILL THE NEW RULES BE ENFORCED?

The rules on corporate sustainability due diligence will be enforced through

ADMINISTRATIVE SUPERVISION



Member States will designate an authority to supervise and impose effective, proportionate and dissuasive sanctions, including fines and compliance orders. At European level, the Commission will set up a European Network of Supervisory Authorities that will bring together representatives of the national bodies to ensure a coordinated approach.

CIVIL LIABILITY



Member States will ensure that victims get compensation for damages resulting from the failure to comply with the obligations of the new proposals.