

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.

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):

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| 3 Freunde | B Corps in the Nordics |
| ACTIAM | B Lab Europe |
| Adrian Dominican Sisters, Portfolio Advisory Board | Bâtirente |
| Agrofair | Bel&Bo |
| AkademikerPension | BlowerDoor |
| Altrómercato | Blutsgeschwister |
| Amber Capital | Boston Common Asset Management |
| Aquinas Associates | Brands Fashion |
| Armed Angels | BRIDGESTONE HISPANIA PENSION, FP |
| As You Sow | Buna |
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Cometa
CommonSpirit Health
Compagnie Fruitière
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Cruelty Free Super
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DAWN Denim
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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
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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

Matarena
Mercy Investment Services
Miller/Howard Investments
Moogoo
NEI Investments
Nia Impact Capital
Novamont
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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
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Shiftphones (SHIFT)
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