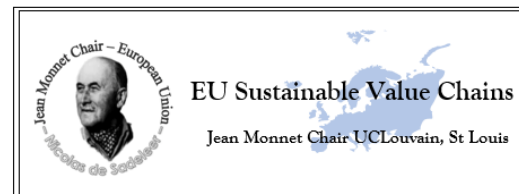


EU Corporate sustainability due diligence

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EUIndoPac Jean Monnet University Teaching
Module

*The EU and the Indo-Pacific Region.
Challenges and opportunities*



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- The behaviour of companies across all sectors of the economy is key to succeed in the Union's transition to a climate-neutral and green economy (Explanatory memorandum).
- EU companies operate in complex surroundings and, especially large ones, rely on global value chains.
- The connection of the EU economy to millions of workers around the world through global value chains comes with a responsibility to address adverse impacts on the rights of these workers.

Voluntary standards on responsible business conduct

- United Nations’ “Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework”
- OECD Guidelines for Multinational Enterprises, with set of recommendations on responsible business conduct, as well as specific OECD Due Diligence Guidance for Responsible Business Conduct (2018)

Introduction

- Commission proposal introduced on 23 February 2022
- On 24 April 2024, EP approved with 374 votes against 235 and 19 abstentions the text agreed with the Council.
- On 24 May 2024 the Council of the European Union approved the political agreement, thereby completing the adoption process.

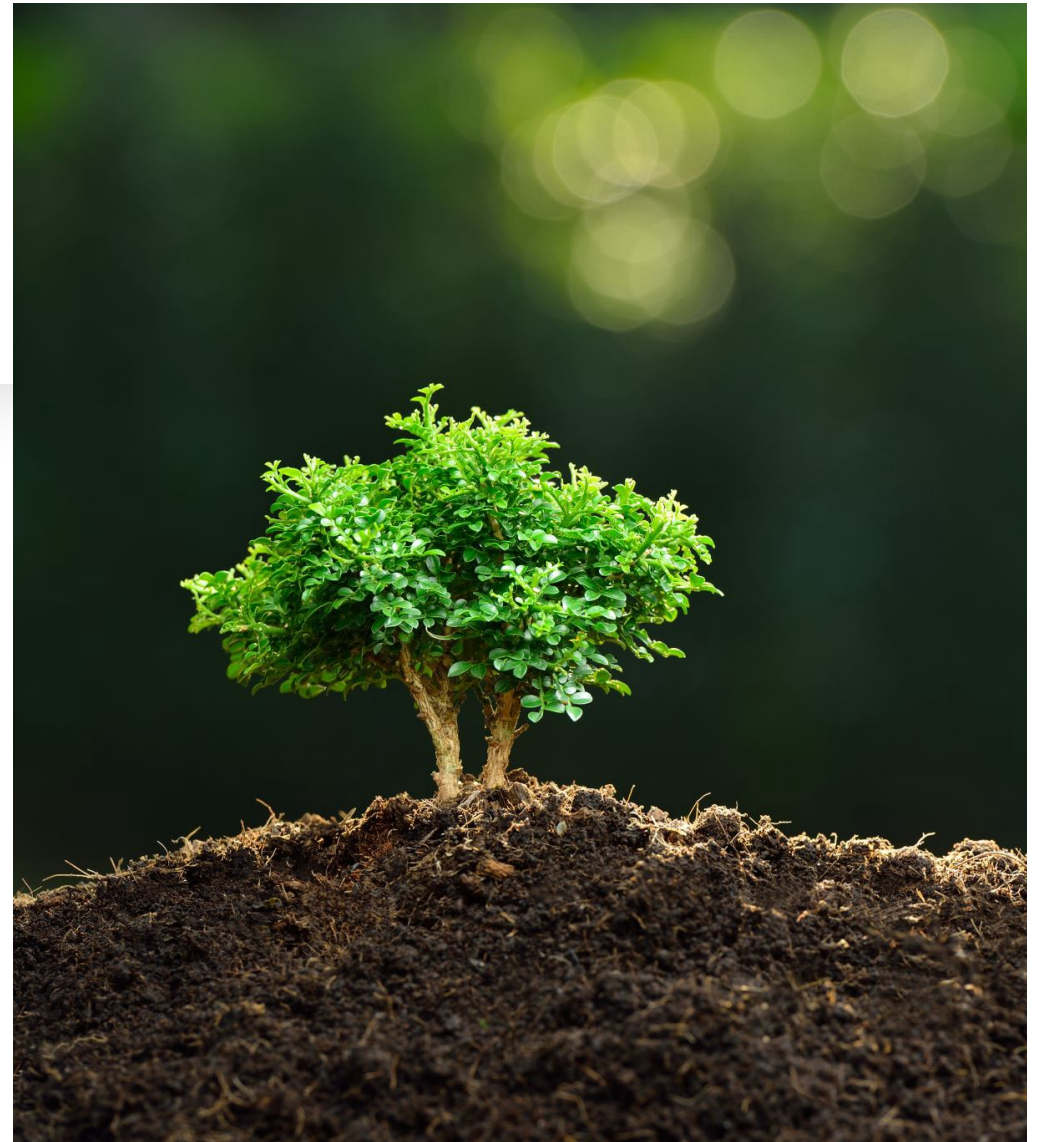
Objectives

- Foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains.
- Ensure that companies in scope identify and address adverse human rights and environmental impacts of their actions inside and outside Europe.



Complementary approach

- Zero-deforestation Products Regulation (Regulation (EU) 2023/1115),
- Conflict Mineral Regulation (Regulation (EU) 2017/821),
- Regulation prohibiting products made with forced labour (EP approval 24 April 2024).





Scope

- EU companies and parent companies with over 1000 employees and a worldwide turnover higher than 450 million euro.
- Companies with franchising or licensing agreements in the EU ensuring a common corporate identity with worldwide turnover higher than 80 million euro if at least 22.5 million euro was generated by royalties.
- Non-EU companies, parent companies and companies with franchising or licensing agreements in the EU reaching the same turnover thresholds in the EU will also be covered.



**Large EU limited liability
companies & partnerships:**

- +/- 6,000 companies

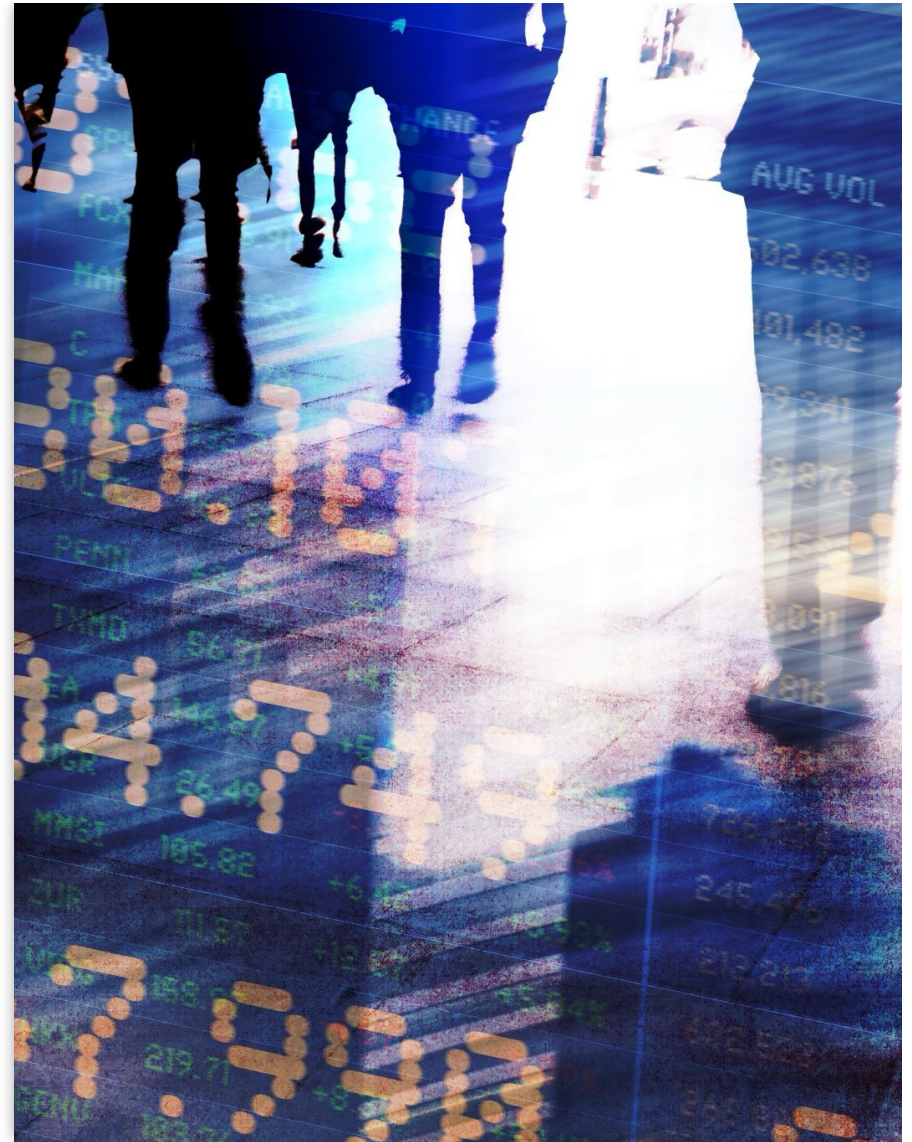
**Large non-EU
companies: +/- 900
companies**

Gradual Application

From **2027** to companies with over 5000 employees and worldwide turnover higher than 1500 million euro;

From **2028** to firms with over 3000 employees and a 900 million euro worldwide turnover;

From **2029** to all the remaining companies within the scope of the directive (including those over 1000 employees and worldwide turnover higher than 450 million euro).



Corporate due diligence duty

Identifying and addressing potential and actual adverse human rights and environmental impacts

- in the company's own operations,
- their subsidiaries and,
- where related to their value chain(s), those of their business partners

Violations of rights and prohibitions included in international human rights agreements

- people's right to dispose of a land's natural resource
- right to life and security
- prohibition of torture, cruel, inhuman or degrading treatment
- right to liberty and security
- prohibition of arbitrary or unlawful interference with a person's privacy, family, home or correspondence
- freedom of thought, conscience and religion
- right to enjoy just and favourable conditions of work including a fair wage, a decent living, safe and healthy working conditions and reasonable limitation of working hours

Violations of internationally recognized objectives and prohibitions included in environmental agreements

- 1992 Convention on Biological Diversity
- CITES
- Minamata Convention on Mercury
- Stockholm Convention on Persistent Organic Pollutants
- Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
- Montreal Protocol on substances that deplete the Ozone Layer
- Basel Waste Convention

Human rights and fundamental freedoms conventions

- The Universal Declaration of Human Rights;
- The International Covenant on Civil and Political Rights;
- The International Covenant on Economic, Social and Cultural Rights;
- The Convention on the Prevention and Punishment of the Crime of Genocide;
- The Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment;
- The International Convention on the Elimination of All Forms of Racial Discrimination;
- The Convention on the Elimination of All Forms of Discrimination Against Women;
- The Convention on the Rights of the Child;
- The Convention on the Rights of Persons with Disabilities;

A photograph of an industrial facility, possibly a refinery or chemical plant, situated along a river. The facility features numerous tall smokestacks, distillation columns, and storage tanks. Several smokestacks are emitting thick plumes of white smoke that rise into a hazy, overcast sky. The foreground shows the calm, dark blue water of the river. The overall scene conveys a sense of industrial activity and its environmental impact.

Climate Change

Large companies to adopt and put into effect, through best efforts, a transition plan for climate change mitigation aligned

- with the 2050 climate neutrality objective of the Paris Agreement
- And intermediate targets under the European Climate Law.

Administrative supervision

National authority to supervise and enforce the rules, including through injunctive orders and effective, proportionate and dissuasive penalties (in particular fines).

EU level: European Network of Supervisory Authorities that will bring together representatives of the national bodies to ensure a coordinated approach.

Civil liability

Companies will be liable for damages caused by breaching their due diligence obligations and will have to fully compensate their victims.