

Press release – MEPs: Companies must no longer cause harm to people and planet with impunity



The legislative initiative report (adopted on Wednesday by 504 votes in favour, 79 against and 112 abstention) calls for the urgent adoption of a binding EU law that ensures companies are held accountable and liable when they harm – or contribute to harming – human rights, the environment and good governance. It must also guarantee that victims can access legal remedies. The Commission has announced it will present its legislative proposal on the matter later this year.

Sustainability and good governance

Binding EU due diligence rules would oblige companies to identify, address and remedy aspects of their value chain (all operations, direct or indirect business relations, investment chains) that could or do infringe on human rights (including social, trade union and labour rights), the environment (contributing to climate change or deforestation, for example) and good governance (such as corruption and bribery).

MEPs stress that due diligence is primarily a preventative instrument that requires companies to take proportionate measures based on the likelihood and severity of the impact, the sector of activity, the size and length of the value chain and size of the undertaking.

Bringing about change beyond EU borders

Companies that want to access the EU internal market, including those established outside the EU, would have to prove that they comply with environmental and human rights due diligence obligations.

Parliament calls for additional measures, including a ban on importing products linked to severe human rights violations such as forced or child labour. EU trade agreements should include these aims in their trade and sustainable development chapters. MEPs also ask the Commission to thoroughly review whether companies based in Xinjiang exporting to the EU are involved in human rights breaches, especially those related to repression of Uighurs.

In order to guarantee effective reparations for victims, companies should be held liable for their actions and be fined for causing harm or contributing to it, unless they can prove that they have acted in line with due diligence obligations and taken measures to prevent such harm. The rights of victims or stakeholders in third countries – who are especially vulnerable – would also be better protected, as they would be able to take companies to court under EU law.

Broad scope and help for SMEs

To create a level playing field, the future legislative framework on due diligence should be broad and apply to all large undertakings governed by EU law or established in the European Union, including those providing financial services. The rules should also apply to publicly listed SMEs and high-risk SMEs, which should receive technical assistance to comply with the requirements.

Quote

“This new law on corporate due diligence will set the standard for responsible business conduct in Europe and beyond. We refuse to accept that deforestation or forced labour are part of global supply chains. Companies will have to avoid and address harm done to people and planet in their supply chains. The new rules will give victims a legal right to access support and to seek reparations, and will ensure fairness, a level playing field and legal clarity for all businesses, workers and consumers”, said rapporteur [Lara Wolters \(S&D, NL\)](#).