

CORPORATE DUE DILIGENCE RULES AT EU LEVEL

vzbv's position on EU supply chain legislation

The Federation of German Consumer Organisations (Verbraucherzentrale Bundesverband – vzbv) believes that sustainability starts with production. Companies must be obliged to protect the environment and respect human rights at every stage of their supply chains. EU legislation on corporate due diligence on human rights and environmental standards would create clear and binding rules for the entire single market.

Consumers would benefit from EU rules on due diligence since their purchasing power as individuals is insufficient to correct the problems that are created by production styles that companies have chosen to make. Sustainability starts at the beginning of the value chain and cannot be brought about through consumers' spending decisions at the end of the process.

Supply chain legislation would make it easier for consumers throughout the EU to make sustainable choices when purchasing products and services. Consumers would be sure that all companies are adhering to minimum social and environmental criteria in their production processes. After all, it is not possible to tell from the products and services themselves whether they were produced in a sustainable manner. This makes it very difficult for consumers to judge the sustainability of a product. When they buy something, consumers need to be confident that they are not supporting violations of human rights or damage to the environment.

Through EU supply chain legislation, consumers in one Member State would not risk to come across products in another Member State that meet only low due diligence standards. EU-wide rules would prevent a 'race to the bottom' in search of a competitive advantage.

VZBV'S POSITION: EUROPEAN RULES ARE REQUIRED THAT

- ❖ establish legally binding obligations for due diligence on human rights and environmental standards and thus provide a clear and consistent legal framework for companies acting responsibly within the EU single market.
- ❖ create a *level playing field* in the single market. Companies whose business practices respect human rights and do not harm the environment should not be at a disadvantage compared to their less conscientious competitors.
- ❖ allow individual Member States to retain their own, more stringent rules.
- ❖ encompass all sectors and the entire supply chain.
- ❖ oblige companies to report transparently and publicly on potential risks of human rights violations and environmental damage and on any infringement of human rights or harm to the environment that has already taken place.

- ❖ include all companies, irrespective of their legal form. Provided certain criteria are met, small and medium-sized enterprises can be granted exemptions if this is feasible in the context of their sector, business model, or role in the supply chain.
- ❖ are binding not only on companies that are headquartered or have a branch of office in an EU Member State but also on those that regularly import goods and services into the European single market.
- ❖ do not place the burden of proof on workers or nearby residents affected by an infringement of human rights or damage to the environment but rather oblige companies to document that they have responded adequately to all risks.
- ❖ are monitored and enforced by competent authorities of the Member States.
- ❖ stipulate sanctions that are proportionate to the causes of the infringement and reflect the contribution and causality of the company's actions. This could include imposing fines, excluding the company from bidding for government contracts or preventing them from receiving public subsidies.
- ❖ stop companies from transferring all responsibility for complying with due diligence requirements to certification and auditing companies.

As only legislation with ambitious objectives can truly benefit consumers, vzbv supports the calls of numerous civil society organisations for effective instruments with which to enforce rules on environmental protection and the rights of workers and people living nearby.

CURRENT SITUATION

Various EU Member States already have their own laws governing companies' due diligence obligations. Moreover, the EU Regulations on conflict minerals¹ and timber² define such obligations within these specific sectors. Alongside the national laws, however, EU-wide, binding and cross-sectoral rules are vital to prevent a 'race to the bottom' in search of competitive advantage. Didier Reynders, whose remit as EU Commissioner for Justice includes consumer protection, has announced that he plans to put forward a legislative proposal in early 2021. MEPs are also debating two own-initiative reports in the European Parliament.

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¹ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.130.01.0001.01.ENG&toc=OJ:L:2017:130:TOC

² <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32010R0995>