

Mr. Didier Reynders
Commissioner for Justice

European Commission
Rue de la Loi 200
1049 Brussels

Regarding: Announcement on corporate governance legislative initiatives in 2021

23 June 2020

Dear Commissioner Reynders,

We, the undersigned organisations, would like to congratulate you for the very important announcement made during several recent online events,¹ that the Commission will propose legislation in 2021 on both corporate due diligence and directors' duties as part of your initiative on sustainable corporate governance, taking into account **ongoing national-level mandatory due diligence developments.**² We were very pleased to see the commitment officially announced by the European Commission in the [EU Biodiversity Strategy](#) on 20th May, and also in the communication [‘Europe’s moment: Repair and prepare for the next generation’](#) regarding the EU recovery plans, on 27th May. We also welcome the support expressed by representatives of the German and other governments and look forward to seeing rapid progress on the issue at Council level during the upcoming German EU Council Presidency.

As you rightly stated during the webinars, the COVID-19 crisis has had and will have many societal and economic consequences that the EU needs to tackle. In order to combat these, we strongly believe that robust legislative initiatives on corporate due diligence and directors' duties in 2021, as part of the European Green Deal, will make a significant difference.

The sustainable finance agenda has been developing very quickly since the publication of the Action Plan on Financing Sustainable Growth in March 2018. As part of this work, we were pleased to see the Commission's commitment to review the Non-Financial Reporting Directive in Q1 2021. However, as indicated in the Commission study on due diligence in the supply chain, it is time to move beyond mere corporate disclosure and bring in changes to EU company law that can systemically change corporate behavior and strengthen corporate accountability.

We appreciate that you referred to mandatory due diligence and directors' duties each in their own right. It is indeed critical for us that the Commission proposes a robust European legal framework consisting of:

- **New horizontal legislation on mandatory human rights and environmental corporate due diligence** where strong EU rules would help ensure robust, resilient and sustainable value chains and investments by requiring that all companies in all sectors, including finance, address the environmental, social and governance risks they cause, contribute or are directly linked to. It is necessary in particular to implement the ‘do no harm’ oath of the European Green Deal, as well as ensure that there are liability rules for harm arising out of human rights

¹ These include the European Parliament's Responsible Business Conduct Working Group's webinar on 29th April, and Oxfam, ECCJ, CorA, FIDH, and Brot für die Welt's webinar on 8th June.

² See, for instance, different overviews compiled by [ECCJ](#) and [BHRRC](#) on the growing number of European countries that have adopted or are considering this type of legislation.

and environmental abuses. Rules should ensure that due diligence processes be developed and conducted, at all stages, with full involvement of all rights- and stakeholders, including trade unions, civil society and women's organisations, human rights defenders and indigenous peoples. In addition, workers' information and consultation rights should be respected and the right for trade unions to negotiate at the relevant level with the company the due diligence process should be guaranteed. Rightsholders throughout global value chains must, crucially, have meaningful access to remedy, backed by effective grievance frameworks and including judicial remedy before EU Member States' courts.

- **New sustainable corporate governance legislation focused on directors' duties** – notably requiring sustainability strategies and targets for companies, to ensure that directors move away from short-termism, strengthen democracy at work and workers' involvement in company matters, and consider all rights- and stakeholders' interests.

We applaud your bold leadership on human rights and sustainability at this critical time and that you will use existing international standards such as the UN Guiding Principles, ILO Tripartite Declaration, OECD MNE Guidelines, etc., as they are authoritative and very valuable, to start drafting these new legislative proposals. As civil society we are organising diverse alliances across the EU to secure ambitious shifts that drive and encourage urgent business action.

We are looking forward to engaging with you further on the key elements of these corporate governance legislative initiatives, and to working closely with and providing the necessary inputs and support to your team.

We would be pleased to discuss these points with you and your cabinet at your earliest convenience. Please do not hesitate to contact us should you have any questions.

Thank you very much for your consideration. Yours sincerely,

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<i>ACT Alliance EU</i>	<i>Fairtrade Sweden</i>
<i>Act Church of Sweden</i>	<i>FEMNET</i>
<i>Advocating Rights In South Asia (ARISA)</i>	<i>Forest Peoples Programme</i>
<i>Anti-Slavery International</i>	<i>Frank Bold</i>
<i>BankTrack</i>	<i>Friends of the Earth Europe</i>
<i>BetterFinance</i>	<i>Global Witness</i>
<i>Both ENDS</i>	<i>Gobierno Territorial Autónomo de la Nación Wampís (GTANW)</i>
<i>Business & Human Rights Resource Centre</i>	<i>Human Rights International Corner (HRIC)</i>
<i>Caritas Europa</i>	<i>International Federation for Human Rights (FIDH)</i>
<i>Centre for Research on Multinational Corporations (SOMO)</i>	<i>OECD Watch</i>
<i>CIDSE</i>	<i>Organización Regional Aidesep Ucayali (ORAU)</i>
<i>Clean Clothes Campaign European Coalition</i>	<i>Oxfam</i>
<i>Clean Clothes Campaign International Office</i>	<i>Polish Institute for Human Rights and Business</i>
<i>Corporate Europe Observatory</i>	<i>PUSAKA</i>
<i>cum ratione</i>	<i>Réseau des Organisations de la Société Civile pour le Développement du Tonkpi (ROSCIDET)</i>
<i>Diakonia</i>	<i>ShareAction</i>
<i>EU-CORD network</i>	<i>Solidaridad</i>
<i>European Center for Not-for-Profit Law Stichting (ECNL)</i>	<i>Swedwatch</i>
<i>European Coalition for Corporate Justice (ECCJ)</i>	<i>Themis Research</i>
<i>European Trade Union Confederation (ETUC)</i>	<i>TuK INDONESIA</i>
<i>Fair Action</i>	<i>World Wide Fund for Nature (WWF)</i>
<i>Fair Finance International</i>	

