

European Commission public consultation on “Sustainable Corporate Governance”

February 4, 2021

As part of our [campaign advocating for the passage of mandatory human rights and environmental due diligence laws](#), Freedom United has submitted the following answers to the [European Union’s public consultation on Sustainable Corporate Governance](#). This public consultation is essential to the formulation of a strong EU law on mandatory due diligence, ensuring that corporations respect human rights and the environment and are held accountable for abuses, giving victims and survivors the ability to seek remedy.

Freedom United’s answers were sent to the European Commission through a [submission form created by Anti-Slavery International, Clean Clothes Campaign, and Global Witness](#). Selected answers are highlighted in yellow with text explanations below.

Section I: Need and objectives for EU intervention on sustainable corporate governance

Question 1: Due regard for stakeholder interests’, such as the interests of employees, customers, etc., is expected of companies. In recent years, interests have expanded to include issues such as human rights violations, environmental pollution and climate change. Do you think companies and their directors should take account of these interests in corporate decisions alongside financial interests of shareholders, beyond what is currently required by EU law?

- Yes, a more holistic approach should favour the maximisation of social, environmental, as well as economic/financial performance.
- Yes, as these issues are relevant to the financial performance of the company in the long term.
- No, companies and their directors should not take account of these sorts of interests.
- Do not know.

Please provide reasons for your answer:

It is essential to move businesses away from reliance on voluntary “corporate social responsibility” models and towards a robust “business and human rights” approach that enforces the United Nations Guiding Principles on Business and Human Rights. CSR approaches to human rights and environmental issues are often one-off, temporary, and unsustainable

projects that have little positive impact on local communities and are generally only adopted by a small number of 'big name' companies.

Furthermore, while many companies have begun compiling Environmental, Social, and Governance (ESG) reports, these often focus only on the impact of company offices without acknowledging the responsibilities and obligations placed on suppliers throughout their supply chains. Similarly, we have seen how many companies frame environmental responsibility as their efforts to reduce energy use in company offices, yet they do not disclose the far greater issue of multinational investments and underwriting of fossil fuel extraction projects that directly contribute to the climate crisis.

Therefore, yes, companies and their directors should be required, through legislative and regulatory provisions, to show that they have taken into account and addressed environmental, social and governance impacts throughout their operations and supply chains. Despite growing awareness of the elements of responsible business conduct, and the exposure of multiple human rights breaches, companies have not fundamentally changed the way they do business. As a result, it is clear that voluntary initiatives are wholly inadequate to address severe human rights and environmental impacts that occur across company value chains. The worst harms have occurred in host, producer and manufacturing countries, and may be exacerbated by contextual factors such as corruption or conflict.

Significant changes are urgently needed to the dominant economic and business models based on infinite growth and prioritising short-term profits and shareholder value over social and environmental standards. Companies need to elevate and protect the interests of all stakeholders. These include employees, supply chain workers, affected communities, indigenous peoples and human rights, environmental and land defenders.

Question 2: Human rights, social and environmental due diligence requires companies to put in place continuous processes to identify risks and adverse impacts on human rights, health and safety and environment and prevent, mitigate and account for such risks and impacts in their operations and through their value chain. In the survey conducted in the context of the study on due diligence requirements through the supply chain, a broad range of respondents expressed their preference for a policy change, with an overall preference for establishing a mandatory duty at EU level. Do you think that an EU legal framework for supply chain due diligence to address adverse impacts on human rights and environmental issues should be developed?

- Yes, an EU legal framework is needed.
- No, it should be enough to focus on asking companies to follow existing guidelines and standards.

- No action is necessary.
- Do not know.

Please explain:

Yes, such an EU legal framework is needed. In addition to the above, it should provide for access to remedy for victims of human rights and environmental harms located inside and outside of the EU.

For years, there has been growing awareness in the business community of the international standards on responsible business conduct. Despite this, there continues to be growing evidence of devastating human rights and irreversible environmental harms resulting from and linked to business activity. Current voluntary measures for companies have not been effective in changing the behaviors of companies or holding them accountable for the harms that they have caused. Several studies have confirmed that a large majority of European companies are still failing to carry out due diligence processes.

A coherent EU legal framework should establish a robust, enforceable and mandatory due diligence standard for companies to prevent and address their negative human rights and environmental impacts in operations and global value chains. It should apply to all companies domiciled or based in the EU or active on the EU market. To ensure much needed accountability for corporate harms to people and the planet, companies must be held liable for harms.

Providing access to remedy means that victims of human rights and environmental abuses outside of the EU should not be required to first file legal proceedings in the country where the abuses took place before proceeding with legal remedy in the EU. This is because many victims, especially those who are victims of modern slavery, are migrant workers who face significant challenges in securing justice due to language barriers, irregular immigration status, inadequate support from local authorities due to racism and xenophobia, and fear of repercussions. In our experience working on human trafficking and forced labor in Southeast Asia, we have seen contradicting national legal frameworks in which undocumented migrant workers are criminalized for immigration offenses rather than being recognized as victims of human trafficking, effectively detained and deported without being able to receive justice.

Lastly, we recommend that the EU build in recommendations for legal cases to look to jurisprudence and government sanctions issued by individual countries both inside and outside of the EU (e.g. the United States and the United Kingdom) as evidence of human rights and environmental abuses. We have experience in investigations into forced labor under the United States Tariff Act, which requires US Customs and Border Protection to conduct a thorough investigation into claims and block imports of goods produced wholly or in part using forced labor under a Withhold Release Order (WRO). Specifically, we have supported the recent WRO issued against Malaysian palm oil company FGV Holdings Berhad, the WRO against cotton from the Xinjiang Autonomous Uyghur Region of China, also Turkmenistan and Uzbekistan, and we

recommend that the EU consider these types of sanctions as admissible evidence of abuses in legal proceedings within EU courts.[1]

[1] <https://www.freedomunited.org/news/freedom-united-signs-petition-urging-us-to-ban-goods-made-with-forced-uyghur-labor/>

Question 3: If you think that an EU legal framework should be developed, please indicate which among the following possible benefits of an EU due diligence duty is important for you (tick the box/multiple choice)?

- Ensuring that the company is aware of its adverse human rights, social and environmental impacts and risks related to human rights violations other social issues and the environment and that it is in a better position to mitigate these risks and impacts
- Contribute effectively to a more sustainable development, including in non-EU countries
- Levelling the playing field, avoiding that some companies freeride on the efforts of others
- Increasing legal certainty about how companies should tackle their impacts, including in their value chain
- A non-negotiable standard would help companies increase their leverage in the value chain
- Harmonisation to avoid fragmentation in the EU, as emerging national laws are different
- SMEs would have better chances to be part of EU supply chains
- Other

Other, please specify:

The EU legal framework should include a legal liability for both:

(1) breaches of due diligence requirements; and

(2) human rights and environmental harms. It should ensure that it supports access to remedy for victims both in and outside of the EU.

Section III: Due diligence duty

For the purposes of this consultation, “due diligence duty” refers to a legal requirement for companies to establish and implement adequate processes with a view to prevent, mitigate and account for human rights (including labour rights and working conditions), health and environmental impacts, including relating to climate change, both in the company’s own operations and in the company’s the supply chain. “Supply chain” is understood within the broad definition of a company’s “business relationships” and includes subsidiaries as well as suppliers and subcontractors. The company is expected to make reasonable efforts for example with respect to identifying suppliers and subcontractors. Furthermore, due diligence is inherently risk-based, proportionate and context specific. This implies that the extent of implementing actions should depend on the risks of adverse impacts the company is possibly causing, contributing to or should foresee.

Question 14: Please explain whether you agree with this definition and provide reasons for your answer.

Yes, this definition captures many aspects of the due diligence duty.

In addition to the above the due diligence duty should:

-In severe cases where mandatory human rights and environmental due diligence becomes impossible because companies lose insight into and leverage over their suppliers, we recommend that EU companies exit that market in line with the UNGPs on Business and Human Rights. This is a particularly timely issue with the ongoing oppression of Uyghurs and other Muslim minorities in Xinjiang Uyghur Autonomous Region in China, where they have been subjected to forced labor. Because Western companies, both in the United States and Europe, cannot access Xinjiang UAR and gain transparency into their supply chains in the region, we are currently campaigning for companies to exit the market to cut off the risk of being tied to extreme human rights abuses.

-We recommend that due diligence requirements are placed on EU companies that both export and import goods around the world. In particular, the problem of forced labor is not simply a sourcing or import problem for the EU; we witnessed that in 2020 exports of cotton harvesting machinery from US company John Deere significantly increased to Chinese companies in Xinjiang UAR just before the United States government issued a business directive for American companies warning against trade with companies in Xinjiang linked to human rights abuses. European exporters should be held to the same standards to ensure their goods are not being used to further abuses abroad.

-Ensure that workers and labor unions are a primary source of input for documenting human rights and environmental abuses rather than relying on management teams of downstream suppliers. When workers are interviewed, this must be done ethically and in confidence so that management does not retaliate against those who report abuses.

- Not allow EU companies to use their own auditing team to carry out risk assessments. Audits for human rights and environmental abuses must be conducted by independent third parties to ensure independence for genuine verification.
- Include a requirement for companies to first identify and assess their human rights, health and environmental risks and impacts. This is critical for ensuring that companies respond more effectively in preventing, mitigating and publicly disclosing their risks and impacts.
- Extend to require companies to consider the adverse impacts it is directly linked to through its business relationships (in addition to the risks of adverse impacts a company causes or contributes to). This could be in the context of its operations, products or services.
- Be an ongoing process rather than a single incident and companies should be required to monitor the effectiveness of the measures that they are taking.
- Include a requirement for companies to remediate harms and enable access to effective remedy including by exercising leverage in their business relationships.
- Be risk-based proportionate and context specific as noted above.
- Cover their operations and entire value chain.
- Be integrated across all business practices and decisions of the company, including for instance their purchasing practices and in the establishment of new projects.
- Apply to companies regardless of their size and across all sectors (including the financial sector).

Question 15: Please indicate your preference as regards the content of such possible corporate due diligence duty (tick the box, only one answer possible). Please note that all approaches are meant to rely on existing due diligence standards, such as the OECD guidance on due diligence or the UNGPs. Please note that Option 1, 2 and 3 are horizontal i. e. cross-sectorial and cross thematic, covering human rights, social and environmental matters. They are mutually exclusive. Option 4 and 5 are not horizontal, but theme or sector-specific approaches. Such theme specific or sectorial approaches can be combined with a horizontal approach (see question 15a). If you are in favour of a combination of a horizontal approach with a theme or sector specific approach, you are requested to choose one horizontal approach (Option 1, 2 or 3) in this question.

- Option 1. “Principles-based approach”: A general due diligence duty based on key process requirements (such as for example identification and assessment of risks, evaluation of the operations and of the supply chain, risk and impact mitigation actions, alert mechanism, evaluation of the effectiveness of measures, grievance mechanism, etc.) should be defined at EU level regarding identification, prevention and mitigation of relevant human rights, social and environmental risks and negative impact. These should be applicable across all sectors. This could be complemented by EU-level general or sector specific guidance or rules, where necessary
- Option 2. “Minimum process and definitions approach”: The EU should define a minimum set of requirements with regard to the necessary processes (see in option 1) which should

be applicable across all sectors. Furthermore, this approach would provide harmonised definitions for example as regards the coverage of adverse impacts that should be the subject of the due diligence obligation and could rely on EU and international human rights conventions, including ILO labour conventions, or other conventions, where relevant. Minimum requirements could be complemented by sector specific guidance or further rules, where necessary.

- Option 3. “Minimum process and definitions approach as presented in Option 2 complemented with further requirements in particular for environmental issues”. This approach would largely encompass what is included in option 2 but would complement it as regards, in particular, environmental issues. It could require alignment with the goals of international treaties and conventions based on the agreement of scientific communities, where relevant and where they exist, on certain key environmental sustainability matters, such as for example the 2050 climate neutrality objective, or the net zero biodiversity loss objective and could reflect also EU goals. Further guidance and sector specific rules could complement the due diligence duty, where necessary.
- Option 4 “Sector-specific approach”: The EU should continue focusing on adopting due diligence requirements for key sectors only.
- Option 5 “Thematic approach”: The EU should focus on certain key themes only, such as for example slavery or child labour.
- None of the above, please specify

Question 15a: If you have chosen option 1, 2 or 3 in Question 15 and you are in favour of combining a horizontal approach with a theme or sector specific approach, please explain which horizontal approach should be combined with regulation of which theme or sector?

The due diligence duty should be both cross-sectoral and cross-thematic, covering human rights including labour rights, environmental issues and climate change.

In addition,

- It must require action on the part of companies to identify, assess, prevent, mitigate and remedy their negative impacts.
- Companies undertaking activities with high environmental, human, social and governance risks, as well as those operating in high-risk sectors or contexts including where there is a high risk of conflict, corruption or organised crime should be required to take additional steps, proportionate to those risks.
- For higher risks, companies should therefore be given further guidance on the implementation of the due diligence duty, including on additional requirements, criteria and definitions.
- Guidance for companies should be developed in consultation with stakeholders.

Question 15c: If you ticked options 2) or 3) in Question 15 please indicate which areas should be covered in a possible due diligence requirement (tick the box, multiple choice)

- Human rights, including fundamental labour rights and working conditions (such as occupational health and safety, decent wages and working hours)
- Interests of local communities, indigenous peoples' rights, and rights of vulnerable groups
- Climate change mitigation
- Natural capital, including biodiversity loss; land degradation; ecosystems degradation, air, soil and water pollution (including through disposal of chemicals); efficient use of resources and raw materials; hazardous substances and waste
- Other, please specify

Question 16: How could companies' - in particular smaller ones' - burden be reduced with respect to due diligence? Please indicate the most effective options (tick the box, multiple choice possible) This question is being asked in addition to question 48 of the Consultation on the Renewed Sustainable Finance Strategy, the answers to which the Commission is currently analysing.

- All SMEs[16] should be excluded
- SMEs should be excluded with some exceptions (e.g. most risky sectors or other)
- Micro and small sized enterprises (less than 50 people employed) should be excluded
- Micro-enterprises (less than 10 people employed) should be excluded
- SMEs should be subject to lighter requirements ("principles-based" or "minimum process and definitions" approaches as indicated in Question 15)
- SMEs should have lighter reporting requirements
- Capacity building support, including funding
- Detailed non-binding guidelines catering for the needs of SMEs in particular
- Toolbox/dedicated national helpdesk for companies to translate due diligence criteria into business practices
- Other option, please specify
- None of these options should be pursued

Please explain your choice, if necessary

All SMEs are responsible for respecting human rights and the environment. SMEs may themselves cause, contribute to or be directly linked to severe human rights and environmental harms and should therefore be required to conduct human rights and environmental due diligence (HREDD) and together are estimated to form the majority of value added in the EU outside of the finance sector.

International standards such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises confirm that companies of all sizes have obligations to conduct due diligence.

These requirements should not be lighter for SMEs as a group but instead, human rights and environmental due diligence obligations imposed on companies should be proportionate and may be adapted based on a range of factors, including the size of the company. Capacity building and dedicated support to translate criteria into business practices should be provided to help SMEs to adapt and respond to the new requirements.

SMEs operate globally in every sector and often play crucial roles in the value chains of larger companies. Several SMEs active in the garment or food sectors are already conducting due diligence evidencing that companies of all sizes can do it.

When human trafficking and forced labor is found in supply chains, we recognize that smaller companies may need capacity building and funding to address the problem. In addition, it is important that smaller suppliers that European companies purchase from are not simply cut off when abuses are uncovered; we encourage buyers to work with their suppliers to advance reforms and ethical operations. When suppliers are cut out of supply chains their abusive practices many continue or be driven further underground.

Question 18: Should the EU due diligence duty be accompanied by other measures to foster more level playing field between EU and third country companies?

- Yes
- No
- I do not know

Please explain:

Yes, the EU due diligence duty should be accompanied by other measures to foster a more level playing field. These could include:

- Enhancing the human rights and environmental standard protections, monitoring and enforcement in Free Trade Agreements and Investment Protection Agreements.
- Including mandatory human rights and environmental due diligence requirements in EU public procurement, funding and export credit systems.
- Ensuring that the review of the Generalised Scheme of Preferences regulation contributes to more impactful regulation which complements the positive impact of mandatory human rights and environmental due diligence.
- Ensuring that EU development policy complements the positive impact of mandatory human rights and environmental due diligence.

-Due diligence requirements should also be placed on EU foreign aid funding. For example, Freedom United has raised the issue of the EU channeling millions of dollars into Eritrea under its Emergency Trust Fund for Africa despite the fact that forced conscript labor remains pervasive in Eritrea and a high risk for the project. Last year the EU withdrew funding for a road construction project in Eritrea after a Dutch NGO filed a lawsuit against the EU, but this move could have come much earlier given the EU's own admission that the project used personnel in the national service, or those who were forced into conscription.

Question 19: Enforcement of the due diligence duty

Question 19a: If a mandatory due diligence duty is to be introduced, it should be accompanied by an enforcement mechanism to make it effective. In your view, which of the following mechanisms would be the most appropriate one(s) to enforce the possible obligation (tick the box, multiple choice)?

- Judicial enforcement with liability and compensation in case of harm caused by not fulfilling the due diligence obligations
- Supervision by competent national authorities based on complaints (and/or reporting, where relevant) about non-compliance with setting up and implementing due diligence measures, etc. with effective sanctions (such as for example fines)
- Supervision by competent national authorities (option 2) with a mechanism of EU cooperation/coordination to ensure consistency throughout the EU
- Other, please specify

Please provide explanation:

The legislation should introduce sanctions and legal liability for both:

1. Breaches of the due diligence standards; and
2. Human rights and environmental harms that a company, or any company that they control or have the ability to control, has caused or contributed to.

A range of enforcement mechanisms including judicial enforcement will help to ensure that companies make the appropriate changes in their conduct and that people and communities that suffer harm have meaningful access to effective remedy. To ensure that victims have meaningful access to remedy, the burden of proof should be reversed in proceedings against companies and limitation periods for bringing legal actions must be extended.

To reiterate our earlier point about ensuring migrant workers, refugees, and stateless individuals can access justice, we strongly recommend that national authorities are trained on methods of ethical case intake and case management, ensuring that victims can provide testimony in their own language and receive guarantees that they will not face retaliation from national governments or employers. In practice this means providing translators and

guarantees that victims will not be prosecuted over immigration offenses (e.g. being undocumented) or forced criminality.

Section IV: Other elements of sustainable corporate governance

Question 20: Stakeholder engagement

Better involvement of stakeholders (such as for example employees, civil society organisations representing the interests of the environment, affected people or communities) in defining how stakeholder interests and sustainability are included into the corporate strategy and in the implementation of the company's due diligence processes could contribute to boards and companies fulfilling these duties more effectively.

Question 20a: Do you believe that the EU should require directors to establish and apply mechanisms or, where they already exist for employees for example, use existing information and consultation channels for engaging with stakeholders in this area?

- I strongly agree
- I agree to some extent
- I disagree to some extent
- I strongly disagree
- I do not know
- I do not take position

Please explain.

EU legislation should establish the responsibility to conduct stakeholder engagement as part of the implementation of the due diligence duty of the company because effective and sustainable solutions to human rights issues often requires a multi-stakeholder response.

Stakeholder engagement must be done throughout all stages of the human rights and environmental due diligence (HREDD) process. It should also be integrated into remediation processes and efforts to compensate for damage and loss.

To ensure that this is meaningful, these processes must involve all relevant stakeholders. These should be identified through impact assessments and engagement with local actors.

Stakeholder engagement should provide affected groups with the opportunity to be actively involved in the design, implementation and evaluation of business projects and operations. It allows companies to understand perspectives of those who may be affected by their decisions and activities. It also allows companies to benefit from local knowledge and experience.

Engagement processes should aim to understand how existing contexts and/or vulnerabilities may create disproportionate impacts on certain groups. Special attention should also be paid to implementing a gender-based approach to ensure the safe and equal participation of women in decision-making processes.

Finally, companies should be required to adhere to international standards on free prior and informed consent (FPIC) to engage with indigenous peoples and local communities.

Question 20b: If you agree, which stakeholders should be represented? Please explain.

All persons or groups that are directly, indirectly or potentially affected by a company’s project or operations should be represented. This includes a range of persons and other actors who are credible proxies, such as (but not limited to):

Workers; trade unions; NGOs; grassroots organisations; community members; indigenous peoples and communities; forest communities; coastal communities; human rights, land and environmental defenders; women and women’s organisations; minorities, marginalised communities and their representatives; community leaders; migrant workers’ groups and representatives; faith-based organisations; and local authorities. Relevant experts on human rights, environment or other subject matter areas should also form part of the stakeholder engagement process.

In our experience working on modern slavery, a particular concern will be ensuring that victims who are migrant workers that have been deported or detained have access to the stakeholder engagement process. These consultation channels are exceedingly rare in many countries and will likely require the assistance of NGOs and lawyers working across countries to gain their input.

Question 20c: What are best practices for such mechanisms today? Which mechanisms should in your view be promoted at EU level? (tick the box, multiple choice)

	Is best practice	Should be promoted at EU level
Advisory body		x
Stakeholder general meeting	x	

Complaint mechanism as part of due diligence	x	
Other, please specify	x	

Other, please specify:

- It is essential that stakeholder engagement happens at the local level.
- Stakeholder engagement should take place at all levels of the supply chain and value chain and should include the identification and assessment of contextual risks to affected stakeholders.
- Additional meetings with specific groups of stakeholders may be appropriate to ensure meaningful engagement with those who are differently or disproportionately affected or who may face barriers to involvement in other processes. This includes but is not limited to women, people with disabilities, minorities, other marginalised groups and human rights and environmental defenders.
- Companies should also ensure that information shared is easily accessible and available to stakeholders in a manner appropriate to the context, for example by taking language, literacy levels and cultural factors into account.
- In general, stakeholder engagement should be a continuous, two-way process of dialogue between the project company and its stakeholders, rather than a one-off general meeting.
- A combination of measures is often needed to achieve this at different stages of operations or projects.
- An effective grievance mechanism, in line with the principles of the UNGPs, is an important mechanism in all contexts. These should not substitute trade unions, meaningful stakeholder engagement and should complement judicial or other remediation efforts.
- A complaint mechanism must ensure that reports of abuse are kept confidential and that every effort is made to ensure that victims cannot be identified based on the information they provide or the way that it is provided (eg through phone based apps) so as to ensure that they do not face retaliation.

Question 24: Do you consider that any other measure should be taken at EU level to foster more sustainable corporate governance?

If so, please specify:

In the case of a complaints mechanism being set up separate from national government hotlines, managers of the complaints mechanism should carefully consider alerting local authorities of the abuses, taking into account the risk of retaliation against victims or issues of corruption that could see local officials turn a blind eye to abuses. However, when local authorities are trusted, the complaints mechanism should work with them to bring legal cases

in local jurisdictions to allow victims to seek redress. Importantly, national or local cases brought in courts outside of the EU should not be seen as a pre-requisite for seeking remedy before filing in EU courts, but rather a two-prong approach to remedy.

Section V: Impacts of possible measures

Question 26: Estimation of impacts on stakeholders and the environment

A clarified duty of care and the due diligence duty would be expected to have positive impacts on stakeholders and the environment, including in the supply chain. According to your own understanding and assessment, if your company complies with such requirements or conducts due diligence already, please quantify / estimate in quantitative terms the positive or negative impact annually since the introduction of the policy, by using examples such as:

- **Improvements on health and safety of workers in the supply chain, such as reduction of the number of accidents at work, other improvement on working conditions, better wages, eradicating child labour, etc.**
- **Benefits for the environment through more efficient use of resources, recycling of waste, reduction in greenhouse gas emissions, reduced pollution, reduction in the use of hazardous material, etc.**
- **Improvements in the respect of human rights, including those of local communities along the supply chain**
- **Positive/negative impact on consumers**
- **Positive/negative impact on trade**
- **Positive/negative impact on the economy (EU/third country).**

Incorporating a mandatory duty of care and due diligence duty could have considerable positive effects. These include:

- **Reductions in harassment, threat and killings of human rights, land and environmental defenders by holding companies accountable for their involvement and through the use of meaningful stakeholder engagement processes and specific risk assessment and response methodologies.**
- **Safer, working conditions and decent terms of employment for supply chain workers including those in non-EU countries. In particular, due diligence would require companies to respond to sector specific risks such as heavy use of toxic chemicals, dangerous working sites and unauthorised subcontracting, and risks facing vulnerable workers, communities and groups.**
- **Reductions in incidents of labour exploitation, human trafficking, worker-paid recruitment fees, debt bondage, forced labour and child labour. Targeted interventions as part of due**

diligence to increase capacity and awareness along supply chains will improve respect for international human rights and labour rights standards. This will also help to address root causes in affected communities including poverty, discrimination and lack of education.

Further, the due diligence process will drive companies to identify and address the human rights and environmental impact of their own business models and practices.

- Reductions in land grabs and violation of the rights of local communities in host countries, including indigenous peoples and forest communities through appropriate implementation of free prior and informed consent principles.

- Consumers (including those outside of the EU as many products imported into the EU from other countries are also sold locally or exported to third countries for sale) stand to benefit from mandatory human rights and environmental due diligence requirements as they would have a better opportunity of knowing whether the products they buy are being scrutinized for human rights and environmental protections. This gives them the opportunity to use their consumer power to express their desire not to be complicit in abuses, which would help drive further progress in a way that is currently difficult to meaningfully assess.

- Improvements in environmental and climate impact of business operations including through the reduction of deforestation, use of pollutants and emission of greenhouse gases. This will follow assessments and action on the company's environmental and climate-related risks and impacts. Optimisation should include transitions to cleaner forms of energy, more sustainable materials, circular economy models and responsible waste disposal.

- Building trust and long-term relationships with a range of key stakeholders through engagement and due diligence processes.

There is evidence of targeted action on each of these issues leading to some improvement in living and working conditions on the ground. Adherence to proposed due diligence requirements would have strong positive impacts on a range of stakeholders. These include workers in business operations and value chains, local communities in operating countries and human rights, land and environmental defenders. Such positive impacts would drive progress towards the achievement of the Sustainable Development Goals. It would also have a strong positive effect on the environment and climate at a time when urgent action is needed from all actors, including companies. The Commission is therefore urged to implement a strong due diligence duty to apply to companies across all sectors in order to respect human rights and the environment.