

IMPROVING THE ENVIRONMENTAL AND SOCIAL IMPACTS OF BUSINESS: PRIORITY ACTIONS FOR THE EUROPEAN UNION

The global reach of European enterprises makes it crucial to ensure that they are accountable for their impacts on people and the environment. The existing patchwork of voluntary initiatives has not effectively addressed corporate human rights abuses, poor safety conditions and weak environmental standards. The tragedies linked to the textile industry in Bangladesh and harm caused by oil production and mining extraction are just a few well known examples of the consequences of irresponsible business conduct. The full scale of the problem is however much bigger: it concerns virtually every transnational industry in the world and, far too often, laggard companies are not held liable for the harm they cause, while victims are left without remedy.

Action by the European Union can help address this. The EU has an opportunity to become a global leader by ensuring the highest standards of business behaviour, contributing to social justice, poverty alleviation and environmental conservation.

“The current global economic crisis arose from fundamental errors with respect to transparency, accountability, responsibility and from short-termism; the EU has a duty to ensure that these lessons are learnt by all” (EP report on Corporate Social Responsibility: promoting society’s interests and a route to sustainable and inclusive recovery (29/01/2013))

The European Union can take a lead on responsible business practices by:

1. *Recognising the need for stronger oversight and effective legislation to bridge the corporate liability gap*

Effective regulation provides a necessary safeguard for millions of workers and consumers inside and outside the EU whose rights are potentially affected by corporate activities. It also levels the playing field, empowering responsible business.

Legislation is often labelled as mere ‘red tape’ or an obstacle to growth and prosperity for businesses, but it is actually an indispensable means of creating a sustainable economy. The 2008 financial crisis, the contamination of the Niger Delta and the Rana Plaza factory collapse are just a few examples of the devastating and long-term consequences that lack of oversight of corporate activities can have for people and the environment.

2. *Analysing existing policies and identifying the legal flaws to achieving corporate accountability*

The EU should identify weak points of the existing frameworks governing corporate responsibility and

victims’ access to justice, and analyse opportunities to bridge these weaknesses through legal and policy reforms.

3. *Implementing the UN Guiding Principles on Business and Human Rights (UNGPs)*

The UNGPs, endorsed by the EU, set out the minimum standards States should enact to ensure effective protection of human rights and their respect by businesses. Delivering on the EU’s commitment to institute the Guiding Principles requires legislative reform to ensure rights are respected. As part of its responsibility to implement the UNGPs, the EU should also develop a priority plan for action on business and human rights and encourage its member states to put into place effective National Action Plans.

4. *Requiring large companies to conduct human rights due diligence throughout their operations and supply chains*

The EU should introduce legislation requiring EU-based companies to identify and address the risks posed to the environment and human rights by their operations,

including the impacts generated by their supply chains and subsidiaries. This duty should be backed by appropriate enforcement mechanisms.

5. *Strengthening current requirements for companies to disclose key information on their activities*

It is essential for corporations to be transparent about their environmental and human rights impacts, as identifying the issues is a first step to addressing them and understanding where responsibilities lie. The EU's reformed legislation on non-financial reporting is a major step forward but the legislation should be strengthened by robust guidance. In further revisions reporting requirements should be expanded to include more large companies, cover tax transparency, and ensure proper monitoring and enforcement. Moreover, considering that environment and human rights matters are of public concern, the EU should open discussions on a right to information that balances private and public interests.

6. *Ensuring victims of corporate abuse can access justice in Europe*

It is extremely difficult for victims of human rights violations caused by large companies to access justice, due to complex corporate structures, legal and financial barriers and weak governance in some host countries. As a result, victims are too often left without remedy. The EU should respond to these obstacles to justice by putting in place a legal framework giving affordable, easy access to the courts for victims and civil society organizations.

7. *Ensuring coherence in major policy areas that affect business operations*

Several key EU policies have a significant effect on respect of human rights and the environment by European businesses. Relevant internal and external EU policy measures include –but are not limited to- trade and investment agreements, public procurement rules, import regulations (ex. conflict minerals), and reforms in company law and corporate governance.

The EU should ensure that such policies are coherent with its human rights obligations and that the necessary safeguards are in place to prevent abuses caused or fuelled by such policies.

8. *Ensuring that in the EU's new CSR strategy, voluntary measures are accompanied by binding ones to address companies' responsibility for their impacts on society*

The Commission should ensure that the future strategy on CSR is operationalized through a 'smart mix' of regulatory measures (including those listed in this paper) in addition to effective voluntary approaches, such as guidance or the promotion of good practice.

9. *Supporting meaningful international initiatives designed to promote the respect of human rights and the environment*

The EU should use its influence at the UN, OECD, WTO and International Financial Institutions to further the protection of human rights and the environment. It should openly support and promote international initiatives to further the enforcement of robust standards, including discussions on the creation of a legally binding instrument on transnational corporations in the UN Human Rights Council, the work of the UN Working Group on Business and Human Rights and the post-2015 development agenda.

10. *Making sure the EU has the means to fulfil its ambition to be a global leader on responsible business conduct*

The EU must put resources in place to ensure it delivers on its ambitions and the commitments it has made in relation to business and human rights/CSR. This means that additional financial and human resources should be dedicated to the internal coordination of the process. Civil society participation to the debate must be strengthened through the creation of proportionate funds available to NGOs alongside the existing funds that exist for business associations and trade unions.

The European Coalition for Corporate Justice brings together European groups working on corporate accountability, including NGOs, trade unions, consumer advocacy groups and academic institutions. ECCJ has members in Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Spain, Sweden, Switzerland and United Kingdom. For more information: www.corporatejustice.org

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