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Technical Assistance for Strengthening
Fundamental Rights Sector Coordination Project

HORIZONTAL ISSUES: BUSINESS AND HUMAN RIGHTS

FACTSHEET



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Introduction

Legal documents, led by the United Nations Guiding Principles on Business and Human Rights, regarding the responsibility of companies to respect human rights and responsible business conduct, were adopted in the European Union (EU) through various binding and non-binding legal acts addressing human rights and environmental impacts. In recent years, there has been a transformation in the EU, as in the rest of the world, from non-binding regulations to binding legislation that obliges companies to respect human rights in their activities and in global supply chains. To this end, the EU have adopted various directives and regulations that make responsible business conduct and human rights due diligence as legal obligations, forming the basis of companies' responsibility to respect human rights.



International Standards



EU Acquis and Policy Documents



Binding Legal Acts: Founding Treaties and EU Charter of Fundamental Rights

Although the EU's main legal texts do not directly address the responsibility of companies to respect human rights, they introduce the basic principles of the EU for human rights and employee rights through various provisions.

Treaty on European Union

- ✔ **Article 2:** states that the EU is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.
- ✔ **Article 3:** Article 3 provides that the EU will provide a high level of protection to protect the environment and improve its quality while working for a market economy that aims for employment and social progress. It also states that the EU will combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.
- ✔ **Article 21:** Article 21 regulates that the EU's action on the international scene will be guided by the principles of democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity, and respect for the principles of the United Nations Charter and international law.

Treaty on the Functioning of the European Union

- ✔ **Article 114-118:** These articles regarding the harmonisation of legislation for the establishment and functioning of the internal market focus mainly on economic integration, and include provisions covering issues such as consumer protection, environmental standards and employee rights.
- ✔ **Article 151-161:** These articles cover issues such as social policy, labour law and working conditions, and form a legal basis for EU actions and policies aimed at improving living and working conditions.
- ✔ **Article 191-193:** These articles concern environmental policy and constitute the legal basis of the EU's commitment to protecting the environment and supporting sustainable development in concrete actions and steps.

Charter of Fundamental Rights of the European Union

- ✔ **Article 31 - Fair and just working conditions:** This article governs every worker's right to working conditions which respect his or her health, safety and dignity.

Binding Legal Acts: Secondary Sources: Directives and Regulations

- ✔ **Non-Financial Reporting Directive (EU) 2014/95:** This Directive requires companies with more than 500 employees to disclose non-financial information such as their impact on the environment, social issues and human rights, and aims to increase transparency and encourage companies to develop a more sustainable business approach.
- ✔ **Conflict Minerals Regulation (EU) 2017/821:** This Regulation focuses on the responsible sourcing of certain minerals and requires EU importers to carry out human rights due diligence on their supply chains to ensure they are not contributing to conflict or human rights abuses.
- ✔ **Taxonomy Regulation (EU) 2020/852:** This Regulation provides a regulatory framework that establishes a classification system for environmentally sustainable economic activities and aims to provide clarity on the scope of sustainable investment, to prevent greenwashing and to direct investments to sustainable projects.
- ✔ **Sustainable Finance Disclosure Regulation (EU) 2019/2088:** This Regulation requires financial market participants to disclose how they integrate sustainability risks in their investment decisions and the impact of their investments on sustainability factors, and aims to direct capital towards more sustainable businesses and economic activities.
- ✔ **Proposal for a Directive on Corporate Sustainability Due Diligence COM/2022/71 final:** The Proposal for Directive will introduce human rights due diligence obligations for companies operating in the EU internal market covers companies of a certain size. It will apply to publicly-traded small and medium-sized companies and 'high-risk' small and medium-sized companies, and govern the requirement for these companies to detect, evaluate, prevent, mitigate, terminate, report and compensate for their own and their upstream and downstream partners' negative impacts on human rights and the environment.
- ✔ **Battery Regulation (EU) 2023/1542:** The Regulation introduces human rights due diligence obligations in value chains, aiming at reducing environmental and social impacts related to battery production and processing of waste batteries.
- ✔ **Deforestation-Free Supply Chains Regulation (EU) 2023/1115:** This Regulation imposes human rights due diligence requirements on supply chains for imports of certain commodities, aiming to reduce the impact of EU consumption on global deforestation.
- ✔ **Proposal for a Regulation on the Prohibition of Products Made with Forced Labour COM/2022/453:** The Proposal for a Regulation aims to prohibit the entry into the EU market of products made with forced labour and their export from EU Member States. It covers products made within the EU and exported from and imported to the EU, without introducing any threshold or sector restrictions.
- ✔ **Corporate Sustainability Reporting Directive (EU) 2022/2464:** The Directive builds on the Non-Financial Reporting Directive. It extends reporting requirements to listed companies and small and medium-sized enterprises, introduces more detailed reporting requirements and makes it mandatory to audit reported sustainability information.

Policy and Strategy Documents: Soft Law

- ✓ **European Green Deal:** The European Green Deal provides a comprehensive roadmap for Europe's goal of becoming a climate-neutral continent by 2050, aiming to encourage economic growth to be compatible with environmental sustainability and social justice. To this end, businesses are expected to reduce their environmental footprint, make their use of resources more efficient and improve their working conditions.
- ✓ **EU Action Plan on Human Rights and Democracy:** The Action Plan aims to protect and promote human rights and democracy around the world. It provides a framework that requires businesses to respect human rights and avoid activities that could lead to human rights violations, and encourages businesses to be proactive in transparency, accountability and respect for human rights.
- ✓ **EU Strategy for the Rights of the Child:** The Strategy aims to ensure that the supply chains of EU companies are free of child labour, stating the EU's commitment to adopting a zero-tolerance approach towards child labour.
- ✓ **EU Strategy on Combating Trafficking in Human Beings:** The Strategy addresses the responsibility of businesses to manage risks associated with human trafficking and covers the European Commission's commitment to submit a legislative proposal on sustainable corporate governance in supply chains.
- ✓ **EU Sustainable Products Initiative:** The initiative encourages businesses to reduce the environmental impact of their products, produce longer-lasting, reusable and recyclable products, and respect human rights and environmental standards in consumption and production, aiming to promote sustainability from the design of products.

Special Bodies and Mechanisms



European Financial Reporting Advisory Group: The Group is responsible for developing sustainability reporting standards under the Corporate Sustainability Reporting Directive.



European Supervisory Authorities: The Authorities set the standards under the Sustainable Finance Disclosure Regulation.