



Environment, Land Use & Natural Resources ADVISORY ■

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Supply Chain Managers Must Prepare for New Mandatory EU Rules on Human Rights Due Diligence

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The duties on supply chain managers to police the global supply chain for human rights violations will exponentially increase in 2021. The European Commissioner for Justice [committed](#) to develop legislation by 2021 that would require European companies to carry out environmental and human rights due diligence in their supply chains. The details have not yet been fully developed, but Commissioner Didier Reynolds explained that the legislation would be “intersectoral, mandatory, and of course with a lot of possible sanctions.”

Calls for human rights and environmental diligence have recently increased in breadth and strength. Commissioner Reynolds’s announcement came soon after the February 2020 publication of [a study](#), commissioned by the European Commission, that revealed widespread support from businesses and others for EU-wide mandatory human rights due diligence legislation. And just days before the commissioner’s announcement, a group of 101 international investors representing over \$4.2 trillion in assets under management [joined forces to call on governments](#) to put in place regulatory measures requiring companies to conduct ongoing human rights due diligence.

Europe is poised to significantly broaden the human rights diligence requirements of industry. To date, supply chain managers have adeptly incorporated and implemented similar duties in a series of smaller, industry- or issue-based compliance requirements. In 2010, the [Dodd–Frank Act](#) in the United States required publicly listed companies to review their supply chains for conflict minerals. By 2012, the [California Transparency in Supply Chain Act](#) (SB 657) took effect, requiring the reporting and disclosure of each company’s actions to perform and enforce due diligence in eliminating slavery and human trafficking in supply chains. And in 2015, the [UK followed](#) California’s lead in holding companies responsible for slavery in their supply chains.

In recent years, this trend has accelerated. In 2017, the EU passed [conflict minerals regulations](#) ((EU)2017/821) and France introduced broader corporate due diligence obligations through its [Devoir de vigilance des](#)

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[sociétés mères et des entreprises donneuses d'ordre](#) (Due diligence of corporations and main contractors) law. In 2019, the Netherlands passed [the Dutch Child Labour Due Diligence Law](#). The list goes on.

Now is the time for businesses to prepare for the new EU legislation, and the February 2020 study gives some insight into how best to do that. In addition to being proficient with the [United Nations Guiding Principles on Business and Human Rights](#), the [OECD Guidelines for Multinational Enterprises](#), and the [ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy](#), businesses can look to current best practices illustrated by case studies in the February 2020 study. Doing so will help businesses prepare now for what is coming to the EU in 2021—and probably to many other jurisdictions soon thereafter.

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