



**2020/2137(INI)**

25.10.2020

# **OPINION**

of the Committee on International Trade

for the Committee on Legal Affairs

on sustainable corporate governance  
(2020/2137(INI))

Rapporteur for opinion: Heidi Hautala



## SUGGESTIONS

The Committee on International Trade calls on the Committee on Legal Affairs, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

1. Stresses that, while it is the sole responsibility of states and governments to safeguard human rights in their countries, sustainable corporate governance encompasses the ‘corporate responsibility to respect human rights’, as defined in the UN Guiding Principles of Business and Human Rights; recalls that the EU’s economy is facing the biggest global economic crisis since the Great Depression, with companies all over Europe hit especially hard; stresses that, at this time, any new legislative initiative should bear in mind its impact on administrative burden for micro and small and medium-sized enterprises (SMEs) in particular, and its impact on employment in EU companies and in their engagement in international markets; recalls the importance of transitional periods in order to create legal certainty and good legislation;
2. Calls for three distinct, yet mutually reinforcing, legislative proposals on directors’ duties and sustainable corporate governance, on corporate human rights and environmental due diligence, and on the reform of the Non-Financial Reporting Directive<sup>1</sup>;
3. Reiterates that global supply chains are the key feature of the global economy, but that their complex nature and lack of corporate accountability may lead to a higher risk of human and labour rights violations and impunity for environmental crimes, and that trade policy must contribute to a transparent corporate governance, in line with the Non-Financial Reporting Directive, as it affects supply chains, including subcontracting chains, and demonstrate compliance with environmental, human rights, social and safety standards in line with the Paris Agreement and promotes the achievement of the UN Sustainable Development Goals;
4. Emphasises that sustainable corporate governance constitutes an important pillar, which allows the EU to achieve an economy that is both resilient and sustainable, to enhance the level playing field in order to maintain and boost EU companies’ international competitiveness and protect EU workers and businesses from unfair competition from third countries, and can therefore be beneficial to EU trade and investment policy, if it is adequately measured and proportionate;
5. Notes that the COVID-19 pandemic has exposed the vulnerabilities of global supply chains, and has shown that the voluntary rules alone are not enough, as witnessed, for instance in the garment sector where production was disrupted during the crisis, leading to negative effects throughout the supply chain; notes that businesses with better defined environmental, social and governance practices and risk mitigation processes are weathering the crisis better; recognises that the Organisation for Economic Co-operation and Development (OECD) has stated<sup>2</sup> that companies taking proactive steps

---

<sup>1</sup> OJ L 330, 15.11.2014, p. 1.

<sup>2</sup> [http://www.oecd.org/coronavirus/policy-responses/covid-19-and-responsible-business-conduct-02150b06/#:~:text=A%20responsible%20business%20conduct%20\(RBC,both%20government%20and%20business%20response](http://www.oecd.org/coronavirus/policy-responses/covid-19-and-responsible-business-conduct-02150b06/#:~:text=A%20responsible%20business%20conduct%20(RBC,both%20government%20and%20business%20response)

to address the risks related to the COVID-19 crisis in a way that mitigates adverse impacts on workers and supply chains are likely to build more long-term value and resilience and to improve their viability in the short term and their prospects for recovery in the medium to long term;

6. Notes with concern that recent research<sup>3</sup> on the implementation of the EU Non-Financial Reporting Directive has revealed that more than three quarters of companies do not provide information about their supply chains, even in high-risk sectors, except for the apparel sector where a significant number of companies provide either a general or detailed list of their suppliers; notes that publicly listed companies, unlisted public companies and private companies registered in the EU may have different obligations under national law as regards sustainable corporate governance; recalls the importance of levelling the playing field vis-a-vis companies registered outside of the EU who do not always follow sustainable corporate governance principles, which have a negative impact on EU enterprises and their employees; stresses that sustainable corporate governance should apply to all EU and non-EU companies operating in the single market; calls on the Commission to use the review of the Non-Financial Reporting Directive as an opportunity to enhance reporting requirements and the enforceability of reporting and ensure compliance with environmental, social and human rights standards;
7. Recognises that the findings of the recent Commission study on directors' duties and sustainable corporate governance, carried over the 1992-2018 period, have confirmed that there is a trend for most EU companies to favour short termism over long termism and sustainability, and; underlines that the impact of such corporate short termism on EU business trading practices in third countries is unsustainable; stresses that directors' duties should encompass the obligation to integrate long-term sustainability aspects into their business strategy with sustainability targets beyond current shareholder value primacy, and to disclose appropriate information, while taking into account competition policy and legitimate interests to protect internal business know-how; stresses that the development of such strategies should be based on international social, environmental and human rights standards, and should include consulting with local communities where appropriate; notes that a balanced composition of the domestic advisory groups (DAGs) and the lessons learnt from their experience as an inclusive structured dialogue could be used as a model for EU corporate structures that take civil society into account; notes that adjustments to the composition of a board of directors, such as through the appointment of a member with knowledge of sustainable corporate governance, could increase compliance with these obligations; considers that the question of the extent of the applicability of such measures should be determined on the basis of the potential risk of harm; notes that all efforts should be in line with the principle of proportionality;
8. Calls upon the Commission to review the impact of sustainable corporate governance obligations on financial institutions providing trade finance;
9. Stresses the requirement to disclose information on how environmental, social and employee matters, respect for human rights, and bribery and corruption affect a

---

<sup>3</sup> The Alliance for Corporate Transparency Research Report 2019: An analysis of the sustainability reports of 1000 companies pursuant to the EU Non-Financial Reporting Directive, p. 6, available at [http://www.allianceforcorporatetransparency.org/assets/2019\\_Research\\_Report%20Alliance\\_for\\_Corporate\\_Transparency-7d9802a0c18c9f13017d686481bd2d6c6886fea6d9e9c7a5c3cfafea8a48b1c7.pdf](http://www.allianceforcorporatetransparency.org/assets/2019_Research_Report%20Alliance_for_Corporate_Transparency-7d9802a0c18c9f13017d686481bd2d6c6886fea6d9e9c7a5c3cfafea8a48b1c7.pdf)

company and how it affects society and the environment (i.e. the ‘double materiality standard’) should include the sharing of all relevant information on the supply chain; notes that sharing this information pursuant to the rules laid down in the Non-Financial Reporting Directive; stresses that any new EU requirements must be in accordance with the various international reporting standards such as the Global Reporting Initiative, the Sustainability Accounting Standards Board and the International Integrated Reporting Council so as to ensure a level playing field for European companies; notes the importance of providing comprehensive guidelines and indications on what information on value chains needs to be shared;

10. Underlines the importance of the new taxonomy regulation and its significance for supply chains; stresses that tackling tax avoidance is a fundamental part of sustainable corporate governance;
11. Acknowledges the Commission’s proposal to prepare legislation on sustainable corporate governance and due diligence on the basis of OECD Guidelines for Multinational Enterprises and the accompanying OECD Due Diligence Guidance on Responsible Business Conduct, the standards set in core International Labour Organization conventions and the UN Guiding Principles on Business and Human Rights; calls on the Commission to explore the possibility of EU-level certification schemes for supply chains as a complementary initiative to its legislative proposal on due diligence; calls on the Commission to assess which existing legislation could be updated or streamlined;
12. Underlines that sustainable corporate governance should not be understood narrowly as mere due diligence legislation but also trade policy plays a vital role in the smart mix of measures that foster business respect for human rights and mitigate environmental damage; stresses the importance of coherence between corporate governance structures of EU businesses and EU efforts in dialogue with third countries on responsible business conduct through Trade and Sustainable Development chapters in Free Trade Agreements; stresses that both the sustainable corporate governance and corporate due diligence should be considered in the ongoing Trade Policy Review.

## INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

<b>Date adopted</b>	27.10.2020
<b>Result of final vote</b>	+ : 34 - : 3 0 : 6
<b>Members present for the final vote</b>	Barry Andrews, Anna-Michelle Asimakopoulou, Tiziana Beghin, Geert Bourgeois, Saskia Bricmont, Udo Bullmann, Jordi Cañas, Daniel Caspary, Miroslav Číž, Arnaud Danjean, Paolo De Castro, Emmanouil Fragkos, Raphaël Glucksmann, Markéta Gregorová, Enikő Győri, Roman Haider, Christophe Hansen, Heidi Hautala, Danuta Maria Hübner, Herve Juvin, Maximilian Krah, Danilo Oscar Lancini, Bernd Lange, Margarida Marques, Gabriel Mato, Sara Matthieu, Emmanuel Maurel, Carles Puigdemont i Casamajó, Samira Rafaela, Inma Rodríguez-Piñero, Massimiliano Salini, Helmut Scholz, Liesje Schreinemacher, Sven Simon, Dominik Tarczyński, Mihai Tudose, Kathleen Van Brempt, Marie-Pierre Vedrenne, Jörgen Warborn, Iuliu Winkler, Jan Zahradil
<b>Substitutes present for the final vote</b>	Svenja Hahn, Jean-Lin Lacapelle

## FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

34	+
ECR	Emmanouil Fragkos
ID	Danilo Oscar Lancini
GUE/NGL	Emmanuel Maurel, Helmut Scholz
NI	Tiziana Beghin, Carles Puigdemont i Casamajó
PPE	Anna-Michelle Asimakopoulou, Daniel Caspary, Arnaud Danjean, Christophe Hansen, Danuta Maria Hübner, Gabriel Mato, Massimiliano Salini, Sven Simon, Iuliu Winkler
RENEW	Barry Andrews, Jordi Cañas, Svenja Hahn, Samira Rafaela, Liesje Schreinemacher, Marie-Pierre Vedrenne
S&D	Udo Bullmann, Miroslav Číž, Paolo De Castro, Raphaël Glucksmann, Bernd Lange, Margarida Marques, Inma Rodríguez-Piñero, Mihai Tudose, Kathleen Van Brempt
VERTS/ALE	Saskia Bricmont, Markéta Gregorová, Heidi Hautala, Sara Matthieu

3	-
ID	Herve Juvin, Maximilian Krah
PPE	Jörgen Warborn

6	0
ECR	Geert Bourgeois, Dominik Tarczyński, Jan Zahradil
ID	Roman Haider, Jean-Lin Lacapelle
PPE	Enikő Győri

Key to symbols:

+ : in favour

- : against

0 : abstention