# HUMAN RIGHTS AND SUPPLY CHAIN RESPONSIBILITY IN CORPORATE CLIMATE ACTION: A COMPARATIVE EVALUATION OF INTERNATIONAL FRAMEWORKS

#### Nana Ochkhikidze, Guranda Kartvelishvili

Vilnius University Faculty of Law 1st-year International and European Law students Saulėtekio av. 9, I block, 10222 Vilnius

 $Email\ addresses:\ nana.ochkhikidze@tf.stud.vu.lt\ ,\ Guranda.kartvelishvili@tf.stud.vu.lt\ ,$ 

## Academic supervisor of the paper Dr. Donatas Murauskas

Email address: donatas.murauskas@tf.vu.lt

Summary: This research analyzes the intersectionality of corporate climate action and human rights, focusing on how business strategies to combat climate change may unintentionally harm vulnerable populations in the setting of global supply chains. It critically examines the largely unexplored human rights impacts of corporate climate strategies, which tend to focus on carbon reduction and environmental sustainability rather than social impacts. The juxtaposition of international and regional frameworks like the UNGPs, OECD Guidelines, and EU Due Diligence Directive in terms of their scope, customizability, and actual utility in addressing human rights risks tied to climate action is maintained. That is, the relevance of integrating human rights into corporate strategies on climate actions is highlighted, and actionable recommendations are made on how business enterprises can ensure that they do not undermine human rights while pursuing climate goals. By looking into compliance mechanisms, risk assessments, and holding businesses accountable for human rights abuses, the research intends to provide some answers as to whether the systems work or what needs to be improved to create a fairer set of corporate practices that places human rights at the forefront. Also analyzed are the roles of the government, NGOs, and communities in the reduction of supply chain risks and the accountability of the businesses for any human rights violations related to climate.

**Key words:** Corporate Climate Action, Human Rights, Environmental Sustainability, UNGPs, OECD Guidelines, EU Due Diligence Directive, Risk Assessment

#### Introduction

Consideration of the relationship between human rights and corporate climate action is growing in importance. While businesses are the primary stakeholders in mitigating and adapting to climate change, the strategies being adopted primarily focus on carbon reduction and environmental sustainability while ignoring factors that connect to human rights. Therefore, corporate climate strategies should consider the state and the social aspect. Given that global supply chains are notorious for subjecting vulnerable populations to exploitation, displacement, or harm from climate policies, such a gap can have a significant negative impact on society. Regulatory frameworks, both international and regional have been coming to the fore to address corporate responsibility in climate-related issues. However, such differences in the scope, enforceability, and practical application raise questions if these frameworks prove to be effective in mitigating human rights risks arising from corporate climate work. Scholars such as Andrew Clapham and Olivier De Schutter have made significant contributions to the field of corporate responsibility in climate-related issues. Their research has shaped and had an impact on important instruments like the OECD Guidelines for Multinational Enterprises, which have been researched quite a lot for addressing problems of corporate crimes in different countries. While these authors have offered valuable perspectives on the regulatory frameworks, this paper stands out for its particular focus on the usefulness and practical implementation of these frameworks in reducing the risks to human rights that come with corporate climate response. It also explores how current regulatory frameworks can be strengthened to better address the evolving challenges in both human rights and environmental sustainability.

The intersection of business and environmental interests is typically where due diligence in a supply chain is applicable. Environmental damage, land degradation, and worker exploitation are omnipresent in supply chains, from extraction to consumer end-use, thus creating an unfair burden on vulnerable communities. The aim of this study is to analyze optimum practices to assist in balancing the corporate objectives of climate actions against human rights by comparing different existing frameworks, such as the UNGPs (United Nations Guiding Principles on Business and Human Rights), the OECD Guidelines for Multinational Enterprises and the EU Due Diligence Directive - in terms of compulsory and voluntary measures, enforcement, and accountability systems. The European Commission is currently reviewing the EU Due Diligence Directive and the greater EU sustainability regulations. Consequently, the sustainability requirements set forth in EU legal acts may soon be drastically lowered. However, it is important to note that this paper is submitted based on the current content of the Directive as it stands at present.

The practical outcome will be for companies to incorporate human rights into climate initiatives, contributing to a broader discussion on corporate responsibility

for climate change. The study's comparative sectoral and regional approach will examine due diligence standards, compliance enforcement, and business accountability for human rights abuses. The assessment will also take on how businesses work with governments, NGOs, and communities to manage supply chain risks and realize opportunities with low marginal costs and high potential return to secure ecosystems under risk. Ultimately, this paper explores how effective these frameworks have been in addressing both the human rights and environmental dilemmas of corporate climate action while proposing some ways to improve that.

In order to accomplish sustainable environmental goals, this paper addresses the drawbacks of depending exclusively on corporate welfare. Binding, well-defined regulations, along with appropriate sanctions, are essential to protect fundamental human rights, including the rights of minors to be free from exploitative labor, the right to a healthy environment, and the fundamental right to life. The UNGPs, the EU Due Diligence Directive and the OECD Guiding Principles provide essential frameworks for addressing human rights and supply chain responsibilities in corporate climate action. However, vulnerable populations are disproportionately affected by the impacts of climate change, including the impact on market-based business operations. Therefore, strong and enforceable regulations and sanctions are crucial to ensuring maximum protection of human rights.

## 1. Conceptual foundation

## 1.1. The role of supply chain

Understanding the relationship between environmental sustainability and social justice is essential for incorporating human rights into corporate climate action. At its core, corporate climate action refers to the methods and approaches that companies employ to mitigate the consequences of and adapt to climate change. Although these efforts often concentrate on lowering greenhouse gas emissions, their execution might unintentionally affect human rights, especially in global supply chains where vulnerable groups are disproportionately affected by negative social and environmental consequences. This interconnectedness underscores the importance of comprehensive approach that values both environmental objectives and the safeguarding and advancement of human rights. The supply chain is the web of organizations, procedures, and actions that go into making and delivering a good or service to a consumer, from obtaining raw materials to the last delivery. Customers will be sat-

Buhmann, K., Roseberry, L., & Morsing, M. (2010). Corporate Social and Human Rights Responsibilities: Global, Legal and Management Perspectives. Routledge. 45–48

Martin, J., & Bravo, K. E. (2016). The Business and Human Rights Landscape: Moving Forward, Looking Back. Cambridge University Press. P. 112–115

isfied, expenses will be kept under control, and the supply chain will run smoothly. Before a product reaches the customer, it goes through several stages that have an impact on delivery time, quality, and price.

Modern supply chains are now predominantly digitalized via technology. This usage of digital devices enhances tracking and management for both goods and the information flow, taking place in real-time. For instance, Amazon engages high-throughput logistics systems that facilitate stock and demand pattern forecasting, ultimately resulting in enhanced speed and efficiency in handling orders. Likewise, ERP systems<sup>3</sup> and automated warehouses serve the businesses well by aligning the moving parts of their respective supply chains, resulting in lower costs with reduced lead times. Supply chains are extremely susceptible to disruptions, be they natural or manmade. This could include political unrest or global health crises such as COVID-19.<sup>4</sup> All these cause delays, increase costs, and have effects on the availability of goods.<sup>5</sup>

In recent times, the freshness forced companies to remain with heads up to address sustainability and ethics in their supply chains. In increasing numbers, consumers and investors expect businesses to reflect on the environmental impact as well as the human rights considerations of their supply chain activities. Take, for instance, Nike<sup>6</sup> and Patagonia<sup>7</sup>, which run sustainability programs across their supply chains to reduce their carbon footprints and waste and enhance ethical labor practices. More people than ever now want to know where the products come from and whether they are produced in a socially and environmentally responsible manner. This has generally forced businesses to introduce social and environmental issues into their supply chain management by adopting policies that promote use of recycled materials, fair labor practices, and transparency in sourcing. In an increasingly globalized world, business success and the quite interlinked and rising demands regarding sustainability and ethics are heavily dependent on supply chain management. The approach therefore must find a balance between efficiency, cost, and environmental considerations for sustainable supply chains to exist.

The Impact of ERP on Supply Chain Management: Exploratory Findings From a European Delphi Study https://www.researchgate.net/publication/222299813\_The\_Impact\_of\_ERP\_on\_Supply\_Chain\_Management\_Exploratory\_Findings\_From\_a\_European\_Delphi\_Study

<sup>&</sup>lt;sup>4</sup> Supply chain management during and post-COVID-19 pandemic: Mitigation strategies and practical lessons learned https://pmc.ncbi.nlm.nih.gov/articles/PMC8776498/

<sup>&</sup>lt;sup>5</sup> For instance, during the pandemic, it disclosed certain global supply chain borders whereby factories and shipping became bottlenecks in the production and distribution processes.

<sup>6</sup> https://about.nike.com/en/impact/initiatives/reducing-our-carbon-footprint

<sup>&</sup>lt;sup>7</sup> Supply Chain Environmental Responsibility Program https://www.patagonia.com/our-footprint/supply-chain-environmental-responsibility-program.html

### 1.2. Human Rights in the Context of Corporate Climate Action

Human rights play an important role in corporate responsibility, covering a range of topics like labor rights, land rights, and the rights of communities affected by corporate operations. Supply chain due diligence is essential in this case, enabling businesses to recognize, assess and mitigate human rights risks in their supply chains and operations. The concept of due diligence has transitioned from voluntary corporate social responsibility to legally mandated obligations under specific frameworks, indicating a move towards stronger accountability.<sup>8</sup>

International and regional standards provide the theoretical foundation for incorporating human rights into corporate climate action. The UN Guiding Principles on Business and Human Rights (UNGPs) underscore the corporate responsibility to respect human rights. Similarly, the OECD Guidelines for Multinational Enterprises advocate for due diligence to prevent and address human rights and environmental risks. In addition, the EU Due Diligence Directive raises the level of commitment by laying legally binding requirements on companies operating within its borders. These two frameworks work together in forming a critical basis that aligns the environmental requirements for corporate action with human rights standards, necessitating that these businesses pay attention not merely to environmental concerns but also to attend issues of social justice.

The growing importance of human rights when considering the business initiative to combat climate change demonstrates a deepening recognition of the close affinities linking social and environmental issues. While climate strategies often aim at reducing greenhouse gas emissions and sustainability, the social effects of the strategies sometimes arise as an unintended consequence. For instance, renewable energy projects or resource extraction might displace communities, disrupt traditional ways of life, or lead to the exploitation of vulnerable workers in the supply chain. <sup>11</sup> These findings highlight the importance of integrating human rights protections into corporate climate strategies to guarantee that climate action does not compromise social justice.

The UN Guiding Principles on Business and Human Rights (UNGPs) articulate the principle of corporate responsibility for human rights, emphasizing that businesses should prevent and mitigate negative human rights impacts stemming from their operations. <sup>12</sup> This responsibility encompasses global supply chains, where labor

Moss, J. (2009). Climate Change and Social Justice. Melbourne University Publishing. P. 73–78

<sup>9</sup> R., Elliott, L. (2013). Business and Human Rights: A Reader. Polity Press. P. 34–36

DeMartini, P., Ahmed, S. F. (2018). Sustainability and Corporate Social Responsibility: Case Studies in the Global Context. Springer. P. 92–95

<sup>&</sup>lt;sup>11</sup> Buhmann, K. Roseberry, L. Morsing, M. (2010). Corporate Social and Human Rights Responsibilities: Global, Legal and Management Perspectives. Routledge. P. 52–55

<sup>&</sup>lt;sup>12</sup> Howitt. R. Elliott, L. (2013). Business and Human Rights: A Reader. Polity Press. P. 41–44

exploitation and environmental degradation frequently coincide. For instance, studies indicate that resource-extractive industries often face accusations of land rights violations or exploitation of local communities, underscoring the human rights risks inherent in supply chain operations.<sup>13</sup>

Due diligence requires companies to identify, assess, and mitigate human rights risks across their operations. Following OECD guidelines, this due diligence is essential for preventing harm to individuals and communities while pursuing environmental objectives. <sup>14</sup> It should be said that, in practice, it means that companies must actively engage stakeholders, particularly those affected by climate-related business activities, to ensure that human rights concerns are adequately addressed. Corporate accountability has increasingly played a role in enabling the companies to act against climate action without the risk of being accused of human rights violations through displacement or exploitation within global supply chains. As new initiatives emerge under climate strategy, they should be free from charges of taking away social justice. This means moving from voluntary guidelines like the UNGPs and OECD Guidelines to legally binding obligations, such as the EU due diligence directive, since only these ensure that human rights can be integrated into climate action at a higher systemic level or level integration.

The challenge lies in the inconsistent implementation of human rights obligations across international and regional frameworks. The voluntary status of the UNGPs and OECD Guidelines contrasts sharply with the constitutive binding legal requirements of the set-out EU Due Diligence Directive. The disparity makes compliance a contest in public relations, and investing in human rights as a consideration in climate action is, as a result, more difficult. This means that all the negative social impacts such actions might have on supply chains should be identified and addressed to formulate business adaptation further to climate change. Placement of human rights consideration in climate goals helps to minimize adverse unintended impacts while maximizing the potential for just and sustainable outcomes. As more people realize how closely human rights and climate change are related, businesses have new opportunities to support moral and legal compliance while building a long-term infrastructure for stakeholder trust and resilience. Hence, aligning climate and human rights efforts is essential for achieving a just and sustainable future for all.

Martin, J. Bravo, K. E. (2016). The Business and Human Rights Landscape: Moving Forward, Looking Back. Cambridge University Press. P. 132–134

DeMartini, P., Ahmed, S. F. (2018). Sustainability and Corporate Social Responsibility: Case Studies in the Global Context. Springer. P. 102–105

#### 2. Overview of Relevant Frameworks

## 2.1. UN Guiding Principles on Business and Human Rights (UNGPs)

The UN Guiding Principles on Business and Human Rights (UNGPs), adopted by the United Nations in 2011, set the global standard for addressing the human rights impacts of business activities. The UNGPs The UNGPs formulate three key aspects: State duty to protect human rights, the responsibility of businesses to respect human rights, and access to remedy for victims of business-related human rights abuses.<sup>15</sup>

#### 2.1.1. Purpose and Scope of the UNGPs

There is no single silver bullet solution to the institutional misalignments in the business and human rights domain. Instead, all social actors – States, businesses, and civil society – must learn to do many things differently. But those things must cohere and become cumulative, which makes it critically important to get the foundation right. <sup>16</sup>

The abovementioned three principles can apply globally and guide businesses in different sectors and geographies, irrespective of the local legal frameworks that may have been in place. They are meant to unify the business practices in accordance with international human rights standards and continuous attention and improvement. This keeps the company responsible, adaptable to the emerging risks, and breeds a culture respecting human rights. The UNGPs have that flexible understanding, allowing for enterprises of all sizes to contextualize their response within specific risks and contexts while ensuring ongoing evaluation and reporting about their human rights undertakings.

#### 2.1.2. Relevance to Climate Change and Supply Chains

The relevance of the UNGPs regarding the relationship between global supply chains and climate change is growing. Businesses should also be aware that they will always take human rights concerns into account when making decisions about climate change, even as they navigate its effects on the environment and society. Those include the forced relocation of affected communities, land rights disputes relating to extraction or use of resources, labor exploitation, and degradation of the environment.

Human rights violations should not be tolerated in the name of meeting climate targets, such as cutting greenhouse gas emissions, switching to renewable energy, or

 $<sup>^{15} \</sup>quad https://www.undp.org/sites/g/files/zskgke326/files/migration/in/UNGP-Brochure.pdf$ 

Beyond CSR: The Story of the UN Guiding Principles on Business and Human Rights John F. Sherman III\* Corporate Responsibility Initiative, Harvard Kennedy School March 2020 Working Paper No. 71 P.1 https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/CRI\_AWP\_71.pdf

Business and Human Rights After Ruggie: Foundations, the Art of Simplification and the Imperative of Cumulative Progress\* Radu Mares in R. Mares (ed.), The UN Guiding Principles on Business and Human Rights – Foundations and Implementation, Martinus Nijhoff Publishers (Leiden, Boston 2012) pp. 1-50

using unsustainably sourced materials. The UNGPs really provide a corporate-wide framework for assessing, avoiding, mitigating, and remediating human rights impacts arising from corporate climate action plans. Bracing human rights considerations into climate change strategies, therefore, according to the UNGPs, defines an approach toward sustainability within both environmental and social responsibility.<sup>18</sup>

### 2.2. OECD Guidelines for Multinational Enterprises

## 2.2.1. Purpose and Scope of the OECD

Since the OECD guidelines will not cover every subject, they will also help to facilitate guidance on matters like environmental protection, human rights, and even due diligence—the scope of which promotes ethical business practices. In a variety of international contexts, it is crucial for multinational enterprises (MNEs) because it emphasizes procedures that will motivate companies to uphold human rights and steer clear of environmental hazards by being transparent and accountable.

The OECD Guidelines encourage MNEs to observe international human rights wherever they operate and across the supply chain. Main issues of interest are labor rights, non-discrimination, and rights of vulnerable communities. It ensures that MNEs avoid complicity in human rights abuses, especially in those supply chains where violations are more widespread. The labor rights that are most pertinent to these provisions are the freedom of association and the prohibition of child labor and forced labor. As for the guidelines, community engagement is necessary that businesses respect the lands and cultural rights of indigenous and local communities when operating in high-risk areas. <sup>19</sup>

The environment is another aspect of major OECD Guidelines, namely, sustainability and environmental stewardship. Additionally, multinational corporations are urged to integrate environmental protection into their operations, from sustainable resource management to emission reduction. Especially, evaluation and possible modification of impacts on the environment when it comes to climate consideration, water consumption, and biodiversity. In addition, MNEs should implement careful practices in all the supply chains and minimize wastages, enhance resource utilization, and decrease overall detrimental effects on the environment.<sup>20</sup>

Business and Human Rights After Ruggie: Foundations, the Art of Simplification and the Imperative of Cumulative Progress\* Radu Mares in R. Mares (ed.), The UN Guiding Principles on Business and Human Rights – Foundations and Implementation, Martinus Nijhoff Publishers (Leiden, Boston 2012) pp. 1-50 UN Guiding Principles on Business and Human Rights (2011). United Nations Human Rights Office.

<sup>&</sup>lt;sup>20</sup> OECD. (2011). OECD Guidelines for Multinational Enterprises. Organization for Economic Co-operation and Development.

This phrase illustrates the concept of "due diligence" as ingrained in OECD standards, which essentially place the responsibility for identifying, evaluating, and promptly mitigating the risk of environmental impacts and human rights violations related to business operations on companies. This specific requirement covers supply chain assurance against social or environmental standards violations as well as comprehensive generalized risk assessments of operations in high-risk areas or industries. According to the guidelines, due diligence should also be conducted transparently, meaning that a business should openly disclose its efforts and the steps it has taken to address possible risks. Sound due diligence also entails stakeholder engagement with those potentially affected by the project, such as local communities, trade unions, or non-governmental organizations (NGOs). In cases of adverse impacts from business activities, the guidelines recommend companies provide remedies and ensure that grievance mechanisms are easily accessible to the affected populations. <sup>21</sup>

# 2.3. EU Due Diligence Directive

## 2.3.1. Legislative Scope and Objectives

The EU Due Diligence Directive marked a turning point in the larger work of the European Union to mainstream human and environmental standards globally into business operations. To make big businesses take accountability for recognizing, evaluating, and reducing risks related to their supply chains and operations, the Directive requires them to set up mandatory due diligence commitments. As such, it adds to the corporate accountability framework while ensuring that business activities go in line with some of the most critical long-term sustainability goals of the EU, including those in the European Green Deal and the UN Sustainable Development Goals (SDGs).<sup>22</sup>

The Directive aims to provide a broad legislative framework for both European and non-European businesses that conduct substantial operations within the European Union. Under that provision, companies are going to be part of a letter scrutinizing all their supply chains, including operations, subsidiaries, and business relationships, to ensure that their activities do not harm human beings and others on the planet. Hence, businesses will have to actively assess risks about various issues

 $<sup>^{21}</sup>$  UN Guiding Principles on Business and Human Rights (2011). United Nations Human Rights Office.

 $<sup>^{22}</sup>$  Corporate sustainability due diligence Fostering sustainable and responsible corporate behavior for a just transition towards a sustainable economy https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence\_en#:~:text=This%20Directive%20establishes%20a%20corporate,those%20of%20 their%20business%20partners.

like forced labor, child labor, environmental pollution, and a few others among other high-risk sectors, such as mining, textiles, and agriculture.<sup>23</sup>

The EU Due Diligence Directive is not only a pure regulatory instrument, but it is also an important tool for advancing sustainable development. Insisting that businesses become change agents for a more equitable, sustainable, and resilient global economy, it directly addresses the intertwining problems of poverty, inequality, and environmental degradation. The Directive aims to embed due diligence obligations in the legal fabric of European commerce with the clear intention to push companies toward long-term responsibility, ethical conduct, and a commitment to protecting vulnerable populations and ecosystems all over the world. The directive supports the development of due diligence within corporate governance, thereby positioning the EU at the global forefront of sustainable business conduct and corporate accountability, which could lead to similar regulations in other regions and strengthen the global drive towards sustainable, ethical business.

## 2.3.2. Mechanisms for Enforcement and Compliance

The ultimate success of the Directive is determined by its objectives and scope, as well as the enforcement and compliance systems ensuring its implementation within and outside the European Union. These mechanisms' purpose is to make sure that companies operating within the legal and economic realm of the EU adhere to the highest ethical standards and therefore establish a strong framework for accountability. This framework for implementing the Directive establishes competent authorities in the respective member states to supervise, investigate, and enforce compliance with the due diligence obligations. Because of the authority to apply financial sanctions and to even prescribe remedial actions, national regulators have a very significant impact on retreating irresponsible business behavior and strengthening the importance of human rights and environmental standards.<sup>24</sup>

Alongside the Directive, it builds up much civil liability upon the companies for not fulfilling their due diligence obligations. In addition to making companies accountable for violating a provision, such a clause provides everyone with a remedy by allowing them to sue others for any infractions that may have taken place. This enables persons, communities, and other organizations affected by corporate misdemeanors to demand payment as compensation from their debtors. It strengthens

DIRECTIVE (EU) 2024/1760 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

What is the European Corporate Sustainability Due Diligence Directive? Key considerations and actions for companies Authors: Magda Puzniak-Holford Ruth Kilsby https://www.deloitte.com/uk/en/Industries/financial-services/blogs/what-is-the-european-corporate-sustainability-due-diligence-directive.html

access to justice and shows true commitment from the EU for claiming accountability of corporations. It is also to the purpose of propping up transparency by requiring strict reporting to companies about their due diligence process and the outcomes of the measures taken by the companies in managing risk situations. Stakeholders, like consumers, investors, and civil society groups, are empowered to scrutinize corporate practices, helping to ensure that companies remain aligned with the principles of sustainability and human rights.<sup>25</sup>

Furthermore, the Directive incorporates private enforcement mechanisms that enable civil society, including NGOs and impacted communities, to keep an eye on corporate behavior, alert the public to infractions, and promote corporate responsibility. In the enforcement process, these civil societies are crucial because they force companies to fulfill their due diligence duties and, in certain situations, provide victims with the assistance they need to get justice. Thus, the Directive enables the establishment of a greater collective approach towards compliance, in which the burden does not gravitate solely on governmental bodies but is borne up by society in general. In addition, affected parties can also contest enforcement decisions in any national court, as the Directive contains judicial oversight. Hence, such enforcement processes are confirmed in terms of equity and transparency and allow for recourse to judicial scrutiny. Consequently, this EU Due Diligence Directive maps out a broad and ambitious architecture for the responsibility of businesses in social and environmental impact. Its mechanisms for enforcement and compliance start from national authorities and civil penalties to the participation of civil society and judicial oversight. They are meant to build a culture of responsible business conduct in line with the EU's other broader goals in sustainable development, human rights, and environmental protection. They would embed these enforcement mechanisms in the legislative framework, setting the cause for a just, accountable, and ethical global economy where businesses can't help but act in ways that benefit both society and the planet.26

# 3. Comparative Analysis

# 3.1. Integration of Human Rights in Corporate Climate Action

In recent years, businesses, policymakers, and civil society organizations have become increasingly interested in the relationship between rights and corporate efforts

 $<sup>^{25}\,</sup>$  THE EU CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE MAXIMISING IMPACT THROUGH TRANSPOSITION AND IMPLEMENTATION Author: Gabrielle Holly

EU Corporate Sustainability Due Diligence Directive A balanced and proportionate EU law is needed https://www.dai.de/fileadmin/user\_upload/220523\_Position\_Paper\_on\_Proposal\_Corporate\_Sustainability\_Due\_Diligence\_Directive.pdf

to combat climate change. Acknowledging that environmental sustainability and social consequences are closely linked has prompted a shift toward including human rights in addressing climate issues. Several worldwide frameworks, such as the UNGPs, the OECD Guidelines, and the EU Due Diligence Directive, offer guidelines to guarantee that businesses uphold human rights while engaging in climate initiatives. Together, they promote due diligence practices that protect vulnerable communities, the environment, and workers' rights as businesses work to meet their sustainability goals.

The UNGPs, endorsed by the UN Human Rights Council in 2011, serve as the blueprint for incorporating human rights into corporate activities. These guidelines underscore the obligation of businesses to uphold rights throughout their practices and supply chains, even as they engage in environmental initiatives. As outlined in the UNGPs, businesses must safeguard rights while executing their environmental plans, especially within communities at risk due to climate variations. The fundamental principles of the UNGPs include (a) the obligation of governments to safeguard rights; (b) businesses accountability to uphold human rights; and (c) ensuring redress for individuals impacted by human rights transgressions.<sup>27</sup>

When it comes to climate change issues, the UNGPs stress the importance of companies not making things worse regarding human rights violations linked to activities related to climate change. For instance, shifting towards energy is important for tackling climate change, but it could also result in problems like land seizure, forced relocation, and exploitation of workers in areas where indigenous or local communities reside.<sup>28</sup> Therefore, it is crucial for businesses to thoroughly investigate to make sure that their environmental plans do not support any actions such as the ones mentioned above in your example about renewable energy initiatives like solar or wind farms causing disputes over land rights in underdeveloped countries, which can be resolved by considering the UNGPs and guaranteeing that affected communities consent freely and are well informed (FPIC).

The OECD Guidelines provide a framework for businesses to follow regarding environmental conservation and human rights initiatives. They were first introduced in 1976 and were last updated in 2011. These guidelines stress the significance of responsibility and transparency, especially in addressing environmental threats and human rights violations within international supply chains. The regulations require that MNEs uphold labor rights equality and protect the interests of marginalized communities throughout their business activities. They are encouraged to evaluate

<sup>&</sup>lt;sup>27</sup> United Nations. (2011). Guiding Principles on Business and Human Rights. United Nations Human Rights Office. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciples-businesshr\_en.pdf

<sup>&</sup>lt;sup>28</sup> United Nations. (2011). Guiding Principles on Business and Human Rights. United Nations Human Rights Office. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciples-businesshr\_en.pdf

and act regarding the effects of their climate-related actions on human rights by making sure that their initiatives to reduce environmental harm do not infringe upon the rights of workers or result in environmental harm that unfairly impacts disadvantaged communities.<sup>29</sup>

The OECD Guidelines are in line with the UNGPs as they urge businesses to assess risks in industries such as mining and agriculture that are vulnerable to climate change impacts like never before seen before in the textile sector. Focusing on sourcing practices that reduce emissions in these sectors may lead to unfavorable labor conditions or environmental damage if appropriate checks are not conducted carefully. Businesses following the OECD Guidelines must detect these risks early and act promptly to address them.

A global regulation that went into effect in 2022, the EU Due Diligence Directive applies to big businesses that operate in the EU or do business with the EU market. The directive requires these companies to carry out due diligence procedures to identify and reduce risks related to human rights and the environment within their supply chains. Companies must not only focus on human rights issues but also pay attention to environmental risks associated with climate change, such as deforestation and deceptive practices, in carbon offset initiatives. The EU Due Diligence Directive sets out legal obligations for companies to evaluate their climate-related risks and implement necessary measures to avoid infractions, Unlike the UNGPs that offer recommendations. Furthermore, companies must publicly share information about their efforts and results to foster transparency in their operations. The legal guidelines outlined in the Directive help ensure that businesses are held accountable for upholding rights and environmental standards in the face of climate change initiatives.

Incorporating human rights concerns into efforts to address climate change is not only about ethical obligations but also about legal and financial responsibilities as well. The EU Due Diligence Directive provides guidelines for legal consequences by granting affected groups like employees and local communities the ability to challenge companies for breaches concerning human rights or environmental damage within their climate initiatives. This measure enhances the effectiveness of investigation by allowing members of society to oversee business behavior and request reparation for any damages incurred.<sup>32</sup> The OECD Guidelines and the UNGPs both stresses

<sup>&</sup>lt;sup>29</sup> OECD (2011), OECD Guidelines for Multinational Enterprises, 2011 Edition, OECD Publishing, Paris, https://doi.org/10.1787/9789264115415-en.

<sup>&</sup>lt;sup>30</sup> European Commission. (2022). EU Due Diligence Directive. European Union. https://eur-lex.europa.eu/eli/dir/2024/1760/oj

<sup>&</sup>lt;sup>31</sup> European Commission. (2022). EU Due Diligence Directive. European Union. https://eur-lex.euro-pa.eu/eli/dir/2024/1760/oj

 $<sup>\</sup>overline{^{32}}$ European Commission. (2022). EU Due Diligence Directive. European Union. https://eur-lex.europa.eu/eli/dir/2024/1760/oj

how crucial it is for businesses to establish reach channels for handling grievances and providing solutions to those impacted by their climate-related operations.

#### 3.1.1. Analysis of Human Rights Integration Across Frameworks

Incorporating human rights principles into business strategies is crucial for promoting ethical practices on a global scale. The examination evaluates the UNGPs, OECD Guidelines, and the EU Due Diligence Directive to assess how they incorporate human rights considerations into governance methods.

The UNGPs play a role as the core international benchmark by setting up three key principles. The obligation of governments to safeguard human rights, the accountability of businesses to uphold human rights, and the provision of redress for victims of violations.<sup>33</sup>These guidelines stress the importance of companies carrying out assessments of human rights within their operations and supply chains to meet global human rights norms effectively. Reiterating the need for businesses to adapt their approaches while maintaining transparency through public disclosures is a key aspect of the UNGPs.

The OECD guidelines also emphasize the significance of human rights due diligence (HRDD) and detail various human rights safeguards such as labor rights protection, against discrimination, and ensuring the rights of vulnerable groups are upheld. He recommendations are quite effective in handling the intricacies of supply chains and promoting transparency and proactive risk management practices. They delve deeper than the UNGPs by connecting human rights concerns with environmental sustainability efforts in line with corporate social responsibility (CSR).

The EU Due Diligence Directive enhances existing frameworks by making it compulsory for companies to establish diligence procedures that focus on addressing human rights and environmental risks within their supply chains. In contrast to the UNGPs and OECD Guidelines that depend on compliance, the Directive introduces enforceable measures such as civil liability for breaches and penalties for failure to comply. This binding approach enhances accountability and guarantees the full integration of human rights principles into business practices.

One key area where these frameworks align is their understanding of the relationship between climate issues and human rights concerns, emphasizing that environmental initiatives like the shift to energy should consider their societal consequences as well. For instance, the UNGPs call for FPIC for communities impacted by climate

<sup>&</sup>lt;sup>33</sup> United Nations. (2011). Guiding Principles on Business and Human Rights. United Nations Human Rights Office. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr\_en.pdf

<sup>&</sup>lt;sup>34</sup> OECD (2011), OECD Guidelines for Multinational Enterprises, 2011 Edition, OECD Publishing, Paris, https://doi.org/10.1787/9789264115415-en.

<sup>35</sup> European Commission. (2022). EU Due Diligence Directive. European Union. https://eur-lex.euro-pa.eu/eli/dir/2024/1760/oj

initiatives, while the EU Directive requires thorough involvement of stakeholders in sectors with high risks.  $^{36}$ 

#### 3.1.2. Gaps and Overlaps

All three approaches acknowledge the fact that efforts should be made owing to the facts and figures provided for outlining the due diligence for human rights (HRDD). The three-pillar meant protection, respect and remedy in the UNGPs, which recognized that the businesses have a role to play in meeting the demands resting on human rights as outlined in the OECD Guidelines and then the EU Directive.<sup>37</sup>

Unlike the OECD Guidelines and the revised UNGP in 2011, there is no divergence on the point of refusing forced and child labor among these frameworks. As a result, the EU directive protects the rights of the most vulnerable children. In addition, there is a good amount of convergence on the requirements for stakeholder engagement and its timeliness for high-risk industries, and for the need for businesses to respect human rights internationally as per the Universal Declaration of Human Rights and the ILO Core Conventions.<sup>38</sup>

The UNGPs and OECD Guidelines, while globally applicable, are non-binding and rely heavily on voluntary compliance, limiting their enforceability in jurisdictions with weak legal structures.<sup>39</sup> By contrast, the EU Directive introduces binding obligations and mechanisms for enforcement, including civil liability for non-compliance. However, its limited scope, focusing on large corporations, excludes many

<sup>&</sup>lt;sup>36</sup> United Nations. (2011). Guiding Principles on Business and Human Rights. United Nations Human Rights Office. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciples-businesshr en.pdf

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<sup>&</sup>lt;sup>37</sup> United Nations. (2011). Guiding Principles on Business and Human Rights. United Nations Human Rights Office. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciples-businesshr en.pdf

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OECD (2011), OECD Guidelines for Multinational Enterprises, 2011 Edition, OECD Publishing, Paris, https://doi.org/10.1787/9789264115415-en

<sup>&</sup>lt;sup>38</sup> Nolan, J. (2021). Business and Human Rights: The Role of Corporate Social Responsibility in Global Supply Chains. Cambridge University Press. P. 565-567

<sup>&</sup>lt;sup>39</sup> Muchlinski, P. (2007). *Multinational Enterprises and the Law (2nd ed.)*. Oxford University Press. P.81-89

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small and medium-sized enterprises (SMEs) despite their significant role in global supply chains.  $^{40}$ 

Another critical gap concerns the integration of human rights in climate action. While all frameworks acknowledge the intersection of environmental and social impacts, the UNGPs and OECD Guidelines provide only general principles without detailed measures for addressing risks such as land grabbing or the exploitation of vulnerable communities in renewable energy projects. The EU Directive requires sector-specific risk assessments, but it lacks detailed protocols, leaving companies to navigate complex environmental and social challenges independently.

While these frameworks collectively promote human rights integration, the voluntary nature of the UNGPs and OECD Guidelines limits their impact, particularly in comparison to the enforceable obligations of the EU Directive. Addressing gaps in scope, especially regarding SMEs and sector-specific climate risks, could strengthen global efforts to harmonize corporate practices with human rights and environmental sustainability.

## 3.2. Mandatory v. Voluntary Obligations

The difference between required and optional rules in how companies handle human rights and environmental issues greatly affects how well global systems work and are enforced. While optional programs like the UNGPs and OECD Guidelines provide general ideas, required systems like the EU Due Diligence Directive set strict rules that must be followed, leading to better responsibility.

The UNGPs, introduced in 2011, outline a voluntary framework for businesses to respect human rights through due diligence, encouraging flexibility and adaptability across industries and jurisdictions.<sup>42</sup> Similarly, the OECD Guidelines are recommendations for responsible business conduct, offering non-binding guidance on labour rights, environmental stewardship, and anti-corruption practices.<sup>43</sup> Corporate

<sup>&</sup>lt;sup>40</sup> Besson, S. (2023). Due Diligence Obligations in International Law. Academie de Droit International de la Haye/The Hague Academy of International Law. P.196-198

file:///C:/Users/Thinkpad/Downloads/Besson\_due\_diligence\_in\_international\_law\_2023%20(1).pdf <sup>41</sup> Nolan, J. (2021). *Business and Human Rights: The Role of Corporate Social Responsibility in Global Supply Chains.* Cambridge University Press. P.565-567

<sup>&</sup>lt;sup>42</sup> Ruggie, J. G. (2013). *Just Business: Multinational Corporations and Human Rights.* W.W. Norton & Company.P.5-6.

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<sup>&</sup>lt;sup>43</sup> Muchlinski, P. (2007). Multinational Enterprises and the Law (2nd ed.). Oxford University Press. P 90-92

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self-regulation is an element of these frameworks. It fuels innovation. Can result in uneven implementation due to a shortage of enforcement measures.<sup>44</sup> Critics say that when companies have voluntary responsibilities, they can choose which rules to follow, especially in places where the government doesn't enforce rules strictly.

On the other hand, required rules such as the EU Due Diligence Directive force companies to find, evaluate, and reduce risks in their work and supply chains. If they don't follow these rules, they could face legal penalties. <sup>45</sup> This Directive requires companies to provide clear information and ensures they are held responsible through fines, legal actions, and ways for victims to seek justice. Although it mainly focuses on big companies, its strict rules encourage better behaviour and discourage harmful actions, creating an example for how businesses should be managed worldwide. <sup>46</sup> However, administrative challenges can be created for companies, especially small and medium-sized businesses (often referred to as SME), that are frequently not included in these requirements. <sup>47</sup> Voluntary obligations, while offering flexibility, often lack consistency and fail to address systemic issues effectively.

## 3.3. Accountability and Enforcement Mechanisms

Ensuring that companies uphold their rights and environmental responsibilities requires strong accountability and enforcement measures in place. The UNGPs and the OECD Guideline are examples of frameworks that emphasize transparency and stakeholder involvement, but they do not have strict enforcement mechanisms in place. The OECD Guidelines suggest using grievance mechanisms such as National Contact Points (NCPs), which provide mediation and dialogue to address conflicts effectively. However, the effectiveness of NCPs varies significantly across jurisdictions, leading to inconsistent enforcement. Critics say that these methods, even though they encourage conversation, often don't do enough to make companies fully responsible for widespread wrongdoings.

<sup>&</sup>lt;sup>44</sup> Nolan, J. (2021). Business and Human Rights: The Role of Corporate Social Responsibility in Global Supply Chains. Cambridge University Press. P.668-569

<sup>&</sup>lt;sup>45</sup> Besson. S. (2023). Due Diligence Obligations in International Law. Academie de Droit International de la Haye/The Hague Academy of International Law. P.196-198

file:///C:/Users/Thinkpad/Downloads/Besson\_due\_diligence\_in\_international\_law\_2023%20(1).pdf <sup>46</sup> European Commission. (2022). *EU Due Diligence Directive. European Union*. https://eur-lex.europa.eu/eli/dir/2024/1760/oj

<sup>&</sup>lt;sup>47</sup> Nolan, J. (2021). Business and Human Rights: The Role of Corporate Social Responsibility in Global Supply Chains. Cambridge University Press.

<sup>&</sup>lt;sup>48</sup> Muchlinski, P. (2007). *Multinational Enterprises and the Law* (2nd ed.). Oxford University Press.

<sup>&</sup>lt;sup>49</sup> Nolan, J. (2021). Business and Human Rights: The Role of Corporate Social Responsibility in Global Supply Chains. Cambridge University Press.

National authorities under the Directive are empowered to investigate and penalize businesses, ensuring compliance with due diligence requirements. This method also makes it easier for victims to get legal help, making companies more responsible by using legal ways to solve problems. Also, the Directive requires companies to publicly report how they are reducing risks, which helps people keep an eye on what companies are doing. Even though these steps make the rules stronger, there are still problems, like making sure all EU countries enforce the rules the same way and dealing with bad behaviour by companies in their worldwide supply chains.

# 4. Opportunities for Enhanced Corporate Responsibility

The changing global rules for governance provide great chances for businesses to take on more responsibility, especially in areas like human rights and protecting the environment. For example, laws like the EU Corporate Sustainability Due Diligence Directive make companies check, evaluate, and reduce risks related to human rights abuses and environmental harm in their supply chains. This legal requirement encourages a consistent way for companies to act responsibly and stops them from moving to places with weaker rules just to avoid stricter standards. Courts are increasingly willing to hold parent companies responsible for human rights abuses committed by their smaller companies. A key example is the UK Supreme Court's decision in the case of **Vedanta Resources PLC v. Lungowe [2019] UKSC 20.** This ruling highlights how companies can be held liable for their actions, especially in industries with high risks. It also shows how important it is for companies to carefully check and manage risks in their operations.

Technology also helps companies do better in being responsible. For example, blockchain lets businesses track and check materials and workers in real-time, making supply chains more open and clear. This matches the OECD Guidelines for Multinational Enterprises, which focus on strong reporting and checking systems to avoid harm.<sup>53</sup> In the same way, AI-powered data analysis helps spot risks and keep track of compliance. This makes it simpler for businesses to follow guidelines like the UN

<sup>&</sup>lt;sup>50</sup> European Commission. (2022). *EU Due Diligence Directive. European Union*. https://eur-lex.europa.eu/eli/dir/2024/1760/oj

<sup>&</sup>lt;sup>51</sup> European Commission. (2022). EU Due Diligence Directive. European Union.

The EU Regulation of the European Parliament and of the Council setting up a Union system for supply chain due diligence self-certification of responsible importers of tin, tantalum and tungsten, their ores, and gold originating in conflict-affected and high-risk areas, COM/2014/0111 final—2014/0059 (COD). https://eur-lex.europa.eu/eli/dir/2024/1760/oj

<sup>52</sup> https://www.supremecourt.uk/cases/uksc-2017-0185

<sup>&</sup>lt;sup>53</sup> OECD (2011), OECD Guidelines for Multinational Enterprises, 2011 Edition, OECD Publishing, Paris, https://doi.org/10.1787/9789264115415-en

Guiding Principles on Business and Human Rights (UNGPs), which focus on continuously checking and addressing human rights issues.<sup>54</sup> These new ideas are supported by court rulings like the case of **Kiobel v. Royal Dutch Petroleum Co. [2013]** 569 U.S. 108. In this case, the U.S. Supreme Court looked into whether companies can be held responsible for human rights violations under a law called the Alien Tort Statute. This case helped people understand that companies have responsibilities for their actions worldwide.<sup>55</sup>

Programs like the United Nations Global Compact and groups like the Responsible Business Alliance help businesses learn from each other, take action together, and follow rules specific to their industry. These efforts push companies to work closely with the communities they affect. This idea is supported by a 2013 court case in Canada, Choc v. Hudbay Minerals Inc., where a parent company was held accountable for human rights issues in Guatemala. The case shows how important it is for companies to talk directly with the people they impact to reduce risks and avoid causing harm. By working together, companies can improve how they operate, build trust with customers, investors, and the public, and meet the growing demand for ethical and sustainable business practices.<sup>56</sup>

#### Conclusion

- The connection between business actions, human rights, and protecting the environment has become a major global concern. There are increasing demands on businesses to comply with international frameworks, including the UNGPs, the OECD Guidelines, and the EU Corporate Sustainability Due Diligence Directive. These standards require companies to respect human rights and address environmental issues in particular concerning supply chains.
- 2. Making sure that sustainability initiatives, like the shift to renewable energy, benefit vulnerable communities rather than harming them by increasing inequality is the biggest challenge facing businesses. As cases such as Vedanta Resources PLC v. Lungowe gain traction, the consequences of human rights abuses that can be connected to supply chains become more severe.
- 3. While the UNGPs are essentially voluntary, their implementation has now become subject to scrutiny as binding laws, like the EU Due Diligence Directive, come into play. Companies will have to strike a balance between their strategic interests and legal obligations during this evolution of regulations.

<sup>&</sup>lt;sup>54</sup> Ruggie, J. G. (2011). Just Business: Multinational Corporations and Human Rights. W.W. Norton & Company.

<sup>55</sup> https://tile.loc.gov/storage-services/service/ll/usrep/usrep569/usrep569108/usrep569108.pdf

<sup>56</sup> https://amnesty.ca/sites/amnesty/files/imce/images/Hudbay%20Judgment%202013%20 ONSC%201414.pdf

- 4. This paper's conclusion emphasizes how important it is to incorporate human rights concerns into business climate strategies. The effectiveness of frameworks such as the EU Due Diligence Directive, the OECD Guidelines, and UNGPs in reducing human rights risks is still up for debate, but they offer fundamental guidance for addressing corporate responsibility in climate action. Significant gaps in enforcement, scope, and practical application are revealed by the comparative analysis, indicating that these frameworks, while valuable, require improvement to better address the complexities of environmental sustainability and human rights.
- 5. The study emphasizes how crucial it is to have more robust, legally binding regulations that guarantee accountability, aid in the protection of vulnerable groups, and encourage businesses to take proactive, conscientious measures in their climate actions. Corporate strategies must integrate environmental sustainability and human rights into core operations, going beyond voluntary compliance. Companies may enhance supply chain risk management and help create a more equitable and sustainable future for everybody by fortifying legal frameworks and enhancing enforcement tactics.

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