



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Lord Callanan
Minister for Business, Energy and Corporate Responsibility
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

25 March 2022

Dear Lord Callanan,

EU proposed Directive on corporate sustainability due diligence

I note that the European Commission has recently published a [proposal for a Directive on Corporate Sustainability Due Diligence](#) which will apply to UK companies with significant operations in the EU if it becomes EU law. To understand the implications of the proposal for UK businesses, I would be grateful if you could provide the following information.

Scope

What is your initial assessment of:

- i. the number of UK companies that meet the turnover thresholds set out in the proposed Directive and would have to implement the due diligence requirements in full and in the specified 'high impact' sectors; and
- ii. the number of UK companies that may be indirectly affected because they are part of the wider value chain of a company covered by the proposed Directive.

The criteria for determining which EU and non-EU companies are within the scope of the proposed Directive differ, but the European Commission says that the difference is intended to ensure that non-EU companies are "*not more likely* to fall within the scope". Do you agree? Do you consider that the criteria appropriately target the companies that should have the necessary capacity to implement due diligence policies?

Due diligence requirements

The due diligence requirements draw on existing voluntary international standards and guidelines developed by the United Nations and by the OECD. How widespread is compliance with these standards amongst UK businesses? Do you share the European Commission's concern that voluntary action has not brought the improvements needed to prevent adverse impacts on human rights and the environment? Does the Government intend to introduce a similar cross-cutting law in the UK? If not, what is your assessment of the risk that companies may base their operations in the UK to avoid having to comply with EU due diligence rules?

The EU/UK Trade and Cooperation Agreement (TCA)

Article 406 of the TCA requires the EU and the UK to "encourage corporate social responsibility and responsible business conduct, including by providing supportive policy frameworks" and to "support the adherence, implementation, follow-up and dissemination" of relevant international instruments such as UN and OECD guidelines and ILO principles. Do you consider that this Article, or the broader set of Articles on trade and sustainable development in the TCA, might require the UK to

introduce a similar cross-cutting law in order to maintain a level playing field for fair and open competition and sustainable development, as envisaged in Title XI, Heading One of Part Two of the TCA?

The Withdrawal Agreement Protocol on Ireland/Northern Ireland

The proposed Directive is a new measure which does not amend or replace EU laws applicable in Northern Ireland under the Protocol. It will therefore only apply in Northern Ireland if the EU and UK agree that it falls within the scope of the Protocol and should be added to one of the Annexes setting out the EU laws that apply in Northern Ireland. Has the European Commission indicated that it considers the proposal to be within the scope of the Protocol? What is the Government's view?

I would be grateful if you could provide responses to these questions by 8 April 2022. Please note, we may publish your response on our website.

A handwritten signature in black ink that reads "Darren Jones". The signature is written in a cursive, flowing style with a large initial 'D' and 'J'.

DARREN JONES MP
CHAIR, BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE