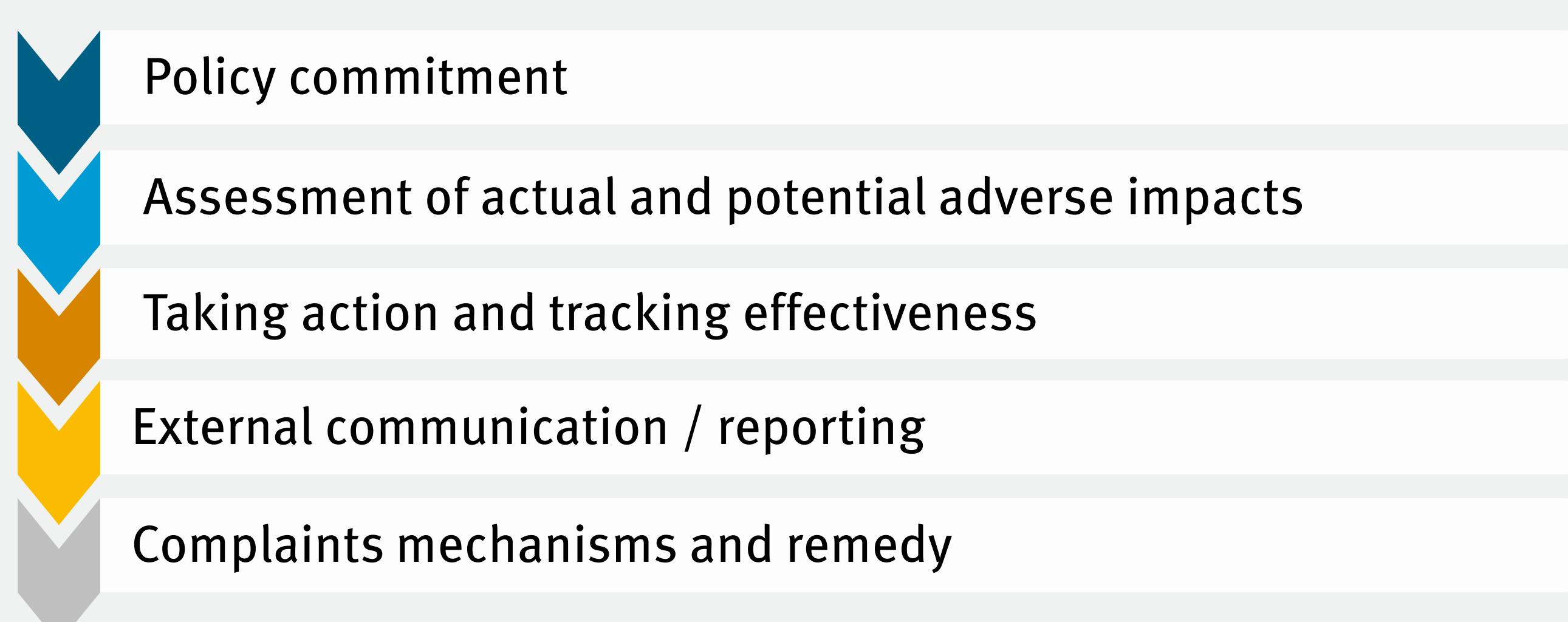


Environmental Due Diligence

Key findings from UBA research on cross-sectoral approaches for promoting supply chain sustainability in businesses

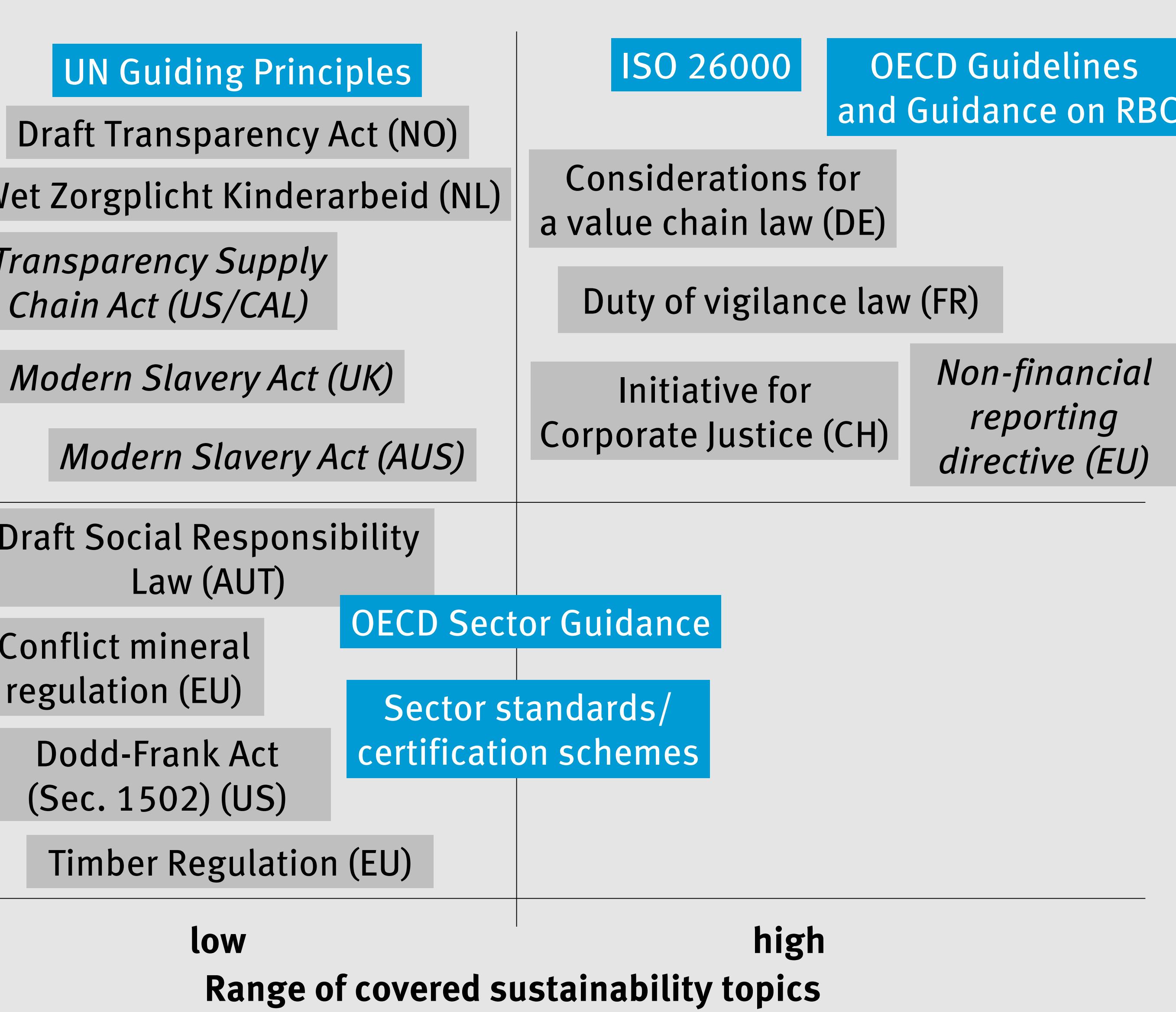
The Due Diligence Process

Due Diligence is a risk based process to identify, assess, reduce and report on adverse impacts of an enterprise's own activities and its supply chains. Originally developed for addressing human rights violations, enterprises can apply the generic elements of the due diligence process to other areas, such as climate protection or preventing and mitigating environmental harm.



Standards and Regulation on the Rise

The adoption of the UN Guiding Principles for Business and Human Rights and the revision of the OECD Guidelines for Multinational Enterprises in 2011 and the 2010 United States Dodd-Frank Act (Section 1502) led to the development of different due diligence frameworks, guidance and certification schemes, especially in the raw material and textile sector. In parallel, a debate on obliging businesses to implement due diligence processes with regards to their supply chains emerged. Several countries as well as the EU have introduced or drafted due diligence regulations. While some focus on specific sectors or sustainability topics, others address the impacts of businesses on the environment and society as a whole, such as the French Duty of Vigilance law.



Environmental Management Systems – A Basis for Environmental Due Diligence?

More than 300.000 organization worldwide operate an environmental management system (EMS) according to the international standard ISO 14001. In Europe almost 3.700 organization are registered under the Eco-Management and Audit Scheme (EMAS). The key elements of an EMS, especially for EMAS, are very similar to those of the due diligence process. In practice EMS are still often used for managing site-related, direct environmental aspects. However, the latest revisions of ISO 14001 and EMAS emphasized the importance of indirect environmental impacts connected to the life cycle of an organization's products and services.

	Due Diligence Standards (e.g. UN Guiding Principles)	Eco-Management and Audit Scheme (EMAS)
Goal and purpose	Standard for corporate responsibility and due diligence	Management system to improve environmental performance
Key elements	<ol style="list-style-type: none"> 1) Policy 2) Risk assessment 3) Measures 4) Reporting 5) Complaints mechanisms/remedy 	<ol style="list-style-type: none"> 1) Policy 2) Risk assessment 3) Measures 4) Reporting
Target group	All companies	All companies and other organisations
Area of responsibility	Entire value chain and all business relationships	All activities, products and services of an organisation within the scope of the environmental management system
Thematic scope	Human rights, social and environmental impacts, depending on the standard	Direct and indirect environmental impacts

Recommendations for Policy Markers

- Consider due diligence as cross-cutting policy instrument for strengthening responsible business conduct (RBC) with links to existing EU policies, like EMAS.
- In view of the climate crisis and ongoing degradation of the global environment, support an integrated due diligence approach that relates to human rights and environmental impacts.
- To avoid confusion for businesses, promote alignment between existing due diligence frameworks, voluntary initiatives and certification schemes and ensure coherence in mandatory due diligence regulation at EU and member state level.

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