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Less bureaucracy or less accountability?

With business lobbies pushing hard, the EU is rolling back key elements of its Supply Chain Law — leaving workers and the environment vulnerable

Child labour, land grabbing, pollution — the EU's supply chain law is intended to oblige companies to protect people and the environment. But despite years of democratic negotiations at European level, Commission President Ursula von der Leyen now wants to hollow it out in no time at all. The trigger is an unprecedented procedure to supposedly reduce bureaucracy. However, critics see this as a pretext for caving in to economic interests and lobby groups.

'Simplify and accelerate' — this is one of the key objectives of the EU Commission, which has been in office since last year. Back in November, the Commission President announced plans to reduce reporting obligations for companies by up to 35 per cent. This Wednesday, the Commission presented concrete plans. The centrepiece is the so-called omnibus procedure, which allows the Commission to retroactively amend several laws that have already been passed. In addition to the European supply chain law, this also affects sustainability reporting, the EU taxonomy and CBAM (Carbon Border Adjustment Mechanism). In short: core elements of the Green Deal — which are intended to make the global economy more sustainable and resilient. The publication makes it clear that it is not just about reducing bureaucracy, but primarily about weakening these laws. German, French and Italian business organisations have been pushing hard for this dilution in recent months. Their campaign was not aimed at a more practicable implementation, but at an extensive suspension of the laws. Misinformation was used to discredit the rules — reducing bureaucracy was equated with human rights.

Prior to publication, von der Leyen promised several times that the core political objectives of the laws would be preserved. But she has broken this promise. The process was neither transparent or inclusive, nor did the content of the laws remain untouched. The dismantling was driven

forward in a non-transparent and one-sided manner. A meeting convened by the Commission is an example of this: Alongside numerous business representatives and a few non-governmental organisations, only two trade unionists were invited — and only because they had sought to obtain an invitation themselves. During the meeting, the Commission made it unmistakably clear that trade unions are not regarded as negotiating partners in this process. This is particularly controversial as the directive is primarily intended to protect employees.

An important step towards justice derailed

Even before the omnibus proposal was published, there were numerous dissenting voices. The EU supply chain directive was negotiated in a democratic process over many years and is considered a major achievement. It is intended to create equal competitive opportunities for companies in Europe and ensure the protection of people and the environment. Nevertheless, von der Leyen's plan met with widespread resistance: trade unions, non-governmental organisations and churches protested publicly and behind the scenes. Numerous progressive MEPs also spoke out against changing the substance of the law. Even a number of companies in the EU turned to the Commission and pleaded in favour of retaining the directive. For them, the current procedure does not mean less bureaucracy or simplification, but new legal uncertainty.

The Commission publicised its plans for the EU supply chain law this week: in future, companies will only be required to monitor their direct suppliers — no longer the entire supply chain. This will significantly reduce their area of responsibility. But this is precisely where the problem lies: human rights violations often occur deeper in the supply chain, with subcontractors or raw material suppliers. In addition, experience with the German Supply Chain Act, which is already in force, shows that restricting monitoring to direct suppliers does not create less bureaucracy, but more.

The involvement of employees, trade unions and NGOs has also been severely restricted.

Another key point of the directive was civil liability. It would have meant an important step towards justice: a worker in Bangladesh would have been able to sue European companies under EU law — instead of having to rely on the often weaker laws of her home country. However, the planned changes will render this right de facto ineffective. The procedure will be so complicated that complaints will have little

chance of success.

The involvement of employees, trade unions and NGOs has also been severely restricted. Previously, they had to be consulted in the due diligence process — a significant improvement on the German Supply Chain Act. They had a say in the identification and assessment of risks, the development of preventive and remedial measures and decisions on the termination or suspension of business relationships. This regulation had two advantages: it strengthened the rights of those affected and helped companies to better assess risks. But according to the new draft, it is precisely the involvement in the decision on the temporary suspension of business relationships - a particularly sensitive point - that has been removed.

Competitiveness at the expense of employees

Another sharp sword was the obligation to terminate business relationships. If a supplier committed serious human rights violations and there was no improvement in sight, companies had to terminate the cooperation. This obligation will now also be removed. It is becoming clear that the Commission is increasingly using due diligence obligations as a fig leaf. In the original directive, companies not only had to draw up climate protection plans, but also implement them. This obligation will now be removed, meaning that companies can continue to formulate ambitious climate targets without actually having to fulfil them.

All of this shows that Ursula von der Leyen is distancing herself as far as possible from sustainable business practices in this legislative period. Instead, she is focussing on competitiveness at the expense of employees. But genuine competitiveness does not come from deregulation, but from social progress. Europe will only remain an attractive and credible partner if it consistently upholds its values. To achieve this, the EU needs a stable, rules-based economic policy that creates clear and reliable framework conditions for both European companies and their global partners. This includes investments that respect human rights, observe ecological limits and promote economic development both in Europe and in the producing countries.

Due diligence obligations are not a burden, but offer business opportunities.

What is needed now is obvious: a comprehensive mobilisation for the preservation of the European supply chain law. Trade unions and civil society must not allow themselves to be fobbed off with a non-

transparent procedure. Otherwise, this unprecedented approach threatens to become the new normal. Ursula von der Leyen must be held accountable for breaking her word and the lack of a consultation process.

Affected companies must raise their voices louder and oppose the course taken by their influential associations. A deregulation agenda disguised as a reduction in bureaucracy is being pushed forward in their name. Now is the time to make it clear to the public: Due diligence obligations are not a burden, but offer business opportunities. They strengthen corporate reputation, improve the quality of upstream products and increase the resilience of the supply chain. Companies should make it clear that the planned changes will not reduce bureaucracy, but rather jeopardise planning security.

The Commission's proposal is now before the European Parliament and the European Council. Both institutions can introduce changes and therefore have a decisive role in the further process. However, the challenge is great: after the European elections, the progressive camp in Parliament has been significantly weakened. Nevertheless, it must do everything in its power to actively steer the process and defend the Supply Chain Act. The stance of the new German government will also play a key role in this. Its position could have a decisive influence on whether the law is passed in a watered-down form — or whether it is saved after all.



Franziska Korn
Berlin

Franziska Korn is a policy officer for business and human rights in the Department of Global Politics and Society of the Friedrich-Ebert-Stiftung (FES). Previously she headed the FES office in Bangladesh. She studied political and administrative sciences and South Asian studies.



Miriam-Lena Horn

Brussels

Miriam-Lena Horn is Head of Division for International Supply Chains in the International and European Trade Union Policy Department of the German Trade Union Confederation (DGB).