

Corporate due diligence – chambers concerned by both direct and indirect impacts on businesses

Reacting to today's European Commission proposal for a Directive on Corporate Sustainability Due Diligence, Eurochambres has recognised the importance of ensuring a level playing field across the EU in this important area. At the same time, the European association of chambers of commerce and industry underlines the need to consider not only the direct effect on companies within the scope, but also the effect on all European businesses indirectly involved in complex international supply chains.

SMEs and third country companies

Providing an initial reaction to the proposal, Eurochambres CEO Ben Butters said *"I am pleased to see that the Commission excludes SMEs from the scope, which will spare many businesses from heavy reporting requirements and costs. However, it is important to remember that all companies will be indirectly impacted, so supporting measures to help SMEs operating in supply chains remain necessary"*. The inclusion of companies from third countries active in the EU is also an element that Eurochambres supports as a means of ensuring a level playing field in relation to European businesses' international competitors.

Build on existing approaches

Eurochambres recognises that businesses have differing degrees of influence along supply chains and issues that are not directly within their sphere of influence cannot be assigned solely to their responsibility. Mr Butters also drew attention to existing industry schemes and approaches, based on internationally recognised guidance frameworks: *"The co-legislators should not overlook the fact that many European companies already integrate measures to mitigate adverse environmental and social impact in their governance, management and day-to-day operations."*

Chambers call on EU policymakers to work towards ensuring a proportionate, workable, and sustainable due diligence framework for businesses, namely by:

- Providing well-funded, targeted support for SMEs involved in supply chains, while making sure that larger contractual partners, or first-tier companies, do not simply pass their reporting obligations downstream or exercise undue influence that could threaten the viability of SMEs,
- Drafting guidance on model contractual clauses before the transposition of the directive,
- Revising terms which merit careful legal consideration e.g. "value chain" or "high impact sector",
- Clarifying certain liability conditions e.g. linked to indirect partners' activities,
- Avoiding embedding due diligence into the corporate strategy and linking it to the variable remuneration of directors,
- Reconsidering the extension of the scope of the directive to certain financial sector undertakings and the potential knock-on effect on the real economy,
- Ensuring the additional involvement of European business representatives in the European Network of Supervisory Authorities to be created to support Member States with the implementation of this directive.

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