

European Commission Corporate Sustainability Due Diligence proposal risks being counterproductive



Brussels, May 24, 2022

The European Commission Corporate Sustainability Due Diligence draft directive, may have counterproductive consequences for European companies, according to ecoDa. The unclear and limitless extension of liability will risk creating a punitive framework that would undermine European companies' competitiveness and efforts.

« Unless the European Institutions clarify the proposed directors' duties provisions in a way that they fit with all existing corporate governance models in Europe, article 25 and 26 should be deleted. Now these two articles overlap national legislation and do not add anything else but confusion » stated Leena Linnainmaa, ecoDa's Chair.

Unclear terminology coupled with unrealistic requirements will inevitably lead to gold-plating, fragmentation and legal uncertainty, endangering European companies' prosperity and durability. A risk-based approach allowing for flexibility would be preferable and certainly more effective.

« Overall, the European Commission proposal should be less about increased liability, complaints channels and sanctions and more about accompanying measures, proportional and viable rules for companies », added Michel de Fabiani, chair of ecoDa's Advocacy Committee.

To further foster this change in mindset on ESG matters, ecoDa would recommend the European Institutions to consider education as a game changer. This approach would both help create common criteria in terms of sustainability education for board members and address potential loopholes and shortcomings in legislation while at the same time moving away from a punitive approach.

Contacts:

Béatrice Richez-Baum, Director General, ecoDa:
contact@ecoda.eu, Tel: 0032498502687

Notes to editors

About the European Confederation of Directors Associations

The European Confederation of Directors Associations (ecoDa) is a not-for-profit association founded in December 2004 under the laws of Belgium. Through its 20 national institutes of directors (the main national institutes existing in Europe), ecoDa represents approximately 55,000 board directors from across the EU. ecoDa's member organizations represent board directors from the largest public companies to the smallest private firms, both listed and unlisted.