



Ms Ursula von der Leyen
President
European Commission
Rue de la Loi 200
B-1049 Brussels
BELGIUM

1 February 2022

Dear President,

RE: Upcoming Sustainable Corporate Governance initiative

European companies fully understand the importance of becoming more sustainable and of addressing risks that can occur in their supply chains. However, getting this future initiative right is essential to preserve the attractiveness of Europe as a place to invest and promote European values across the world. Failing to do so, has a high potential to seriously damage Europe as a business location.

BusinessEurope can recognise the potential added value of harmonised **due diligence** rules that are also applicable to third country companies operating in the EU, provided that key conditions are met. It is essential that the upcoming initiative:

- ensures that the rules are clear, workable and the scope limited to the part of supply chains where European companies are realistically equipped to make a difference, namely regarding immediate (first tier) suppliers;
- does not burden small and medium-sized companies who have more difficulties in terms of resources and leverage to obtain information or impose behaviours in their supply chains;
- is based on an obligation of means, and the notion of safe harbour must be considered for those companies that prove to meet the requirements (e.g. via adhering to sectoral schemes, via voluntary certification or using model contractual clauses);
- is complemented by supporting measures that would help companies to fulfil their obligations, including Commission sponsored tools to access reliable and authoritative information on which companies can safely rely on when engaging in supply chains.

With regard to **corporate governance**, the Commission must ensure that any initiative in this area does not harm companies' ability to do business effectively nor weaken current corporate governance models by blurring directors' duties. Adding personal liability for board members would have an adverse effect as it would lead to compliance and risk-averse behavior that would not help companies to have real impact on societal and environmental conditions.



Any upcoming initiative should be well-justified and limited in scope, since there is no one-size-fits-all approach to balance company interest with the interests of different stakeholders. In addition, the current EU corporate governance framework remains largely fit for purpose to encourage companies integrating sustainability in the core of their business strategies and models, which they are committed to do.

Given that European companies are the main target of this very impactful initiative it is urgent that you take the above concerns into account in the final preparations. As holder of the right of (legislative) initiative, the Commission has now a pivotal role in taking a solid first step towards building an effective and workable future EU framework in these two areas. BusinessEurope stands ready to continue engaging with you constructively in this important phase of the legislative process.

Yours sincerely,

Pierre Gatraz
President

Markus J. Beyrer
Director General