

EP's position on Due Diligence will strongly affect global competitiveness of EU companies

On 25 April 2023, the JURI committee of the European Parliament adopted the Corporate Due Diligence Directive report. Ceemet regrets the missed opportunity for the MEPs to adopt a position that takes a workable approach, especially for SMEs. The Directive and its extensive requirements will inevitably have a critical impact on European based companies, their operations and supply chains, as well as on their global competitiveness.

Ceemet strongly regrets the EP's position on the scope of the Directive

The CS3D will cause an overwhelming amount of new financial and administrative burden on companies. This is not workable in practice, not even for large companies. Yet for smaller companies, that are already strongly affected by the trickle-down effect, it will be impossible to implement these extensive requirements. These companies will have to shift the majority of their time and resources from their core corporate activities to carrying out these due diligence requirements. The Directive will only work if it applies to companies which have at least over 1000 employees. Ceemet notes that the possibilities for SMEs to exercise their influence in subcontracting chains or to effectively enforce due diligence conditions on their own business partners are very limited.

Ceemet welcomes the insertion of the Single Market clause

Ceemet welcomes that the EP report includes a provision aimed to guarantee a full level of harmonisation between Member States and ensure a level playing field for companies but strongly calls for a legally binding solution in this respect. By all means, the fragmentation of the Single Market must be prevented. Different regimes among Member States will add hurdles for companies to operate within the EU, creating additional dents to their level playing field.

As Delphine Rudelli, Ceemet Director General, explained *"We cannot end up with companies having to comply with 27 different national due diligence legislations. Companies that act on the European Single Market need common rules to preserve the competitiveness of European business."*

Ceemet calls for a workable Directive

The requirement to carry out due diligence for the entire value chain, both upstream and downstream, is unworkable. Companies cannot control their value chain as it is not in their hands to control and take legal responsibility for their customers' action. While Ceemet appreciates the proposal of the EP to slightly narrow the definition of "value chain" by deleting the notion "use", we underline that the obligation will still create an immense amount of administrative burden on companies. Moreover, there are already very high standards as regards environment and human rights and effective systems of control and enforcement within the EU. It thus has no added value for companies within the EU to carry out due diligence on each other. The obligation to carry out due diligence should therefore be limited to the tier-1 suppliers located outside of the EU as a targeted scheme is risk-based and therefore more efficient and effective.

About Ceemet

Ceemet represents the **metal, engineering and technology-based industry employers** in Europe, covering sectors such as metal goods, mechanical engineering, electronics, ICT, vehicle and transport manufacturing.

Member organisations represent **200,000 companies** in Europe, providing over **17 million direct** and **35 million indirect jobs**.

Ceemet is a recognised European **social partner** at the industrial sector level, promoting global competitiveness for European industry

For these reasons, Ceemet calls on the European Parliament to consider the strong negative impact that this legislation will have on companies and allow sensible amendments in this respect to be proposed in plenary.