EU Consultation: Sustainability Corporate Governance

European Association of Chemical Distributors (Fecc)
Contact : Elias Rito, Technical & Regulatory Affairs Manager
(eri@fecc.org)

May 2022

www.fecc.org

Fecc acknowledges the consultation on Sustainable Corporate Governance (link) and welcomes the opportunity to provide input. In this context, we would like to raise the following points in this consultation:

1. The synergy between the Sustainable Governance and the proposed Due Diligence Directive should be put into perspective. When the due diligence directive was published last February 2022, one of the Commission proposals in the directive was to foster sustainable and responsible corporate behaviour throughout global value chains. It requires companies to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights and on the environment. In the upcoming regulatory framework on Sustainable Corporate Governance, these facets already overlap with the objectives of the February 2022 directive. In particular, matters on climate, social and human rights are part of the reporting requirements. The industry supports the innovation opportunities that these strategies present, but for this to be met, Fecc requests the Commission to consider minimising the reporting requirements for both initiatives, clearly marking what is expected of companies both from a due diligence and a Sustainable Corporate Governance standpoint.

2. An impact assessment on indirect effects of the exemption rules for SMEs must be conducted. Due to the possible interventions in the Sustainable Corporate Governance regulatory framework and the proposed Due Diligence Directive's turnover thresholds, small and medium-sized businesses (SMEs) would not be exempted by the reporting requirements for Group 1 and 2 categories. However, SMEs would still be impacted indirectly, if they are part of a covered company's value chain. Such companies would be required to comply with the company's code of conduct and preventative action plan. As a result, SMEs that are part of a covered firm's value chain would be required to include a due diligence compliance system in their corporate policy, as they would be required to show proof to the covered company that they are in compliance with all relevant requirements. We request the Commission: (1) evaluate an impact assessment on what will be the de facto effect in such cases where exemption rules apply and (2) provide guidance materials and essential help to SMEs. This can be through the form of checklists on what needs to be covered from an EU perspective as well as a template for the actual implementation of the governance and possibilities to outsource this exercise for SMEs who cannot do it by themselves.

3. EU Sustainability reporting requirements should be further monitored and enforced at external EU borders. The EU expects high-quality and durable products from its local manufacturers and the same should be expected from all third countries that conduct trade with the EU. Fecc calls on the Commission to enhance the monitoring efforts when it comes to EU sustainability requirements that may be proposed in this initiative. Setting up an additional requirement without the comprehensive surveillance of third country imports and consistent enforcement rules results in: (1) the undermining of EU-based producers and service-providers, (2) the decrease of the EU market share and (3) unnecessary regulatory roadblocks due to an uneven level playing field.

As the association representing chemical, food and active pharmaceutical ingredients distributors, most of which are SMEs, we believe that sustainability and a sound regulatory framework go hand-in-hand. We would be happy to engage further with the Commission to pursue sustainable, future-oriented solutions in this area.

To access the Fecc's response on the EU Commission's website, please **click here**.