

# European Family Businesses' on the CSDDD

European Family Businesses (EFB) is the federation of national family business organisations. EFB strives to make political decision-makers aware of the contribution of family businesses to society and to promote policies that are conducive to long-term responsible entrepreneurship.

Family businesses come in all sizes spanning from Micro, SME, Mid-Caps and Large enterprises. Their importance is felt throughout the European single market as they account for 65 to 80% of all European companies.

## Getting the Corporate Sustainability Due Diligence Directive (CSDDD) right

EFB agrees generally with the goals and objectives of the CSDDD and EFB recognises that businesses must play a role in ensuring that people and the planet are treated with respect.

We would like to share our support for the statement released on the 19<sup>th</sup> of January 2023 on the due diligence proposal by the many prominent business organisations where they echo many of our concerns. To ensure that the goal of the CSDDD is met, EFB would urge you to respectfully consider the points that were stipulated. Below we highlight some of our most pressing concerns.

### Avoiding fragmentation

The CSDDD needs to be cohesive in its application across all Member States. This is important for a variety of reasons:

- i) businesses who operate across more than one member state will face fewer barriers to scale up their companies within the single market;
- ii) the harmonisation of the CSDDD will help to avoid fragmentation across the single market;
- iii) this will help reduce uncertainty when applying the CSDDD.

This is also important for third countries wishing to conduct business in Europe. Furthermore, a cohesive application of the CSDDD will ensure Europe's competitiveness.

### Scope of Civil Liability

A company should not be held liable for indirect damage, i.e., that which it did not cause or contribute to if it has taken all the necessary steps to prevent harm. The scope of liability should also not go further than Tier 2 suppliers. The reason being these suppliers may, to a large extent, be more visible to the businesses having to comply. Based on the

current proposal it will be extremely complicated for companies to comply with the CSDDD if it covers the entire company's value chain.

### Directors' duties

EFB thinks that overseeing directors' duties should not be an obligatory part of the CSDDD but rather be applied on a voluntary basis. Furthermore, we are of the belief that adding more administration to directors will reduce the time they have available to oversee the proper application of the CSDDD in the daily running of their companies.

### Clear guidance on the application of the CSDDD

Clear guidance is needed on how the CSDDD applies to different companies. This crucial directive will be easier and less burdensome to apply for companies if with simplified reporting requirements. Companies must have a clear port of call if they need assistance to help their companies apply for the CSDDD.

Finally, EFB would urge you to consider, in the context of all the myriad challenges that businesses are facing, the significant costs that the CSDDD could impose on companies. SMEs will be impacted indirectly by this directive and the Parliament must be mindful of this.

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MARCH 2023

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***European Family Businesses (EFB)** is a federation of national family businesses associations. Our aim is to make political decision makers aware of the contribution of family businesses to society at large and to promote policies that are conducive to long term entrepreneurship. Our members represent turnover in excess of one trillion Euro, 10% of European GDP.*