

PRESS RELEASE



Due diligence in supply chains: More legal burdens will not ensure business transformations

Brussels, July 15, 2019 –To hold companies legally accountable for the behaviors of all their suppliers and subcontractors would lead to bureaucratic procedures given the huge complexity and variety of supply chains, warns ecoDa.

“Boards should ensure that companies create value in a sustainable way for its shareholders and relevant stakeholders. Directors can set to the management the expectations but turning boards into legal departments will not bring more capabilities and real engagement of board members. Regulators should remember that the primary purpose of boards is to deal with strategy, control of the executives including risk management processes”, stated Michel de Fabiani, Chair of ecoDa’s Policy Committee.

ecoDa expresses this opinion in an interview by the British Institute of International and Comparative Law (BIICL) for a European Commission study on boards’ due diligence through the supply chain. According to ecoDa any initiative taken by the European Commission should be based on voluntary guidelines and confined to relevant suppliers having direct and significant business connection with the company. Not all sectors are facing the same risks, each company should take into account its specific supply chain situation.

ecoDa is calling on all actors to behave in a responsible manner when it comes to crucial societal problems. Politicians should not discharge all their obligations to companies. *“When it comes to environmental and social issues, it is up to the regulators to define the playing field within which companies may freely operate. They cannot just offload their police role through board members”* added Jan Wesseldijk, ecoDa’s Chair.

As highlighted in a [recent survey](#) carried out by Consob and Methodos in collaboration with Nedcommunity, compliance with new rules will enhance ethical behaviors but will not automatically result in transformation of business models.

“More regulation does not lead to a culture change at board’s level. The compliance effect is not sufficient to move to the next level i.e. leading to business-model and strategy transformation”, added Livia Piermattei, project coordinator of the Report and member of the Scientific Committee Nedcommunity.

BIICL will release the new European Commission study on regulation for human rights due diligence during the second semester of 2019. This study deals with the request by the European Parliament of June 2018 to the Commission to propose a mandatory legislative framework for mandatory human rights due diligence, including "a duty of care to be fully phased-in within a transitional period".

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Contacts:

Béatrice Richez-Baum, Director General, ecoDa:
contact@ecoda.org, Tel: 003222315811

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 22 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.