

JBCE contribution to the initial impact assessment on “Sustainable Corporate Governance”

The Japan Business Council in Europe (JBCE) welcomes the feedback opportunity regarding the Commission’s initiative on Sustainable Corporate Governance, with the proposal expected in Q1 2021. JBCE appreciates this timely proposal as responsible corporate behaviour throughout the supply chain is becoming an increasingly salient topic. In this regard, JBCE is eager to contribute to a due diligence duty¹ that **improves the current framework and provides legal clarity to all stakeholders**. However, the Commission’s upcoming proposal should also make sure that **due diligence remains a risk management and not a ‘tick-box’ compliance tool**.

JBCE further recommends the following three approaches:

1. Promote a harmonised and global approach

JBCE holds a unique position – representing the interests of multinational companies active in Europe with Japanese heritage – and can therefore play an essential role in driving international cooperation on human rights and environment policy for responsible business. In that respect, JBCE believes an **internationally recognised due diligence framework** is necessary to ensure a **global level playing field, and that companies operating within Europe remain competitive**. Moreover, JBCE calls upon the Commission to support internationally recognised due diligence frameworks **that follow a risk-based approach**, such as the UNGP and OECD guidelines for multinational enterprises.

In addition, a **global approach** is essential to achieve meaningful improvements in the current environment of complex and global supply chains. As such, companies’ production sites and markets are spread across the world. Without a harmonised framework, companies would face a patchwork of requirements specific to each region and country, which would make the implementation of the rules **difficult and unpractical for all companies along the supply chain**.

Finally, it is essential that the Commission and Member States play a role to tackle the root causes of human rights abuses, such as poverty and corruption. Companies alone cannot change all partners in the supply chain: collaboration between industry and governments is therefore primordial to achieve positive and durable transformation in all tiers.

2. Build on existing initiatives and platforms

JBCE enjoins the Commission **to recognise and build-on existing company initiatives and platforms**. Indeed, since the structure, issues and the nature of supply chains are all different, supporting already established collective approaches that enable the industry to develop and transform – especially complex sector-specific industry initiatives – should be encouraged and supported by the Commission.

3. Provide assistance and guidance

JBCE believes that companies alone will struggle to take all the responsibilities in the supply chain vis-à-vis new due diligence responsibilities. Indeed, the Commission should push for stronger collaboration between public authorities and private stakeholders, and between industries, to tackle issues within supply chains. For example, the Commission should provide **adequate tools and guidance to companies** of all size to enable them to conduct an effective due diligence exercise. The tools could include:

- **An indicative list or information to facilitate due diligence.** For example, JBCE welcomes the publication of the 4th critical raw materials list and the following CAHRA list to be published for this purpose.

¹ as suggested in the roadmap document

- **A network of experts who are aware of the local risks.** In practice, certain companies do not have the means to reach to all partners throughout the supply chain. The Commission could provide a platform to connect companies with local experts in order for the company to swiftly undertake the necessary changes.

About JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organization representing the interests of about 90 multinational companies of Japanese parentage active in Europe. Our members operate across a wide range of sectors, including information and communication technology, electronics, chemicals, automotive, machinery, wholesale trade, precision instruments, pharmaceutical, textiles and glass products.

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EU Transparency Register: 68368571120-55