



## JOINT PRESS RELEASE



### **Corporate Sustainability Due Diligence FIEC and EIC call on EU legislators not to categorise construction as "high impact sector"**

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**Following the agreement in trilogue, FIEC and EIC reject the extension of the scope of application of the Directive to the construction sector.**

The outcome of the trilogue on the Corporate Sustainability Due Diligence Directive (CSDDD) is alarming because, by classifying the construction as a "high-impact sector", it puts the construction industry under general suspicion of being an industry with a high risk of negative impacts on human rights and the environment. We reject this classification and thus the extension of the scope of the Directive in the light of the fact that the European Commission's proposal dated February 2022 did not originally classify the construction industry as a "high impact sector" and the Council did not ask for such modification.

If this compromise is confirmed by the Council of Ministers and the European Parliament, it would mean that construction companies with more than 250 employees and a turnover of more than €40 million would be subject to the Directive's provisions, even though they operate almost exclusively in their home market and source the vast majority of their supply chain domestically. They would be confronted with additional bureaucratic burdens at a time where the EU Better Regulation Agenda promotes making EU laws simpler and better and avoiding unnecessary burdens.

FIEC and EIC have supported Corporate Sustainability Due Diligence (CSDD) from the outset, on condition and to the extent that such legislation is strictly limited to promoting an effective and uniform EU-wide application of the UNGP and the OECD MNE Guidelines as internationally established and recognised reference tools for responsible business conduct. The Commission proposal makes it clear that the due diligence obligation for companies that do not meet the Group 1 thresholds is limited to companies operating in certain "high-impact sectors" that are covered by existing sectoral OECD guidance. This is the case for supply chains in the textile, food and raw materials sectors and for the financial sector. By contrast, the OECD does not classify construction as a "high impact sector".

The categorisation of construction as “high impact sector” is only the most striking of many other elements showing that the EU legislator has gone far beyond the internationally established consensus, for instance with respect to civil liability.

Moreover, this legislative proposal should have come in the form of a Regulation that is equally binding on all Member States, like the EU Regulation on Deforestation-free Supply Chains or the Conflict Minerals Regulation. A Directive means that the EU will end up with 27 different supply chain laws with very different requirements for companies in the EU in each Member State, for instance in the areas of supervision and sanctions. As such, EU legislators are not creating a level playing field for EU companies. In fact, the option of ‘gold plating’ in some Member States poses a risk that the CSDDD will even have a counterproductive effect and cause additional distortion of competition within the EU.

FIEC and EIC criticise that the EU legislators ignore the current economic climate. All companies in Europe are facing major challenges in diversifying their supply chains and EU legislators are placing every one of our business relationships under general suspicion and undermining the competitiveness of EU companies. No other industrialised country burdens its companies to such an extent.

**Therefore, FIEC and EIC call on the EU Council and the European Parliament to reject the result of the trilogue.**

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The **European Construction Industry Federation** (FIEC) represents - via its 32 National member federations in 27 countries (24 EU, Norway, Switzerland & Ukraine) - construction enterprises of all sizes, i.e. small and medium-sized enterprises as well as “global players”, carrying out all forms of building and civil engineering activities. FIEC is also the officially recognised Social Partner, representing employers, in the EU sectoral Social Dialogue for Construction.

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**European International Contractors** (EIC) has as its members construction industry trade associations from 15 European countries and represents the interests of the European construction industry in all questions related to its international construction activities. The international turnover of companies associated with EIC’s Member Federations amounts to around €200 billion per year.