POSITION PAPER

JBCE
Japan Business Council in Europe

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JBCE POSITION PAPER ON THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE GUIDELINES

INTRODUCTION

The Japan Business Council in Europe (JBCE) submitted feedback to the public consultation on the Corporate Sustainability Due Diligence Directive (CSDDD) guidelines conducted between June and August 2026. This position paper complements that submission and sets out the key considerations JBCE encourages the European Commission to take into account as it develops the guidelines.

JBCE recognises that the guidelines will play a crucial role in supporting companies in conducting due diligence in accordance with the CSDDD. The guidelines should not introduce new de facto obligations or prescriptive, one-size-fits-all checklists. Instead, they should reflect the realities of complex global value chains and enable companies to conduct due diligence in a risk-based, reasonable and proportionate manner, while building on established international standards and credible industry initiatives.

It should also be recognised that companies must comply not only with the CSDDD, but also with various due diligence-related legal frameworks within and outside the EU. In addition, conflicts with third-country laws and geopolitical barriers may constrain companies' access to information and their ability to carry out verification and other due diligence measures.

Finally, the guidelines should be developed and published in a timely manner to support companies' implementation preparations. Stakeholders should also be given a meaningful opportunity to review and comment on the draft guidelines before they are finalised.

KEY MESSAGES

- Improve coherence between the CSDDD, other EU due diligence-related legislation and comparable third-country due diligence frameworks;
- Provide practical guidance for situations involving conflicting third-country laws and geopolitical barriers;
- Encourage companies to rely on credible existing industry and multi-stakeholder initiatives supporting integrated and collaborative approaches to due diligence implementation;
- Ensure a flexible and proportionate implementation that reflects traceability limitations, considers different maturity levels of global supply chain actors and acknowledges companies' reasonable due diligence efforts; and
- Ensure timely publication of the guidelines and meaningful opportunities for stakeholder input before their finalisation.

Coherence Amongst Due Diligence Frameworks

Companies operating globally face different and sometimes overlapping or conflicting due diligence-related requirements across jurisdictions. A growing number of jurisdictions outside of the EU are introducing or considering their own due diligence and responsible business conduct requirements. Without greater alignment, companies may face an increasingly fragmented compliance landscape, requiring them to respond to multiple frameworks that pursue similar objectives but rely on different concepts, evidence standards and implementation expectations.

Within the EU, the CSDDD interacts with legislation such as the Forced Labour Regulation,[1] the EU Deforestation Regulation[2] and the Batteries Regulation,[3] each with different scopes, information requirements and legal consequences. As compliance failures under some of these instruments may result in product-related restrictions or other enforcement actions, companies may be incentivised to prioritise areas of higher regulatory exposure, rather than relying solely on the risk-based prioritisation of adverse impacts envisaged under the OECD Guidelines and the CSDDD. Clarification is needed on how companies should conduct the risk-based due diligence while complying with potentially inconsistent regulatory requirements.

The guidelines should:

- Confirm that companies may continue to prioritise actions based on the severity and likelihood of adverse impacts, in line with the OECD Guidelines and the risk-based approach underpinning the CSDDD;
- Provide practical guidance on how companies should navigate situations where requirements under product-specific instruments, such as the Forced Labour Regulation, the EU Deforestation Regulation and the Batteries Regulation, create competing compliance priorities or incentives that may affect risk-based prioritisation; and
- Promote a coherent interpretation of due diligence obligations across the EU sustainability framework and comparable third-country regimes, so that differences in scope, evidence requirements or enforcement mechanisms do not result in fragmented and inconsistent requirements being imposed on companies and their value-chain partners.

[1] https://eur-lex.europa.eu/eli/reg/2024/3015/oj/eng
[2] https://eur-lex.europa.eu/eli/reg/2023/1115/oj/eng
[3] https://eur-lex.europa.eu/eli/reg/2023/1542/oj/eng

Conflicting Third-Country Laws and Geopolitical Barriers

Companies may face situations where compliance with due diligence expectations under the CSDDD is constrained by legal or regulatory requirements in third countries, including rules relating to data protection, localisation, confidentiality, national security or sanctions. Geopolitical conditions may further limit access to sites, workers, stakeholders or other sources of verification. In such circumstances, due diligence obligations should be assessed in light of what companies can reasonably know, access and influence, taking into account factors beyond their control.

The guidelines should:

- Clarify what constitutes reasonable due diligence where legal conflicts or geopolitical barriers, or restrictions on established due diligence mechanisms limit the information, access or leverage available to companies;
- Recognise that companies should not be expected to obtain, transfer, or verify information that is unavailable or legally inaccessible for reasons beyond their control, and that compliance assessments should take these limitations into account;
- Acknowledge that the unavailability of recognised industry assessment and audit mechanisms may necessitate alternative, risk-based approaches to evidence gathering and verification; and
- Encourage the European Commission and Member States to acknowledge the State duty to protect and engage with third-country governments and promote practical solutions where companies cannot resolve legal or systemic barriers alone, including through regulatory dialogue and capacity-building.

Use of Existing Industry and Multi-Stakeholder Initiatives

Many companies already conduct risk assessments, audits, corrective actions and supplier capacity-building through established collaborative industry frameworks that leverage common assessment methodologies, shared audit protocols, and supplier capability-building programmes. These collective approaches often achieve better outcomes and greater efficiency than isolated company actions. Collective leverage and industry collaboration are among the most effective and cost-efficient tools for conducting supply chain due diligence.

Interoperability among credible schemes is also important, as it can enable companies and suppliers to reuse outcomes generated through other frameworks where appropriate, therefore reducing duplicative requests and audits while supporting collaborative approaches to addressing common challenges.

At the same time, uncertainty regarding the application of EU competition law may discourage companies from cooperating with industry peers, limiting the effectiveness of collective due diligence efforts. reasonably know, access and influence, taking into account factors beyond their control.

The guidelines should:

- Recognise credible industry and multi-stakeholder initiatives as valid means of CSDDD implementation tools and encourage their use;
- Allow companies to rely on and reuse evidence generated through existing risk assessment, audit and corrective-action processes, and promote interoperability among credible industry and multi-stakeholder schemes;
- Assess initiatives based on their substantive effectiveness, without introducing overly formalistic fitness criteria or requiring companies to repeat equivalent activities, and provide guidance on situations where established industry mechanisms become unavailable for reasons beyond companies' control; and
- Provide clarity, supported by practical examples, on which forms of due diligence cooperation are compatible with EU competition law, including e.g. shared audits, joint supplier assessments, collective leverage, collaborative remediation activities, common industry frameworks and the use of shared due diligence data.

Flexible and Proportionate Implementation Reflecting Reasonable Availability of Risk Data

Visibility decreases significantly beyond Tier 1, and no single tool can provide complete and reliable information across complex global supply chains. Artificial intelligence, trade data and supply-chain mapping tools remain subject to incomplete data, uncertain results and limited interoperability while confidentiality concerns, limited leverage over lower-tier suppliers and suppliers' reluctance to disclose information further limit companies' ability to obtain and verify relevant information.

Companies also face differing risk priorities across upstream, midstream and downstream actors. This can result in suppliers responding to multiple, overlapping risk assessments and customer requirements in addition to their own risk priorities.

The guidelines should:

- Reflect practical limitations in obtaining and verifying information across complex value chains, particularly beyond direct business relationships;
- Preserve flexibility for companies to make risk-based decisions according to their sector, geography, activities, value-chain position, leverage to influence and the information reasonably available to them at the relevant time; and
- Assess compliance on the basis of a company's due diligence efforts, taking into account the information reasonably available at the relevant time and the circumstances in which the company was operating, and recognise the value of capacity-building and corrective engagement in supporting meaningful improvements over time.

Timely Publication and Meaningful Stakeholder Consultation

Companies need sufficient time to understand the guidelines, assess their implications for existing due diligence processes and make the necessary operational adjustments. Stakeholder engagement during their development is also important to ensure that the final guidelines reflect practical implementation challenges and provide sufficient legal certainty.

The European Commission should:

- Publish the draft guidelines in accordance with the stipulated timeline;
- Provide stakeholders with a meaningful opportunity to comment on the draft guidelines, including through a public consultation or other appropriate consultation mechanism, before the guidelines are finalised;
- Allow sufficient time to duly consider stakeholder feedback and, where appropriate, reflect it in the final guidelines.

ABOUT JBCE

Founded in 1999, the Japan Business Council in Europe (JBCE) is a leading European organisation representing the interests of over 110 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, pharmaceuticals, textiles, and glass products.

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