United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

February 26, 2025

The Honorable Scott Bessent
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Kevin Hassett
Director
National Economic Council
1600 Pennsylvania Ave. N.W.
Washington, DC 20500

Dear Secretary Bessent and Director Hassett,

We write to express our concerns regarding the European Union's Corporate Sustainability Due Diligence Directive (CSDDD) and the significant risks it poses to the competitiveness of the United States. The Directive's extraterritorial reach extends beyond the European Union, implicating U.S. businesses in ways that threaten economic productivity, corporate governance principles, and jurisdictional sovereignty.

Recently, President Trump, in a speech before the World Economic Forum in Davos, Switzerland, identified "non-economic" trade barriers that impede market access to Europe. CSDDD exemplifies such a barrier, imposing extensive regulatory burdens on U.S. companies operating globally. Given the substantial ramifications of this Directive, we strongly urge you to engage with European counterparts to vocalize direct opposition and encourage an indefinite pause on its implementation. According to a recent estimate, at least 300 U.S. companies listed in the S&P 1500 will be directly affected by CSDDD, though this number is likely higher due to the Directive's broad application to companies generating revenue from Europe.[1]

CSDDD imposes stringent due diligence requirements on in-scope companies, mandating the evaluation of supply chains to identify, mitigate, and eliminate human rights and environmental abuses as defined by United Nations (UN) and Organisation for Economic Cooperation and Development (OECD) principles. However, these principles have not been ratified by Congress, raising concerns about the legitimacy of EU enforcement against U.S. companies based on these principles.

Additionally, small businesses that supply larger companies will also be affected, even if their operations are solely within the U.S. Compliance efforts will require significant resource allocation, diverting funds away from critical areas such as research and development, talent acquisition, and investment. Furthermore, U.S. firms will face increased litigation risks and potential enforcement actions from EU member states, with penalties under the Directive reaching up to five percent of a company's global turnover.

---

[1] *Corporate Sustainability Due Diligence Directive Data Hub*, https://www.somo.nl/csddd-datahub/ (last visited Feb. 12, 2025).

Beyond economic risks, CSDDD undermines U.S. jurisdictional sovereignty. U.S. corporate governance law distinguishes between publicly and privately held companies, with regulatory obligations calibrated accordingly. However, CSDDD disregards this distinction, requiring all companies meeting the €450 million turnover threshold to disclose information beyond what is relevant to U.S. investors. The U.S. Securities and Exchange Commission (SEC) recently indicated its intent to unwind similar disclosure requirements, further highlighting the misalignment of CSDDD with U.S. legal principles.[2]

The implications of CSDDD on U.S. corporate governance are also profound. A recent analysis from corporate law academics suggests that U.S. firms will face disproportionately higher legal risks under CSDDD than their European counterparts.[3] This concern is further underscored by the United Auto Workers lawsuit against Mercedes Benz, in which an American labor union sought to circumvent established U.S. labor law for a factory in America by appealing to foreign legal frameworks to influence U.S. labor and corporate practices.[4]

Additionally, CSDDD mandates that U.S. companies incorporate European stakeholder perspectives into their business planning processes to address human rights and environmental risks. This requirement in CSDDD could violate U.S. directors' fiduciary duty to act in the best interest of their shareholders, exposing companies to litigation risks and enforcement actions in the U.S.

Given these concerns, we strongly urge the Administration to:

1. Support European calls to indefinitely pause CSDDD.[5]

2. Assert that CSDDD's extraterritorial application is untenable and detrimental to global productivity. European firms listing in the U.S. could also face similar regulatory exposure, which may discourage transatlantic economic cooperation.[6]

---

[2] Mark T. Uyeda, Acting Chairman, U.S. Securities and Exchange Comm'n., Acting Chairman Statement on Climate-Related Disclosure Rules (Feb. 10, 2025).

[3] Scott Hirst, *How the EU's Sustainability Due Diligence Directive Could Reshape Corporate America*, HARV. L. SCH. FORUM ON CORP. GOVERNANCE, Feb. 5, 2025, https://corpgov.law.harvard.edu/2025/02/05/how-the-eus-sustainability-due-diligence-directive-could-reshape-corporate-america/.

[4] Press Release, United Auto Workers, *UAW Files Charges in Germany Against Mercedes-Benz: Company's Anti-Union Campaign Against U.S. Autoworkers Violates New German Law on Global Supply Chain Practices* (Apr. 3, 2024), https://uaw.org/uaw-files-charges-in-germany-against-mercedes-benz-companys-anti-union-campaign-against-u-s-autoworkers-violates-new-german-law-on-global-supply-chain-practices/.

[5] Frances Schwartzkopff and Alberto Nardelli, *France Calls for 'Massive' Regulatory Pause as Economy Flags*, BLOOMBERG, Jan. 24, 2025, https://www.bloomberg.com/news/articles/2025-01-24/france-calls-for-massive-regulatory-pause-as-economy-flags.

[6] Greg Ip, *The Darkening Skies Over Europe's Economy*, WALL ST. J., Jan. 31, 2025, https://www.wsj.com/world/europe/the-darkening-skies-over-europes-economy-76e51f90.

3. While Europe is free to create a hostile business climate for companies in their own jurisdiction, to protect American companies, CSDDD's Article 29 (civil liability) should be removed from the Directive and not replicated in future EU regulations.[7]

4. Clarify that U.S. companies are not bound by net zero transition plans akin to those imposed on EU firms. The U.S. has shifted its stance on climate commitments, and CSDDD's Article 22 on mandatory transition plans should be abandoned.[8]

CSDDD represents a serious and unwarranted regulatory overreach, imposing significant economic and legal burdens on U.S. companies. We strongly urge immediate diplomatic engagement to challenge and halt its implementation.

Sincerely,

French Hill
Chairman
House Committee on Financial Services

Tim Scott
Chairman
Senate Committee on Banking,
Housing, and Urban Affairs

Ann Wagner
Chairman
Subcommittee on Capital Markets

Bill Hagerty
Chairman
Subcommittee on National Security and International Trade and Finance

Andy Barr
Chairman
Subcommittee on Financial Institutions

[7] Keith Paul Bishop, *Delaware Court Awards Attorneys Nearly $18,000/Hour, Frustrating Will Stockholders*, NAT'L L. REV., Dec. 10, 2024, https://natlawreview.com/article/delaware-court-awards-attorneys-nearly-18000hour-frustrating-will-stockholders.

[8] Ross Kerber, *BlackRock Quits Climate Group in Wall Street's Latest Environmental Step Back*, REUTERS, Jan. 9, 2025, https://www.reuters.com/sustainability/blackrock-quits-climate-group-wall-streets-latest-environmental-step-back-2025-01-09/.