

The EU CSDDD is on its way.

Will your business be ready?

Guidance Document

TDi Sustainability



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Regulation: EU Corporate Sustainability Due Diligence Directive

The EU has proposed legislation that is significantly more onerous on companies compared to previous human rights and environmental regulations. Companies will need to consider the impact this has on their supply chains.

What is the CSDDD?

The Proposed EU Corporate Sustainability Due Diligence Directive (CSDDD) sets obligations for companies related to actual and potential human rights and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the chain of activities of the company ('value chain').

What is required?

The CSDDD sets 6 due diligence steps in order for organisations to conduct appropriate human rights, and environmental due diligence.

1. Integrate due diligence into company policies
2. Perform risk analysis to identify actual and potential impacts
3. Prevent, cease or minimise actual and potential adverse impacts
4. Establish and maintain a complaints procedure
5. Monitor the effectiveness of the due diligence policy and measures
6. Publicly communicate on due diligence

When will it be applicable?

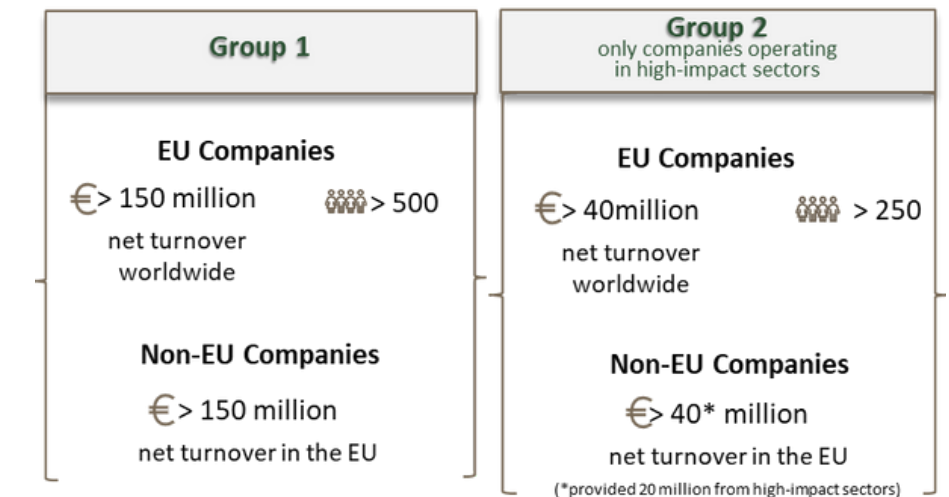
No earlier than 2025, as Member States will have two years to implement the Directive into domestic law after the final text is approved (transposition period).

- 23 February 2022: European Commission submitted a proposal for the Directive.
- 1 June 2023: European Parliament adopted its amendments to the proposal.

Key considerations for companies

- The Directive's reach will have a significant impact on a company's supply chain and will be enforced through administrative supervision and civil liability where victims will get compensation for damages resulting from the failure to comply.
- In addition to large companies subject to the directive, the cascading indirect impact of the legislation will extend to suppliers and smaller companies further down global value chains. You will need to gain insights into the human rights and environmental risks beyond Tier 1 suppliers.
- Consider a broad scope of human rights and environmental topics in your risk analysis, narrowed down to most relevant topics for your organisation.
- The Directive requires companies to integrate due diligence into their own company policies and ensure they are updated annually (Article 5), to identify the actual or potential adverse impacts (Article 6), prevent and bring actual adverse impacts to an end (Articles 7 & 8), establish and maintain a compliant procedure that enables complaints to be submitted (Article 9), monitor the effectiveness through review (Article 10), and publish an annual statement to communicate measures taken place by the company (Article 11).

Who does it apply to?



Steps for compliance explained

1. Integrate due diligence into companies' policies

Companies must have a due diligence policy containing the company's approach to due diligence activities and the corresponding process for implementing the activities.

Also, a code of conduct including rules to be followed by employees and subsidiaries should be drafted.

The policies should be updated at least every two years.

3. Prevent, cease or minimise actual and potential adverse human rights and environmental impacts

In-scope companies are required to take appropriate measures to prevent, or at least mitigate, adverse human rights and environmental impacts by:

- developing and implementing a prevention action plan;
- seeking contractual assurances from direct business partners covering the company's code of conduct and prevention actions;
- making necessary investments; and
- providing targeted and proportionate support for SMEs with which the company has an established business relationship.

5. Monitor the effectiveness of the due diligence policy and measures

In-scope companies must carry out periodic assessments - at least every 2 years - of their own operations and measures, those of their subsidiaries and, where related to the company's value chain, those of their established business relationships, to monitor the effectiveness of the above measures.

2. Perform risk analysis to identify actual and potential adverse impacts

Companies shall take appropriate measures to identify actual and potential adverse human rights and environmental impacts arising from their operations or supply chain.

Adverse human rights and environmental impacts include forced labour, child labour, inadequate workplace health and safety, exploitation of workers, pollution and biodiversity loss. The complete list of violations foreseen can be found in the Annex to the Proposed Directive – it contains 22 violations of human rights and 12 environmental impacts.

4. Establish and maintain a complaints procedure

Companies must provide for the possibility to submit complaints for persons who are affected or have reasonable grounds to believe that they might be affected by an adverse impact, as well as trade unions and other workers' representatives and civil society organisations active in the relevant area.

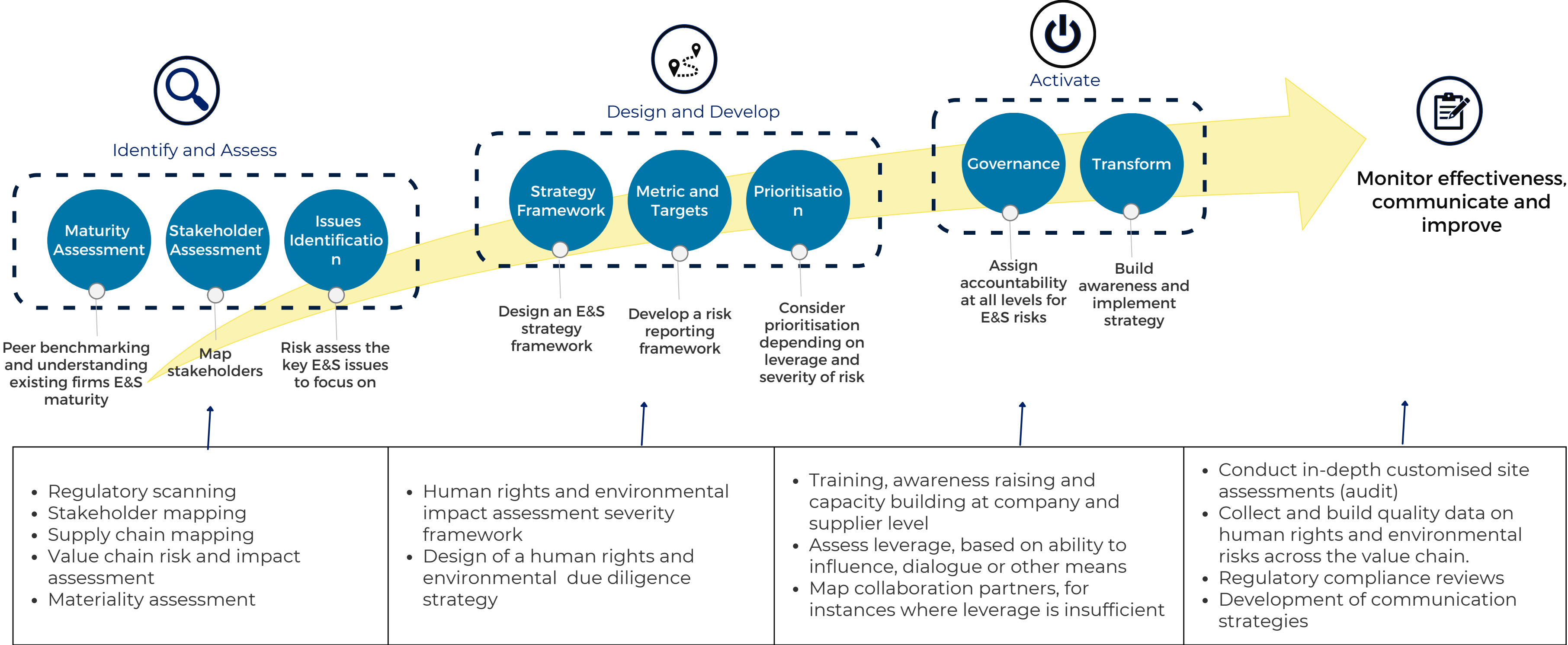
6. Publicly communicate on due diligence

The Directive does not introduce any new reporting obligations in addition to those under the proposed Corporate Sustainability Reporting Directive, in order to avoid duplicating reporting obligations.

In-scope companies that do not fall under the proposed CSRD should publish on their website a statement about their activities (the exact content still to be defined by the European Commission) by 30 April each year.

How TDi Sustainability can help your organisation

We know that regulators, businesses customers and consumers increasingly demand transparency and demonstration of good sustainability practices. We work with our clients across all stages of the development and operation of their value chain. TDi boasts a 360° vision of what matters to industries. This includes supporting the initial current state diagnosis through to the actual operation of 'business as usual' processes for our clients. We are global Environmental and Social (E&S) risk experts from identification through to remediation.



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