

CSDDD

made simple

Another acronym to add to the ESG alphabet soup, the Corporate Sustainability Due Diligence Directive is an EU initiative that will require companies to scrutinise the social and environmental impacts throughout their entire value chain.

What is the CSDDD?

The CSDDD has been designed to help companies identify, prevent, mitigate and account for environmental impacts and human rights abuses from their supply chains and sourcing operations. This will cover issues such as child labour and exploitation of workers, and pollution and biodiversity loss.

The goal is to hold more companies accountable for their wrongdoings and prevent negative impacts from occurring in the first place.

What are the key features?

While the directive hasn't been fully finalised yet, it is clear already that in-scope companies will be required to:

- Integrate sustainability due diligence into their policies to identify harmful environmental and human rights issues, as well as reduce and prevent risks in their operations and value chain.
- Create an action plan and timeline for addressing identified risks.
- Monitor the effectiveness of the due diligence processes by tracking the implementation and results.
- Set up an effective complaints procedure for reporting problems or concerns.
- Publicly communicate due diligence efforts, typically in the annual ESG or Human Rights Due Diligence report, but also on the company's website.
- Have a climate transition plan compatible with limiting global warming to 1.5°C.
- Certain companies will also be required to tie performance on their plan's targets to directors' variable remuneration.

Who will it impact?

To begin with, the CSDDD will apply to EU companies with both:

- more than 500 employees; and
- net annual revenues of more than €150 million.

A different size threshold will apply to specific "high-impact sectors". These "high impact sectors" include the textiles, agriculture and extractives sectors.

This scope will then increase annually, thus impacting more and more companies, with certain non-EU companies subject to the rules three years after they enter into force.

When will it come into effect?

Whilst it was initially expected that CSDDD would be passed into EU law in 2024, recent abstentions have meant that the planned vote on the directive was pushed back indefinitely. Indications are that it will now be left untouched until after June's EU elections, at which point it may be watered down before being approved.

When it is however officially adopted, each EU member state will have two years to fully integrate it into national law.

How does it relate to CSRD?

Much like the Corporate Sustainability Reporting Directive (CSRD), the CSDDD aims to facilitate the transformation of the EU into a sustainable and competitive economy.

Where the CSDDD focuses on mandatory human rights and environmental supply chain due diligence, the aim of the CSRD is to improve and broaden sustainability reporting among companies operating in the EU.

How to get started

For many companies, the main task is setting up processes to understand and address human rights and environmental concerns. This includes evaluating suppliers, spotting risks and creating systems for adopting policies, following procedures and making improvements.

So, are you prepared for the inevitable increase in scrutiny around environmental compliance and human rights practices the CSDDD will bring?

Get in touch

Ever Sustainable is well versed in sustainability materiality, supporting clients to identify, understand and mitigate their material issues, including in-depth supply chain risks and opportunities assessments. Reach out to us for help and begin the process of integrating sustainability in due diligence procedures for your business and across your value chain. Get in touch at:

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