

An aerial photograph of a large-scale mining operation. The landscape is dominated by terraced, circular and rectangular pits of varying sizes, some filled with water. The terrain is a mix of greyish-brown earth and darker, forested areas. In the upper right, there are several industrial buildings and a large blue reservoir. The overall scene depicts a complex and extensive mining site.

**TDi**

**Sustainability**

Regulation Mapping

CSDDD

## Corporate Sustainability Due Diligence Directive (CSDDD)

### Applies to:

EU companies with more than 1,000 employees and a global turnover of €450 million+  
Non-EU companies with a turnover of €450 million+ generated in the EU market

### What it says:

The provisional agreement says companies must implement due diligence strategies to mitigate human rights violations and negative environmental impacts from their operations. Companies of a certain size will also have to adopt a plan to ensure that their business strategy is compatible with limiting global warming to 1.5°C, in line with the Paris Agreement.

### Penalty:

Companies found in violation will be subject to sanctions, including fines and compliance orders, and victims impacted by malpractices will be owed compensation.

### Proposed:

Approved 24<sup>th</sup> April 2024 – phased approach based on company size and turnover – see further details by logging in.

### Key Requirements:

GHG emission tracking

Supply Chain Mapping

Third party assurance

Adverse media reporting

Xinjiang/WRO mapping

External reporting

Supplier / risk monitoring

Supplier engagement

Supplier training

Remediation plan

Product mapping

ESG risk analysis

Supplier assessments

Supplier corrective action plan

## Overview - Corporate Sustainability Due Diligence Directive

<b>Law / Country</b>	Corporate Sustainability Due Diligence Directive (the “Directive”) (European Union)
<b>Goal</b>	To ensure that companies active in the EU internal market contribute to sustainable development and the sustainability transition of economies and societies through the identification, prevention and mitigation, cessation and minimization of potential and actual adverse human rights and environmental impacts connected with companies’ own operations, subsidiaries and value chains.
<b>Adoption / Status</b>	On February 23, 2022, the European Commission (the “Commission”) released its proposed Directive. On December 1, 2022, the European Council (the “Council”) adopted its negotiating position. On June 1, 2023, the European Parliament (“Parliament”) adopted its negotiating position. Selected differences between the Council’s or Parliament’s positions and the Commission’s proposal are noted in italics. Now that both the Council and Parliament have adopted positions, tripartite negotiations on a final Directive are taking place. Upon enactment, the Directive would be required to be transposed into EU Member State national law. The Directive would not directly contain obligations binding on companies.
<b>Issues Addressed</b>	<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Environmental impacts</li> </ul>
<b>Covered Entities</b>	<p>All materials and products – across all tiers of the supply chain – referred in the legislation as “chains of activity”.</p> <p><b>Applies to all companies operating in the EU as follows:</b></p> <ul style="list-style-type: none"> <li>• EU companies with more than 1,000 employees and a global turnover of €450 million+</li> <li>• Non-EU companies with a turnover of €450 million+ generated in the EU market (the European Commission will publish a list of non-EU companies that fall under the scope of the Directive)</li> </ul> <p>This applicability of CSDDD for in scope companies will be phased in as follows:</p> <ul style="list-style-type: none"> <li>• Companies with more than 5,000 employees and a turnover of €1,500 million+ will be impacted 3 years from entry into force</li> <li>• Companies with more than 3,000 employees and a turnover of €900 million+ will be impacted 4 years from entry into force</li> <li>• Companies with more than 1,000 employees and a turnover of €450 million+ will be impacted 5 years from entry into force</li> </ul>

## Overview -Corporate Sustainability Due Diligence Directive

<b>Covered Entities</b>	<p>“Company” would be defined broadly, encompassing most types of legal entities. It also would specifically include, regardless of form, a long list of types of regulated financial undertakings, including among others alternative investment fund managers, UCITS management companies, insurance and reinsurance undertakings and crypto-asset service providers. However, because financial services are not treated as a high-impact sector, regulated financial undertakings only would be subject to the requirements of the Directive if they are group 1 companies. In the Council’s position, each Member State would decide whether or not to apply the Directive to financial undertakings and their business partners to which they provide services. Additionally, alternative investment fund managers and UCITS would be excluded under the Council’s and Parliament’s positions. The Parliament’s position also adds investee companies, institutional investors and asset managers. Part-time employees would be calculated on a full-time equivalent basis. Temporary agency workers (and, in the Parliament’s position, other workers in non-standard forms of employment) would be included in the employee count in the same manner as if they were workers employed directly for the same period of time by the company.</p> <p>Net turnover generally would be the amount derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover. If a company applies international accounting standards or was formed outside the European Union, net revenue instead would be defined by or within the meaning of the</p>
<b>Mandatory</b>	<p>Yes</p>
<b>Due Diligence</b>	<p>“Due diligence” generally is aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. At a high level, due diligence would consist of the following actions:</p> <ul style="list-style-type: none"> <li>• Integrating due diligence into policies (in the Council’s position due diligence also needs to be incorporated into risk management systems);</li> <li>• Identifying actual or potential adverse impacts;</li> <li>• Preventing and mitigating potential adverse impacts;</li> <li>• Bringing actual adverse impacts to an end and minimizing their extent;</li> <li>• Establishing and maintaining a complaints procedure;</li> <li>• Monitoring the effectiveness of the due diligence policy and measures taken; and</li> <li>• Publicly communicating on due diligence.</li> </ul> <p>In the Council’s position, Member States would have to ensure that subject EU companies put in place and oversee the due diligence obligations. Under the Parliament’s position, companies would also be required to retain documentation demonstrating compliance with the Directive for at least 10 years.</p>

## Overview -Corporate Sustainability Due Diligence Directive

### Enforcement

Each Member State would be required to designate one or more supervisory authorities to supervise compliance with the due diligence and climate change-related obligations adopted under national law pursuant to the Directive.

The Member State supervisory authorities would be required to be given adequate powers and resources to carry out their tasks, including the power to request information and carry out investigations.

Supervisory authorities generally would be required to have at least the power to (1) order a company to end infringing conduct and abstain from future infringements and, where appropriate, order remedial action proportionate to the infringement necessary to bring it to an end, (2) impose pecuniary sanctions and (3) adopt interim measures to avoid the risk of severe and irreparable harm. The Parliament's position adds the ability to assess the validity of prioritization strategies.

## Applying the Law

### Does the company exceed the following threshold

- EU companies with more than 1,000 employees and a global turnover of €450 million+
- Non-EU companies with a turnover of €450 million+ generated in the EU market (the European Commission will publish a list of non-EU companies that fall under the scope of the Directive)

### Is the company a public interest entity (PIE)?

Yes

No

**No compliance obligations**

Yes

**Company is subject to the Directive, as implemented by national legislation**