

Investor Guide: Corporate Sustainability Due Diligence Directive

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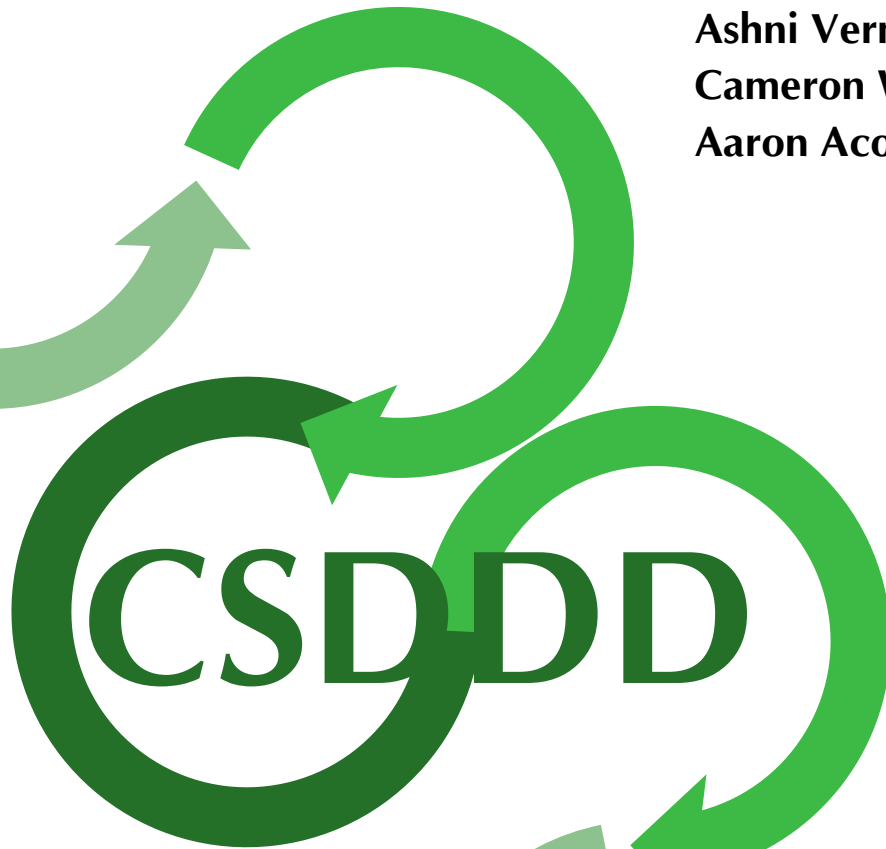





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About Investor Advocates for Social Justice (IASJ):

Investor Advocates for Social Justice (IASJ) is an 501(c)(3) nonprofit organization that represents a community of investors whose faith-based values promote human rights, climate justice, racial equity, and the common good. IASJ was founded in 1975, under the name Tri-State Coalition for Responsible Investment, by various Catholic congregations as part of the movement to encourage companies to cease operations in apartheid South Africa. Rooted in faith and Catholic social teaching, IASJ's members believe it is a moral imperative to leverage their investments to promote a just and sustainable economy that prioritizes love for people and planet.

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INTRODUCTION


The Corporate Sustainability Due Diligence Directive (CSDDD) lays out obligations for certain European Union (EU) and non-EU based companies to prevent and mitigate adverse human rights and environmental impacts with respect to (1) their own operations, (2) the operations of their subsidiaries, and (3) the operations carried out by their business partners in the chains of activities of those companies.¹ It also requires these companies to implement a climate transition plan.² As a Directive, as opposed to other types of EU legislation, the CSDDD imposes legal obligations for EU member states to comply with, but leaves them free to decide how best to comply with these requirements.³ Each member state will create its own national laws implementing CSDDD obligations within two years from the entry into force of the directive.⁴ Additionally, member states are free to implement measures that are more protective of rights than those laid out in the CSDDD.

Purpose of this Guide

The purpose of this guide is to explain to companies and investors how to comply with the CSDDD, highlighting, in particular, the “business case” for this compliance. Part I outlines the Directive’s scope, specifying in detail which companies must comply with CSDDD obligations, as well as the covered environmental and human rights. Part II identifies companies’ due diligence obligations under the CSDDD, including the actions they must take to identify, monitor, and effectively address adverse impacts in their operations and chain of activities. It also lays out the penalties and legal liability associated with noncompliance. Finally, Part III contextualizes the role the CSDDD plays as part of the broader EU regulatory framework, identifying how the Directive’s obligations interact with other key EU legislation.

Origins and History of the CSDDD

The CSDDD was first introduced to the EU legislature with the purpose of establishing consistency across EU member states’ due diligence laws, acting as an umbrella regulation for sector or industry-specific regulations which impose human rights and environmental due diligence (HREDD) requirements.⁵ The first draft of the CSDDD proposal was introduced in February 2022 by the EU Commission.⁶ The EU Council, which is the body representing the member states that



make up the EU, published a negotiating proposal on the draft law in November 2022, and the EU Parliament subsequently adopted an amended version of the text in June 2023.⁷ After that point, the three institutions entered “trilogue negotiations” to edit and determine the final text of the Directive.⁸ However, these negotiations came to an impasse when individual member states, like Germany, France, and Italy, blocked the negotiations, stating the heightened requirements would undermine Europe’s global economic competitiveness and disrupt the stability of supply chains.⁹

The unapproved draft text of the Directive broadly covered EU and non-EU companies with as few as 500 employees and set even lower eligibility thresholds for companies operating in sectors with a higher likelihood of adverse human rights or environmental impacts.¹⁰ However, to reach agreement and manage the concerns of EU member states, the European Parliament adopted a final text on May 13, 2024, which significantly reduced the reach and coverage of the Directive.¹¹ Among other changes, the final text revised the scope of the CSDDD to only apply to companies with over 1,000 employees (although the new phased-in approach means even fewer covered companies during the first few years) and removed the lower thresholds for those companies which operated in sectors with a higher likelihood of adverse impacts.¹² These changes eliminated almost 70% of the companies which had previously been included in the original agreement, leaving only about 0.05% of EU companies and an unknown percentage of non-EU companies in scope.¹³ The final, approved version of the CSDDD was published in the Official Journal of the European Union on July 5, 2024 and contains 39 articles and one annex that enumerates the covered environmental and human rights.¹⁴

Despite the last-minute changes, which limited its scope, the CSDDD will still play an important role in establishing consistency among other EU regulations and in promoting corporate accountability across the globe.¹⁵

I. CSDDD SCOPE

The CSDDD’s scope differs for companies, depending on whether they are incorporated within or outside of the EU.¹⁶ Based on this distinction, the Directive imposes threshold eligibility requirements on companies, which include minimum numbers of employees and revenue caps. Additionally, depending on the size of the company, the CSDDD employs a phased implementation approach, requiring larger companies to comply with Directive obligations before smaller companies.¹⁷ The following section will explain these details in greater depth, as well as the covered sectors and environmental and human rights.



Companies Covered by the CSDDD

The CSDDD requirements will apply to a subset of EU and non-EU companies, based on both financial and employee thresholds. According to the EU Commission’s FAQ on the CSDDD, the directive will cover about 6,000 EU-based companies and 900 non-EU companies.¹⁸ The following table describes the covered companies:

Table 1: Companies Covered by the CSDDD

EU Companies	Non-EU Companies
Companies with more than 1,000 employees and a net worldwide turnover of more than EUR 450 million in the last financial year ¹⁹	Companies that generate a net turnover more than EUR 450 million in the EU in the last financial year ²⁰
Parent companies of a corporate group that meets the threshold described above on a consolidated basis ²¹	Parent companies of a corporate group that meets the threshold described above on a consolidated basis ²²
Franchisor/licensor companies , where there is a common identity and business model, and they generate more than EUR 22.5 million in royalties and EUR 80 million net turnover in the last financial year ²³	Franchisor/licensor companies , where there is a common identity and business model, and they generate more than EUR 22.5 million in royalties and EUR 80 million net turnover in the last financial year ²⁴

Sectors Covered by the CSDDD

While earlier drafts of the CSDDD set higher eligibility thresholds for sectors that posed higher risks of creating adverse human and environmental impacts, the final version of the Directive does not make such a distinction.²⁵ Instead, the CSDDD creates consistent obligations for companies to monitor adverse impacts across their operations and chain of activities.²⁶

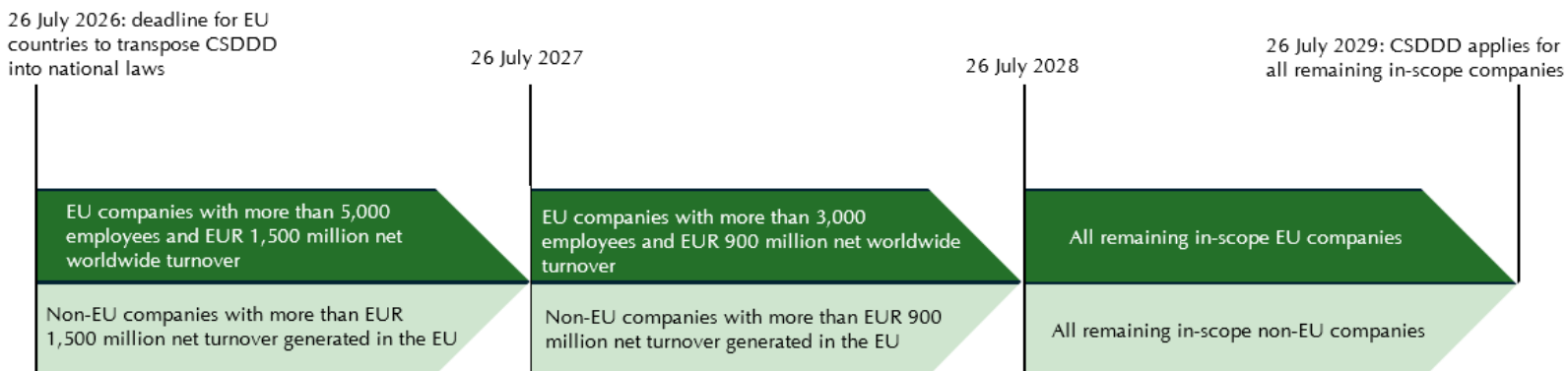
Despite broadly applying to most industries, the CSDDD only imposes limited obligations on the financial sector.²⁷ Certain funds, such as holding companies who only own shares in EU companies, are completely excluded from the scope of the Directive.²⁸ However, other financial

firms, such as credit institutions and investment firms, which meet the eligibility threshold requirements described above, will be responsible for conducting limited due diligence of the funds’ upstream activities, including the actions of key suppliers and asset managers.²⁹ This is because traditional downstream activities—including the distribution, transport, and storage of products—are not relevant to financial institutions.³⁰ By limiting the obligations of financial institutions to upstream activities, the CSDDD ensures that these companies conduct meaningful due diligence within their spheres of influence.³¹ The CSDDD points financial institutions to the OECD’s Guidelines for Multinational Enterprises as an example of meaningful due diligence activities.³² Specifically, the Directive instructs these companies to “consider adverse impacts and use their leverage to influence companies, including by exercising shareholder rights to advocate for sustainable practices.”³³

Rollout and Implementation of the CSDDD

The Council of the EU gave its final approval of the CSDDD on May 24, 2024, and it officially entered into force on July 25, 2024, i.e. the 20th day following its publication in the Official Journal of the European Union (July 5, 2024).³⁴ The CSDDD imposes a “phased implementation” requirement, which directs larger “in-scope” companies to respect the Directive’s obligations before smaller in-scope companies.³⁵ Depending on the companies’ size, they will have between 2 to 5 years from the CSDDD’s entry into force to implement the Directive’s obligations.³⁶ The following graphic describes the phased implementation:

Graphic 1: CSDDD Phased Implementation Timeline³⁷





Covered Environmental and Human Rights

The Annex and Article 3 of the CSDDD outline the environmental and human rights protected by the Directive. The following tables describe the rights covered by the CSDDD:³⁸

Table 2: Covered Human Rights

Human Rights³⁹
1. The right to life
2. The prohibition of torture, cruel, inhuman, or degrading treatment
3. The right to liberty and security
4. The prohibition of arbitrary or unlawful interference with a person's privacy, family, home or correspondence and unlawful attacks on their honor or reputation
5. The prohibition of interference with the freedom of thought, conscience and religion
6. The right to enjoy just and favorable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders
7. The prohibition to restrict workers' access to adequate housing, and to restrict workers' access to adequate food, clothing, and water and sanitation in the workplace
8. The prohibition of forced or compulsory labor
9. The prohibition of all forms of slavery and slave-trade
10. The right to freedom of association, of assembly, and the rights to organize and collective bargaining
11. The prohibition of unequal treatment in employment, unless justified by the requirements of employment
12. The right of the child to the highest attainable standard of health
13. The right to education



14. The right to an adequate standard of living

15. The right to be protected from economic exploitation and from performing work likely to be hazardous/ interfere with the child's education, health or physical, mental, spiritual, moral or social development

16. The right to be protected from all forms of sexual exploitation and sexual abuse and from trafficking

17. The prohibition of the employment of a child under the age at which compulsory schooling is completed (never under 15)

18. The prohibition of the worst forms of child labor

It is important to note that, despite great effort from Indigenous Peoples and civil society, the CSDDD does not include Indigenous Peoples' rights in the articles or annexes. Rather, Indigenous Peoples' rights are only included in the Recital section, making it "challenging for Indigenous Peoples on the ground to invoke the CSDDD to safeguard their rights in a clear and accessible manner."⁴⁰ According to the CSDDD, companies may consider additional, optional standards to accompany the CSDDD monitoring obligations, in order to address particular adverse impacts on individuals and/or groups who are at heightened risk.⁴¹ Individuals or groups may be at heightened risk due to marginalization, vulnerability, or belonging to an Indigenous population, as protected under the UN Declaration on the Rights of Indigenous Peoples (UNDRIP).⁴² Additional standards may also take into account gender, age, race, class, caste, education, migrant status, disability, and socioeconomic status.⁴³

Table 3: Covered Environmental Rights

Environmental Rights⁴⁴

1. The prohibition of causing any measurable environmental degradation, such as harmful soil change, water or air pollution, harmful emissions, excessive water consumption, degradation of land, or other impact on natural resources

2. The right of individuals, groupings and communities to lands and resources and the right not to be deprived of means of subsistence, which entails the prohibition to unlawfully evict or take land, forests and waters when acquiring, developing or otherwise using land, forests and waters

3. The obligation to avoid or minimize adverse impacts on biological diversity



4. The prohibition on the import, export, re-export or introduction from the sea of any specimen included in the Appendices I to III of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) of 3 March 1973 without a permit
5. The prohibition of the manufacture, import and export of mercury-added products; the prohibition of the use of mercury or mercury compounds in certain manufacturing processes; the prohibition of the unlawful treatment of mercury waste
6. The prohibition of the production and use of chemicals listed in the Stockholm Convention of 22 May 2001 on Persistent Organic Pollutants
7. The prohibition of the unlawful handling, collection, storage and disposal of waste
8. The prohibition of the import or export of chemicals listed in the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
9. The prohibition of the unlawful production, consumption, import and export of controlled substances listed in the Montreal Protocol on substances that deplete the Ozone Layer to the Vienna Convention for the protection of the Ozone Layer
10. The prohibition of the export of hazardous or other waste
11. The prohibition of the export of hazardous wastes from countries listed in Annex VII to the Basel Convention to countries not listed in Annex VII for operations listed in Annex IV to the Basel Convention
12. The prohibition of the import of hazardous wastes and other wastes from a non-party that has not ratified the Basel Convention
13. The obligation to avoid or minimize adverse impacts on the properties delineated as natural heritage
14. The obligation to avoid or minimize adverse impacts on wetlands
15. The obligation to prevent the pollution from ships
16. The obligation to prevent, reduce and control pollution of the marine environment by dumping

It is also worth mentioning that, during the negotiations process, environmental provisions were significantly watered down.⁴⁵



II. COMPANY OBLIGATIONS

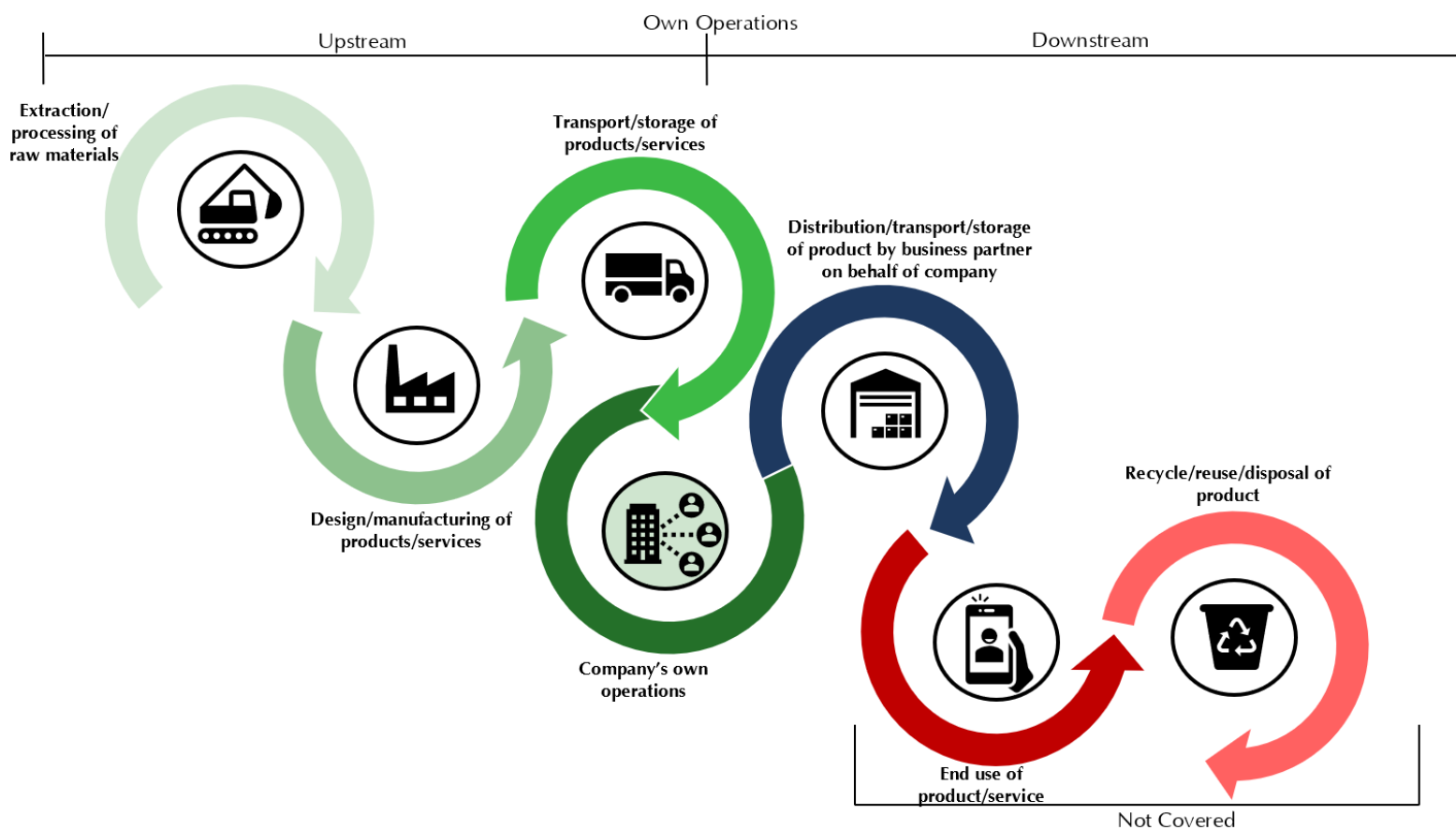
The CSDDD requires all in-scope businesses to respect human rights and the environment by addressing any **actual** and **potential** adverse impacts with respect to their own operations, the operations of their subsidiaries, and the operations of their business partners in their chain of activities.⁴⁶ These processes shall be compatible with the transition to a sustainable economy and with the goal of limiting global warming to 1.5° C, in line with the Paris Agreement.⁴⁷ As such, the CSDDD requires companies to comply with the due diligence requirements laid out, as well as to adopt and put into effect a climate transition plan. Each of these obligations will be discussed, in turn.

Human Rights and Environmental Due Diligence Obligations

The CSDDD requires in-scope companies to conduct HREDD that is “risk-based,” stemming from the reality that companies cannot address all adverse impacts. Rather, a risk-based approach requires companies to prioritize their actions and to take appropriate measures to identify and address adverse impacts based on their severity and likelihood.⁴⁸ In order for a company’s due diligence to have a meaningful impact, it should cover adverse impacts generated throughout the life cycle of a product or service, both within the company and throughout its chain of activities.⁴⁹

According to the CSDDD, a company’s chain of activities encompasses: 1.) its **upstream** business partners’ activities related to extraction, sourcing, manufacture, production, development, transport, storage, and supply of raw materials and products or services; and 2.) its **downstream** partners’ activities related to the distribution, transport, and storage of a company product, only when this activity is carried out for or on behalf of the company.⁵⁰ Notably, a company’s chain of activities does not include a downstream company’s distribution, transport, or storage of a product subject to export controls relating to dual-use items covered in Regulation (EU) 2021/821 or relating to weapons, munitions, or other war materials, once the export is authorized.⁵¹ Finally, the chain of activities does not include the recycle, reuse, or disposal of a product⁵² or the end use of products or services.

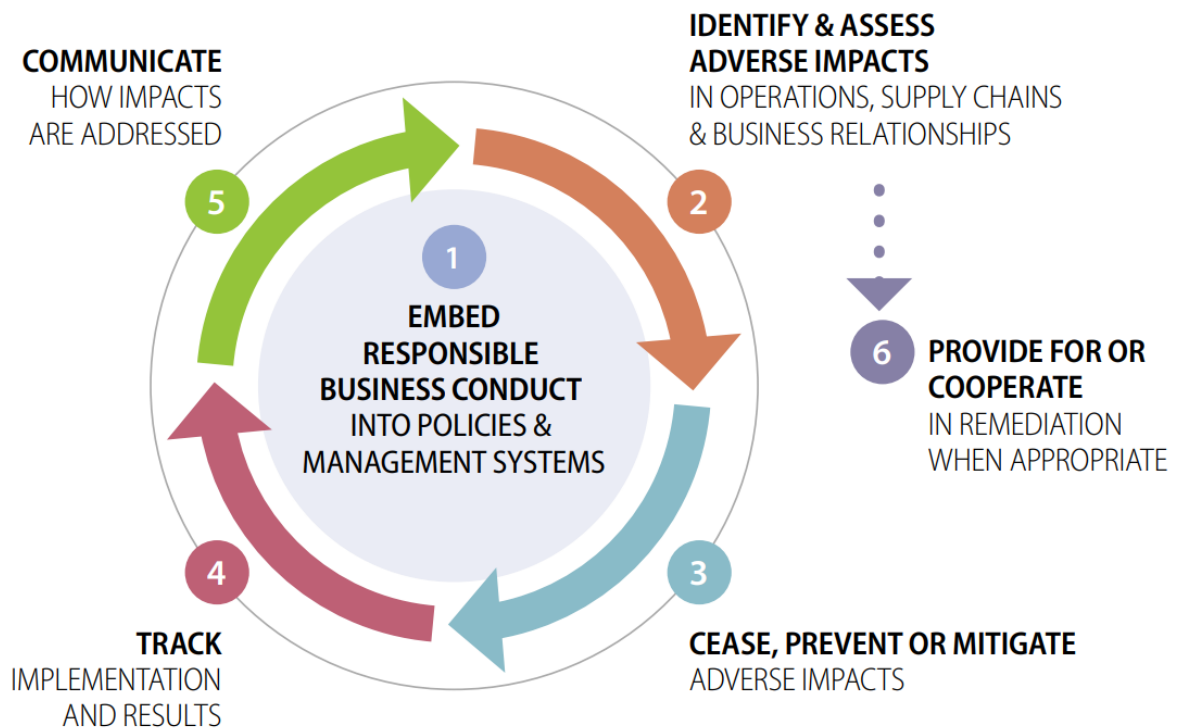
Graphic 2: CSDDD Chain of Activities



A due diligence process in compliance with the Directive should cover the six steps defined in the OECD Due Diligence Guidance for Responsible Business Conduct,⁵³ including:

1. **Integrating** due diligence into policies and management systems;
2. **Identifying** and assessing adverse human rights and environmental impacts;
3. **Preventing**, ceasing, or minimizing actual and potential adverse human rights and environmental impacts;
4. **Monitoring** and assessing the effectiveness of the measures;
5. **Communicating**; and
6. Providing **Remediation**.⁵⁴

Graphic 3: OECD 6 Steps



<https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>, pg. 21

Integrating

Companies will need to integrate their due diligence processes into all relevant policies and risk management systems identifying potential adverse impacts.⁵⁵ An integrated policy that complies with the Directive shall include:

1. the company's approach to due diligence;
2. a code of conduct describing the rules and principles to be followed (throughout the company, its subsidiaries, and direct or indirect business partners); and
3. a description of the processes in place to integrate that due diligence policy.⁵⁶

Companies will also be required to update their due diligence policies after a significant change occurs,⁵⁷ or at least every 24 months.⁵⁸



Identifying & Assessing Adverse Impacts


The Directive requires companies to identify and assess actual and/or potential adverse impacts on human rights and the environment throughout its chain of activities.⁵⁹ Companies are, therefore, obligated to map their own operations, those of their subsidiaries, and those of their business partners to identify both where adverse impacts are most likely to occur and the potential or actual severity of such impacts.⁶⁰ The severity of an adverse impact must be determined by the scale, scope, or the irremediable nature of the impact, taking into account the gravity of the impact, the number of individuals affected, and the extent to which the environment may be or is damaged.⁶¹ This requires companies to gather information through independent reports, implemented notification mechanisms, and business partners, where reasonable.⁶²

Preventing, Ceasing, or Minimizing Impacts

Companies are required to prioritize the mitigation of the most likely and most severe adverse impacts identified.⁶³ Therefore, a company must take “appropriate measures,” that are commensurate to the severity and likelihood of the impact,⁶⁴ to bring those adverse impacts to an end or to prevent such impacts.⁶⁵ When determining appropriate measures, companies should consider whether the impact is caused only by the company, or jointly throughout their chain of activities.⁶⁶ Companies should also assess the leverage they may have to influence business partners that have contributed to the adverse impact.⁶⁷

As dictated by Article 10 of the CSDDD, companies must take appropriate measures to prevent or adequately mitigate **potential** adverse impacts identified.⁶⁸ When those potential adverse impacts are caused by a company’s business partners in their chains of activities, the company may seek contractual assurances to achieve compliance with the company’s code of conduct or preventative action plan.⁶⁹ Where contractual assurances are obtained, but the potential adverse impact is still not prevented or adequately mitigated, as a last resort, the company will be required to refrain from entering into or extending its existing relationship with the partner(s).⁷⁰ If the potential impact is severe, and there is no reasonable expectation that efforts to mitigate or prevent would succeed,⁷¹ the company must terminate the relationship with respect to the activities concerned.⁷²

Article 11, however, requires companies to bring **actual** adverse impacts to an end.⁷³ Where actual impacts cannot immediately be brought to an end, companies will still be required to minimize the extent of that impact where possible.⁷⁴ As with potential adverse impacts caused



through their chain of activities, companies may obtain contractual assurances to ensure their business partners comply with the plan provided to bring the actual impact to an end.⁷⁵ As a last resort, if there is no reasonable expectation that the efforts to cease the impact will succeed, the company must terminate the business relationship if the actual impact is severe.⁷⁶

It is not required, however, that companies guarantee that adverse impacts will never occur or that, in certain circumstances, that they will be stopped.⁷⁷ Companies must only “periodically reassess the circumstances that prevented it from bringing the adverse impact to an end, and whether the adverse impact can be brought to an end...”⁷⁸

Monitoring & Assessing Effectiveness

Companies will need to carry out periodic assessments of their own operations and measures (including those of their subsidiaries and those in their chain of activities) to assess the implementation and to monitor the effectiveness of their due diligence processes.⁷⁹ These processes to monitor the effectiveness of their due diligence processes shall also be included in the periodic assessments.⁸⁰

Assessments should verify:


- adverse impacts are properly identified;
- due diligence measures are implemented; and
- adverse impacts have actually been prevented or brought to an end.”⁸¹

Assessments should be conducted when:

- a significant change occurs,
- there are reasonable grounds to believe that new adverse impacts may arise; or, in any case
- at least every 12 months.⁸²

Communicating

Covered companies will be required to report on matters covered by the Directive in order to ensure compliance.⁸³ The CSDDD requires an annual statement to be published, including information obtained as a result of periodic assessments, and made publicly available on each respective company’s websites in a customary language of the Member State.⁸⁴ By March 31, 2027, the Commission of the CSDDD will specify and adopt reporting criteria, indicating the



information and language required in the report, including language covering the Directive’s guiding principles.⁸⁵

Providing Remediation

Where a company has caused, or jointly caused, an actual adverse impact, the company should provide remediation.⁸⁶ This process should restore the affected persons, communities, or environment to a situation equivalent or as close as possible to the situation they would have been in had the actual impact not occurred.⁸⁷ A company should provide, through financial or non-financial compensation, an amount proportionate to the company’s involvement in the adverse impact.⁸⁸ Where applicable, a company should also provide for the reimbursement of the costs incurred by public authorities for any necessary remedial measures.⁸⁹

Where Remediation is Required:

1. Where a company has **caused** an actual adverse impact by itself; or
2. Where a company has caused an actual adverse impact **jointly** with a subsidiary or business partner.⁹⁰

Where Remediation is Voluntary:


1. Where an actual adverse impact is caused **only** by the company’s business partner; however, companies are still encouraged to use their leverage to influence business partners into providing remediation.⁹¹

When a company fails to provide appropriate remediation, the competent supervisory authority will be directed by the Member State to order remediation from the respective company.⁹²

Meaningful Engagement

In order to ensure these reporting processes effectively include the voices of those impacted, companies should prioritize engagement with their business partners in their chain of activities and carry out effective engagement with “key stakeholders.”⁹³ These key stakeholders should include the following groups:

1. employees (both in the company and its subsidiaries);
2. trade unions and their representatives;
3. consumers;
4. business partners;

- 
5. communities/entities whose rights/interests are or could be affected by the products and services of the company;
 6. national human rights and environmental institutions; and
 7. civil society organizations who legitimately represent those individuals/communities affected.⁹⁴


Consultations with stakeholders should be transparent and occur at the following stages of the due diligence process:

1. when gathering information on actual or potential adverse impacts;
2. when developing corrective and enhanced prevention plans;
3. when deciding to terminate or suspend a business relationship;
4. when adopting measures to remediate adverse impacts; and
5. when developing qualitative and quantitative indicators for monitoring.⁹⁵

Meaningful engagement with concerned stakeholders should take into account any barriers to engagement, including financial burdens and barriers to marginalized groups, ensuring that they are both free from retaliation and from retribution.⁹⁶ Steps to mitigate retaliation could include the maintaining of confidentiality and anonymity of those persons bringing claims, as well as paying special attention to the needs of vulnerable stakeholders and how those needs potentially intersect with other affected groupings/communities.⁹⁷ Where it is not “reasonably possible” to carry out effective engagement directly with key stakeholders, companies should additionally consult with (legal and non-legal) experts in order to gain credible insights into actual or potential adverse impacts.⁹⁸

Climate Transition Plan Obligation

Companies covered by the CSDDD are also required to adopt a transition plan for climate change mitigation compatible with the limiting of global warming to 1.5° C.⁹⁹ The Directive requires companies to include time-bound targets for 2030, based on conclusive scientific evidence, and five-year steps leading to 2050.¹⁰⁰ Where appropriate, companies should also include absolute emission reduction targets for scope 1,¹⁰¹ scope 2, and scope 3 greenhouse gas emissions.¹⁰² The plan should also include a description of identified decarbonization levers and plans to reach targets, an explanation of the funding supporting the implementation of the plan, and a description of the administrative and supervisory bodies overseeing and complying with the plan.¹⁰³ Adopted plans must be updated every 12 months and contain a description of the progress the company has made towards achieving its target goals.¹⁰⁴



Requirements to adopt a transition plan in accordance with the Directive are not intended to conflict with requirements under the CSRD.¹⁰⁵ In fact, companies who choose to, or are required to report a transition plan under the CSRD, shall be deemed to have complied with the obligations of the CSDDD to adopt a transition plan.¹⁰⁶ The CSDDD and CSRD's transition requirements, however, differ, as the CSRD includes more detailed reporting requirements,¹⁰⁷ while the CSDDD focuses on the acts companies are required to take.¹⁰⁸ As such, companies who report a transition plan under the CSRD are still required to “put into effect” such plan to comply with the CSDDD.

Noncompliance with the CSDDD


The CSDDD lays out consequences for companies who fail to comply with the Directive. Such consequences include administrative enforcement penalties – including injunctions and fines (pecuniary penalties)¹⁰⁹ – and judicial enforcement through civil liability.¹¹⁰

Administrative Penalties

The designated supervisory authorities, chosen by the Member States, will be ordered to ensure effective enforcement of the Directive, and provide for penalties for the infringement(s) of those measures.¹¹¹ While Member States will be responsible to lay out the exact rules on penalties, the CSDDD requires that such penalties be effective, proportionate, and dissuasive.¹¹² Furthermore, penalties must take into account a company's net worldwide turnover, and fines can be imposed up to 5% of the company's net worldwide turnover.¹¹³

Factors to be considered when deciding whether to impose penalties and their appropriateness include:

1. the nature, gravity, and duration of the infringement, including the severity of the impacts resulting from that infringement;
2. any investments made and any targeted support provided;
3. any collaboration with other entities to address the impacts concerned;
4. the extent to which prioritization decisions were made;
5. any relevant previous infringements by the company of the applicable provisions of national law adopted;

- 
6. the extent to which the company carried out any remedial action;
 7. the financial benefits gained or losses avoided due to the infringement; and
 8. any other aggravating or mitigating factors applicable to the circumstances of the case concerned.¹¹⁴

Civil Liability

Members States shall also ensure that companies can be held civilly liable when they intentionally or negligently fail to comply with their duty to prevent, mitigate, bring to an end, and provide remediation for adverse impacts, and this results in damage to a legal or natural person.¹¹⁵ In such cases, a company can be held civilly liable if it caused or contributed to the harm, but not if its business partner solely caused the harm.¹¹⁶ A natural or legal person shall have the right to full compensation; however, the Directive shall not lead to overcompensation (through damages, for example).¹¹⁷

III. CSDDD AND OTHER EU LEGISLATION

The CSDDD acts as a floor on corporate due diligence requirements, rather than as a ceiling. The Directive states: “[i]f a provision of this Directive conflicts with a provision of another Union legislative act pursuing the same objectives and providing for more extensive or more specific obligations, the provision of that other Union legislative act shall prevail to the extent of the conflict and shall apply as regards those specific obligations.”¹¹⁸ EU Member States cannot introduce provisions in their national laws which contradict CSDDD obligations; however, they may introduce more stringent provisions which require a higher level of protections for human, employment and social rights, or for the protection of the environment or climate.¹¹⁹

CSDDD works in tandem with other EU human rights and environmental regulations which impose due diligence and reporting directives on corporations in certain contexts. Some of these regulations, such as the Conflict Minerals Regulation and Batteries Regulation, include due diligence requirements that are narrower in scope than the CSDDD, in that they only impose limited obligations on certain sectors or products.¹²⁰ Conversely, the EU’s Deforestation Regulation includes a more stringent due diligence requirement, requiring companies to collect more detailed information on products’ origins and production to ensure that they are not made in a way that

contributes to global deforestation.¹²¹ Additionally, the CSDDD works alongside the transparency reporting requirements laid out by the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS).¹²² CSDDD does not lay out stringent reporting requirements for due diligence transparency, with the expectation that corporations will need to disclose that information under the CSRD anyway.¹²³

In accordance with the CSDDD’s principles on regulatory harmonization, companies complying with those regulations which include weaker requirements must strengthen their due diligence efforts to also comply with CSDDD requirements.¹²⁴ However, regulations with more stringent requirements will impose those obligations instead of CSDDD’s respective narrower requirements.¹²⁵ The table below compares CSDDD with other key EU legislation, identifying each law’s (a) purpose, (b) scope, (c) obligations imposed on companies, and (d) interaction with the CSDDD:

Table 4: CSDDD and Other EU Legislation

EU Legislation	Purpose	Scope	Obligations	Interaction with CSDDD
Corporate Sustainability Reporting Directive (Entry Into Force “EIF”: 5 January 2023)	The CSRD requires companies to report on the risks and opportunities arising from social and environmental issues, particularly related to the impacts such activities have on people and the environment. The aim of these standards is to help investors, civil society organizations, consumers and other stakeholders to evaluate the sustainability performance of companies. ¹²⁶	CSRD applies to large EU and non-EU companies which meet two of the three criteria: <ul style="list-style-type: none"> • EUR 50+ million in net turnover • EUR 25+ million in assets • 250+ employees Additionally, non-EU companies that have a turnover of above €150 million in the EU will also have to comply. OR small and medium European companies which meet two of the three criteria: <ul style="list-style-type: none"> • €8+ million in net turnover of • €4+ million assets • 50+ 	The CSRD requires that companies report on the risk and opportunities arising from social and environmental issues related to their work, in alignment with the European Sustainability Reporting Standards (ESRS). ¹²⁸ The ESRS requires companies report on their “double materiality” ¹²⁹ impacts “requiring companies to set out their general strategy, governance, and materiality assessment, and a set of topical disclosure requirements on Environmental, Social, and Governance matters.” ¹³⁰	The CSRD and CSDDD are intended to work in tandem. The CSRD covers a wider breadth of companies and imposes stricter reporting requirements to disclose impacts on people and the environment, as well as financial risks and opportunities. ¹³¹ Additionally, CSRD requires disclosure of activities across a company’s value chain, whereas CSDDD covers the company’s own operations and full upstream supply chain, but only downstream activities related to transport, distribution and storage, excluding end use activities. ¹³² However, whereas CSRD does not directly impose due diligence requirements on companies, the CSDDD does. ¹³³



		employees ¹²⁷		A company that has obligations under both CSRD and CSDDD will likely already meet the reporting requirements of CSDDD by complying with CSRD, and will meet the due diligence requirements for CSRD by complying with CSDDD. ¹³⁴
EU Batteries Regulation (EIF: 17 August 2023)	The EU Batteries Regulation has three aims: (i) reduce the environmental and social impacts throughout all stages of the battery life cycle; (ii) promote a circular economy; and (iii) strengthen the functioning of the internal market. ¹³⁵	The Batteries Regulation applies to all manufacturers, producers, importers and distributors of every type of battery placed within the EU market. This extends to all batteries sold in the EU. ¹³⁶ However, the Regulation’s due diligence requirements only apply to “economic operators” who generate over EUR 40 million per year. Those operators who only deal in repurposed batteries are excluded from these requirements. ¹³⁷	The Regulation imposes due diligence obligations “to help identify, prevent and address actual and potential social and environmental risks associated with the sourcing, processing and trading of raw materials and secondary raw materials required for battery production, including through suppliers in the chain and their subordinate companies or entities or contractors.” ¹³⁸ This includes a requirement to develop robust risk management and reporting systems. ¹³⁹	The due diligence requirements imposed by the EU Batteries Regulation are more limited in scope, but more specific, than those imposed by the CSDDD. Specifically, the Batteries Regulation’s due diligence requirements only extend to a company’s supply chain, whereas the CSDDD’s requirements apply more broadly to the parts of the value chain at large. ¹⁴⁰ To comply with both the EU Batteries Regulation and CSDDD, companies will need to abide by the heightened due diligence requirements of the CSDDD in order to be in compliance with both laws.
EU Deforestation Regulation (EUDR) (EIF: 29 June 2023)	The EU Deforestation Regulation (EUDR) “aims to minimize the consumption of products coming from supply chains associated with deforestation or forest degradation and increase EU demand for and trade in legal and deforestation-free commodities and products.” ¹⁴¹ The regulation prohibits the sale or export of goods in	The EUDR applies to all companies which place the following on the EU market or exports from the EU: palm oil, cattle, soy, coffee, cocoa, timber and rubber as well as derived products (such as beef, furniture, or chocolate). The regulation applies for any quantity of product, large or small. ¹⁴³	The EUDR’s due diligence policies require companies to: <ul style="list-style-type: none"> • Collect information about the products it wishes to sell, including the geographic coordinates of its production; • Check the collected information against a risk assessment system to determine the risk of deforestation; and, 	Though the stated intention of the EUDR is to be complementary to the CSDDD, the two laws differ in scope and objective. ¹⁴⁵ As a products-based regulation, the EUDR imposes stricter requirements on companies dealing in the specified products which may lead to deforestation, whereas the CSDDD imposes more general duties. ¹⁴⁶ A company complying with both the EUDR and CSDDD will need to respect the heightened due diligence requirements related to deforestation alongside the more general obligations imposed by the CSDDD.



	the EU unless they are “deforestation-free,” in compliance with the laws of the country they are made in, and found to have a negligible risk of non-compliance with the law’s due diligence requirements. ¹⁴²		<ul style="list-style-type: none"> Take adequate and proportionate mitigation efforts to ameliorate any non-negligible risks.¹⁴⁴ 	
EU Forced Labour Regulation (EIF: imminently)	The EU Forced Labour Regulation aims to ban all products (including their component parts) made using forced labour from EU markets. ¹⁴⁷	<p>The Forced Labour Regulations covers all companies, regardless of size or sector, that make available or sell products in the EU.¹⁴⁸</p> <p>However, the Regulation sets lower information collection requirements on small or medium-sized companies than they do for large companies.¹⁴⁹</p>	<p>To enforce the prohibition on products made with forced labor, the EU and the relevant national authorities must conduct risk-based investigation to determine whether products entering EU markets were made using forced labor.¹⁵⁰</p> <p>The Forced Labour Regulation does not directly impose due diligence regulations on companies; rather, it places the burden of investigation on EU member states.¹⁵¹</p>	The EU Forced Labour Regulation and CSDDD are intended to impose complementary obligations. ¹⁵² However, given the differences in scope between these regulations, and the recency of both regulations’ passage, it is yet unclear how the EU member states’ responsibilities to investigate instances of forced labor intersect with CSDDD’s obligations on countries to conduct ongoing due diligence activities. ¹⁵³
EU Conflict Minerals Regulation (EIF: 1 January 2021)	The Conflict Minerals Regulation aims to help stem the trade in four minerals – tin, tantalum, tungsten and gold – which sometimes finance armed conflict or are mined using forced labor. The regulation requires EU companies in the supply chain to ensure they import these minerals and metals from responsible and conflict-free sources only. ¹⁵⁴	The Conflict Mineral Regulation only applies directly to EU-based importers of tin, tantalum, tungsten and gold, whether these are in the form of mineral ores, concentrates or processed metals. ¹⁵⁵	<p>The EU regulation sets out different rules for upstream and for downstream companies:¹⁵⁶</p> <p>Upstream companies, such as those that extract and process the raw minerals, have to comply with mandatory rules on due diligence when they import, as this is the most risky part of the supply chain.</p> <p>Downstream companies, such as those which process raw minerals into finished products, fall into two categories:</p> <ul style="list-style-type: none"> those importing metal-stage products also have to meet 	The EU Conflict Minerals Regulation and CSDDD are intended to work in tandem to impose due diligence requirements on companies. ¹⁵⁷ However, the Conflict Minerals Regulation is narrower in scope and sector than the broad CSDDD. ¹⁵⁸ <p>A company complying with both laws will need to balance the broader due diligence requirements of CSDDD with the sector- and product-specific obligations imposed by the Conflict Minerals Regulation.¹⁵⁹</p>



			<p>mandatory due diligence rules, and;</p> <ul style="list-style-type: none"> those operating beyond the metal stage do not have obligations under the regulation, but they are expected to use reporting and other tools to make their due diligence more transparent 	
<p>Critical Raw Materials Act (EIF: 23 May 2024)</p>	<p>The Critical Raw Materials Act aims to “strengthen all stages of the European critical raw materials value chain, diversify the EU’s imports to reduce strategic dependencies, improve EU capacity to monitor and mitigate risks of disruptions to the supply of critical raw materials, and improve circularity and sustainability.”¹⁶⁰</p>	<p>The Act applies to companies that procure or process materials that are deemed “strategic” or “critical.” This means most companies that engage in the manufacturing, chemical, and heavy industry sectors.¹⁶¹</p> <p>The Act imposes obligations on 34 materials, 17 of which are considered critical and 17 strategic.¹⁶² Critical materials include, among others: cobalt, nickel, lithium, tungsten and tantalum.¹⁶³</p>	<p>Companies that fall within the scope of the Critical Raw Materials Act are obligated to produce risk assessments every three years that analyze their usage of critical raw materials. These assessments must map their supply chains, analyze potential fallout risks, and assess their vulnerability in the event of a supply chain disruption.¹⁶⁴ However, the Act only requires companies to assess their human rights impacts at the onset of a project.¹⁶⁵</p>	<p>The Critical Raw Materials Act’s requirement for companies to conduct risk assessments includes an obligation to assess sustainability against EU law. For companies which are covered under both the Critical Raw Materials Act and CSDDD, compliance with the CSDDD may help individuals meet their obligations under the Critical Raw Materials Act.¹⁶⁶</p>

ENDNOTES

¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

² https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

³ [Types of EU law - European Commission](#); [Types of legislation | European Union](#)

⁴ [Types of EU law - European Commission](#); [Types of legislation | European Union](#)

⁵ [The Highly Debated Corporate Sustainability Due Diligence Directive at Risk of a Definitive Block](#) at 2

⁶ [European Parliament and Council reach agreement on Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)

⁷ [European Parliament and Council reach agreement on Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)

⁸ [European Parliament and Council reach agreement on Corporate Sustainability Due Diligence Directive \(CSDDD\)](#)

⁹ [The Highly Debated Corporate Sustainability Due Diligence Directive at Risk of a Definitive Block](#) pg. 2

¹⁰ [The Highly Debated Corporate Sustainability Due Diligence Directive at Risk of a Definitive Block](#) at 2; [EU Council approves amended version of Corporate Sustainability Due Diligence Directive](#)

¹¹ The final text of the CSDDD can be found here: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760. The actual text of the Directive is preceded by a “Recital”, or a “whereas clause” which outlines the EU’s reasoning for adopting this regulation and intent for how it should be used. The text of

the Recital does not by itself impose any obligations on Member States or corporations; however, it can be used to determine the meaning of ambiguous provisions of the laws in court. <https://uk.practicallaw.thomsonreuters.com/w-018-8270>

¹² [EU Council approves amended version of Corporate Sustainability Due Diligence Directive](#)

¹³ [EU Council approves amended version of Corporate Sustainability Due Diligence Directive](#)

¹⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760; The official text also includes a lengthy preamble-like section, called the recitals, which is made of the numbered paragraphs following the word “Whereas.” According to EU law, recitals are not legally binding, but can serve as important interpretive guidance where a provision is ambiguous. [https://uk.practicallaw.thomsonreuters.com/w-009-6368?transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://uk.practicallaw.thomsonreuters.com/w-009-6368?transitionType=Default&contextData=(sc.Default)&firstPage=true); For example, the concepts of “living wage” and “living income” are only included in the recitals section of the CSDDD. However, the CSDDD enshrines the right to an adequate standard of living in the provisions and annex. When interpreting the right to an adequate standard of living, member states should look to the relevant recital, which states “is understood to include a living wage for employees and a living income for self-employed workers and smallholders.”

¹⁵ [The Highly Debated Corporate Sustainability Due Diligence Directive at Risk of a Definitive Block at 2](#)

¹⁶ [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#)

¹⁷ [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#)

¹⁸ https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf; Additionally, a company will be covered only if they meet the specific conditions in two consecutive financial years.

¹⁹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2; [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#); [EU Corporate Sustainability Due Diligence Directive \(CSDDD\) passed by EU Parliament: What are the implications? | Global law firm | Norton Rose Fulbright](#)

²⁰ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2); [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#)

²¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2; It is the subsidiary company, not the parent company, that must meet the threshold of 1,000 employees and a turnover of EUR 450. However, the parent company will be held responsible for the subsidiary meeting this threshold, even if it does not meet this requirement itself. [Landmark EU “Corporate Sustainability Due Diligence Directive” Imposing Human Rights and Environmental Due Diligence Obligations on EU and Non-EU Companies Approved by European Parliament - Gibson Dunn; INVESTOR BRIEFING at 5](#)

²² https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2; [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#)

²³ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2

²⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 2;

²⁵ [The EU’s Corporate Sustainability Due Diligence Directive and Forced Labour Regulation: What Next? | Covington & Burling LLP](#); [EU Council approves amended version of Corporate Sustainability Due Diligence Directive](#)

²⁶ [EU Council approves amended version of Corporate Sustainability Due Diligence Directive](#)

²⁷ [European Union Finally Adopts Corporate Sustainability Due Diligence Directive | 06 | 2024 | Publications; Demystifying CSDDD: Getting off to a good start with the EU’s latest ESG milestone](#)

²⁸ [European Union Finally Adopts Corporate Sustainability Due Diligence Directive | 06 | 2024 | Publications](#)

²⁹ [European Union Finally Adopts Corporate Sustainability Due Diligence Directive | 06 | 2024 | Publications; Demystifying CSDDD: Getting off to a good start with the EU’s latest ESG milestone; European Union: CSDDD - No escape for the financial sector? - Baker McKenzie InsightPlus](#)

³⁰ [The EU’s Corporate Sustainability Due Diligence Directive - Obligations for Companies pg. 6](#)

³¹ [The EU’s Corporate Sustainability Due Diligence Directive - Obligations for Companies pg. 6](#)

³² [The EU’s Corporate Sustainability Due Diligence Directive - Obligations for Companies pg. 6](#)

³³ [The EU’s Corporate Sustainability Due Diligence Directive - Obligations for Companies pg. 6](#)

³⁴ [Corporate sustainability due diligence: Council gives its final approval - Consilium](#)

³⁵ [EU Corporate Sustainability Due Diligence Directive \(CSDDD\) passed by EU Parliament: What are the implications? | Global law firm | Norton Rose Fulbright](#)

³⁶ [Corporate sustainability due diligence: Council gives its final approval - Consilium](#)

³⁷ [Corporate sustainability due diligence: Council gives its final approval - Consilium;](#)

https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf

³⁸ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Annex Parts I and II

³⁹ The enumerated human rights are interpreted by the CSDDD according to existing international instruments. The following instruments govern the interpretation of the respective numbered rights: 1. Article 6(1) of the [International Covenant on Civil and Political Rights](#); 2. Article 7 of the [International Covenant on Civil and Political Rights](#); 3. Article 9(1) of the [International Covenant on Civil and Political Rights](#); 4. Article 17 of the [International Covenant on Civil and Political Rights](#); 5. Article 18 of the [International Covenant on Civil and Political Rights](#); 6. Articles 7 and 11 of the

[International Covenant on Economic, Social and Cultural Rights](#); 7. Articles 11 of the [International Covenant on Economic, Social and Cultural Rights](#); 8. Article 2(1) of the [International Labour Organization Forced Labour Convention, 1930 \(No. 29\)](#); 9. Article 8 of the [International Covenant on Civil and Political Rights](#); 10. Articles 21 and 22 of the [International Covenant on Civil and Political Rights](#), Article 8 of the [International Covenant on Economic, Social and Cultural Rights](#), [International Labour Organization Freedom of Association and Protection of the Right to Organise Convention, 1948 \(No. 87\)](#), [International Labour Organization Right to Organise and Collective Bargaining Convention, 1949 \(No. 98\)](#); 11. Articles 2 and 3 of the [International Labour Organization Equal Remuneration Convention, 1951 \(No. 100\)](#), Articles 1 and 2 of the [International Labour Organization Discrimination \(Employment and Occupation\) Convention, 1958 \(No. 111\)](#), Article 7 of the [International Covenant on Economic, Social and Cultural Rights](#); 12. Article 24 of the [Convention on the Rights of the Child](#); 13. Article 28 of the [Convention on the Rights of the Child](#); 14. Article 27 of the [Convention on the Rights of the Child](#); 15. Article 32 of the [Convention on the Rights of the Child](#); 16. Articles 34 and 35 of the [Convention on the Rights of the Child](#); 17. Article 2(4) and 4-8 of the [International Labour Organization Minimum Age Convention, 1973 \(No. 138\)](#); 18. Article 3 of the [International Labour Organization Worst Forms of Child Labour Convention, 1999 \(No. 182\)](#)

⁴⁰ [EU Council Approves CSDDD: A Step in the Right Direction, But Too Modest to Protect Indigenous Peoples' Rights Effectively](#)

⁴¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 33

⁴² https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 33

⁴³ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 33

⁴⁴ The enumerated human rights are interpreted by the CSDDD according to existing international instruments. The following instruments govern the interpretation of the respective numbered rights: 1. Article 6(1) of the [International Covenant on Civil and Political Rights](#), Articles 11 and 12 of the [International Covenant on Economic, Social and Cultural Rights](#); 2. Article 1 and 27 of the [International Covenant on Civil and Political Rights](#), Article 1, 2 and 11 of the [International Covenant on Economic, Social and Cultural Rights](#); 3. Article 10, point (b) of the [1992 Convention on Biological Diversity](#) as well as the applicable law in the relevant jurisdictions. Including the obligations of the [Cartagena Protocol on Biosafety](#) on the development, handling, transport, use, transfer and release of living modified organisms and of the [Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization to the Convention on Biological Diversity of 12 October 2014.](#); 4. Articles III, IV, and V of the [Convention on International Trade in Endangered Species of Wild Fauna and Flora](#); 5. The prohibited mercury-added products are listed in Annex A Part I of the [Minamata Convention](#). The manufacturing processes are listed in Annex B Part I to the [Minamata Convention](#). The prohibition of unlawful treatment of mercury waste is interpreted in line with Article 11(3) of the [Minamata Convention](#), Article 13 of Regulation (EU) [2017/852 of the European Parliament and of the Council](#); 6. Article 3(1), point (a), point (i) of the [Convention and Regulation \(EU\) 2019/1021 of the European Parliament and of the Council](#); 7. Article 6(1), point (d), points (i) and (ii) of the [Persistent Organics Pollutants \(POPs\) Convention](#), Article 7 of Regulation (EU) [2019/1021](#); 8. Article 10(1), Article 11(1), Article 11(1), point (b) and Article 11(2) of [UNEP/FAO Prior Informed Consent \(PIC\) Procedure](#); 9. Article 4B of the [Montreal Protocol](#) and licensing provisions under applicable law in relevant jurisdiction; 10. Article 1(1) and (2) of the [Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal of 22 March 1989 \(Basel Convention\)](#); Regulation (EC) No 1013/2006 of the [European Parliament and of the Council](#); 11. Article 4A of the [Basel Convention](#), Article 34 and 36 of Regulation (EC) No 1013/2006; 12. Article 4(5) of the [Basel Convention](#); 13. Properties delineated as natural heritage are defined by Article 2 of the [Convention Concerning the Protection of the World Cultural and Natural Heritage of 16 November 1972 \(the World Heritage Convention\)](#), and interpreted in line with Article 5, point (d) of the World Heritage Convention and applicable law in the relevant jurisdiction; 14. Wetlands are defined in Article 1 of the [Convention on Wetlands of International Importance especially as Waterfowl Habitat of 2 February 1971 \(Ramsar Convention\)](#), interpreted in line with Article 4(1) of the Ramsar Convention and applicable law in the relevant jurisdiction; 15. [International Convention for the Prevention of Pollution from Ships of 2 November 1973, as amended by the Protocol of 1978 \(MARPOL 73/78\).](#); 16. Article 210 of the [United Nations Convention on the Law of the Sea of 10 December 1982 \(UNCLOS\)](#) and applicable law in the relevant jurisdiction

⁴⁵ <https://cri.org/eu-corporate-due-diligence-law-bittersweet-victory/>

⁴⁶ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

⁴⁷ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

⁴⁸ https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf

⁴⁹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

⁵⁰ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 3

⁵¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 3

⁵² https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 25

⁵³ <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf> - the OECD Due Diligence Guidance for Responsible Business Conduct is a practical support for enterprises to implement the due diligence recommendations as dictated by the OECD Guidelines for Multinational Enterprises

⁵⁴ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 5

⁵⁵ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 7

⁵⁶ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 7

- 57 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 7 - A significant change should be understood as “a change to the status quo of the company’s own operations, operations of its subsidiaries or business partners, the legal or business environment or any other substantial shift from the situation of the company or its operating context.”
- 58 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 7
- 59 <https://www.mondaq.com/climate-change/1471012/the-european-council-formally-endorsed-the-csddd>
- 60 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 8
- 61 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 3
- 62 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 8
- 63 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 9
- 64 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 65 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 11
- 66 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 67 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 68 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 69 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 70 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 71 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 72 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 10
- 73 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 11
- 74 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 11
- 75 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 11
- 76 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 11
- 77 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 19
- 78 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 53
- 79 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 15
- 80 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 15
- 81 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 61
- 82 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 15
- 83 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 16
- 84 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 16
- 85 Some covered companies which also have obligations under the Corporate Sustainability Reporting Directive (CSRD) will already meet the communications and reporting requirements of the CSDDD by complying with CSRD. For more information, see Part III.
- 86 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 12
- 87 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 3
- 88 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 58
- 89 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 58
- 90 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 12
- 91 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 12
- 92 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 58 and Art. 25
- 93 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 13
- 94 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 3
- 95 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 13
- 96 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 13
- 97 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Recital 65
- 98 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 13
- 99 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 22
- 100 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 22
- 101 https://www.workforclimate.org/post/whats-the-difference-scope-1-2-and-3-corporate-emissions?gad_source=1&gclid=Cj0KCQjwvae1BhC_ARIsAK4Jfrz94MSskJJiRV1cEJxoo8tquJhS5gq5t-VVs0sMinW3N9G8hQ1mU4aAqdVEALw_wcB - defining Scope 1 emissions as “direct emissions” controlled by the company; Scope 2 emissions as “indirect emissions” released into the atmosphere from the use of purchased energy; and Scope 3 emissions as all other “indirect emissions” that occur across the “chain of activities.”
- 102 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 22
- 103 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 22
- 104 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 22
- 105 <https://www.dlapiper.com/en/insights/publications/2024/07/corporate-sustainability-due-diligence-directive>
- 106 https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf
- 107 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32022L2464>
- 108 <https://www.dlapiper.com/en/insights/publications/2024/07/corporate-sustainability-due-diligence-directive>

109 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 27;
https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf

110 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 29

111 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 25

112 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 27

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114 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 27

115 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 29

116 https://commission.europa.eu/document/download/7a3e9980-5fda-4760-8f25-bc5571806033_en?filename=240719_CSDD_FAQ_final.pdf

117 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 29

118 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 1

119 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 4

120 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21

121 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21

122 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21

123 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21

124 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21; https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 4

125 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21; https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760 Art. 4

126 [Corporate sustainability reporting - European Commission](#)

127 [Corporate Sustainability Reporting Directive \(CSRD\), explained](#)

128 [Corporate sustainability reporting - European Commission](#)

129 The ESRS introduces the concept of “double materiality” in its reporting standards. Double materiality combines considerations of the *impact* corporate practices have on people and planet with sustainability-related risks and opportunities which impact a company’s financial standing. By combining these concepts in one, the ESRS emphasizes the need to treat a company’s impact and its financial health as interrelated issues. See [I. DOUBLE MATERIALITY: WHAT YOU NEED TO KNOW](#) at 2

130 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 25

131 [A Coherent Approach to Sustainability Due Diligence and Reporting: Making Sense of CSDDD and CSRD | Blog](#)

132 [A Coherent Approach to Sustainability Due Diligence and Reporting: Making Sense of CSDDD and CSRD | Blog](#)

133 [A Coherent Approach to Sustainability Due Diligence and Reporting: Making Sense of CSDDD and CSRD | Blog](#)

134 [A Coherent Approach to Sustainability Due Diligence and Reporting: Making Sense of CSDDD and CSRD | Blog](#); see also [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 21

135 [New EU Batteries Regulation: introducing enhanced sustainability, recycling and safety requirements | White & Case LLP](#)

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137 [Due Diligence and Battery Regulation | reuschlaw News](#)

138 [Due Diligence and Battery Regulation | reuschlaw News](#)

139 [Due Diligence and Battery Regulation | reuschlaw News](#)

140 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 9

141 [CDP Q&A: DEFORESTATION-FREE PRODUCTS ON THE EU MARKET](#) at 2

142 [10 key things to know about the new EU Deforestation Regulation | White & Case LLP](#)

143 [Deforestation Regulation implementation - European Commission.](#)

144 [Due Diligence - European Commission](#)

145 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 8

146 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 8

147 [EU: European Parliament has given its final approval on the EU Forced Labour Regulation - Global Supply Chain Compliance](#)

148 [EU Forced Labour Regulation is one step closer to its adoption | Perspectives | Reed Smith LLP.](#)

149 [The EU Forced Labor Regulation – A Legal Breakdown | Crowell & Moring LLP](#)

150 [The EU Forced Labor Regulation – A Legal Breakdown | Crowell & Moring LLP](#)

151 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 9

152 [The EU Forced Labor Regulation – A Legal Breakdown | Crowell & Moring LLP](#)

153 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 9

154 [Conflict Minerals Regulation: The regulation explained](#)

155 [Conflict Minerals Regulation: The regulation explained](#)

156 [Conflict Minerals Regulation: The regulation explained](#)

157 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 7

158 [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 7



¹⁵⁹ [Time to get to know your supply chain: EU adopts Corporate Sustainability Due Diligence Directive | White & Case LLP](#)

¹⁶⁰ [Critical Raw Materials Act - European Commission](#)

¹⁶¹ [Europe: The EU's Critical Raw Materials Act enters into force - Baker McKenzie InsightPlus](#)

¹⁶² [Europe: The EU's Critical Raw Materials Act enters into force - Baker McKenzie InsightPlus](#)

¹⁶³ [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 53

¹⁶⁴ [Europe: The EU's Critical Raw Materials Act enters into force - Baker McKenzie InsightPlus](#)

¹⁶⁵ [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 53

¹⁶⁶ [HOW DO THE PIECES FIT IN THE PUZZLE?](#) at 53