

Preparing for the EU Corporate Sustainability Due Diligence Directive (CSDDD)

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Nick Barker
Simon Colvin

Assumptions for today's session:

- You have a broad awareness of what CSDDD is and what it is looking to do
- You want to better understand some of its key features
- You are looking for practical guidance on what you should be doing now
- Stay away from the text of EU Directives, nobody enjoys them as much as Environmental Lawyers

CSDDD – a recap

- Entered into force on 25 July 2024
- Sets out a corporate due diligence duty for large companies to identify and address adverse human rights impacts (such as child labour) and environmental impacts (such as pollution) in their own operations, those of their subsidiaries and in their *chain(s) of activities*
- Interplays with other EU sustainability initiatives:
 - establishes a general framework for sustainability DD
 - complements other EU initiatives aimed at protecting HR and environment e.g. Forced Labour Regulation, Deforestation Regulation
 - cross references other existing legislation for certain duties e.g. reporting under CSRD
- Will have a direct effect upon approx. 6000 EU-based companies and 900 Non-EU companies
- Will have an indirect effect upon many more through the global chain of activities
- Administrative enforcement and civil liability

The road ahead

25 July 2024
CSDDD entered into force

Two years for EU MSs to transpose CS3D into national law.

26 July 2027
EU companies with >5,000 employees and >1.5bn EUR in global net turnover
Non-EU companies with >1.5bn EUR annual net turnover generated in EU

26 July 2028
EU companies with >3,000 employees and >900mn EUR in global net turnover
Non-EU companies with >900mn EUR annual net turnover generated in EU

26 July 2029
EU companies with >1,000 employees and >450mn EUR in global net turnover
Non-EU companies with >450mn EUR annual net turnover generated in EU

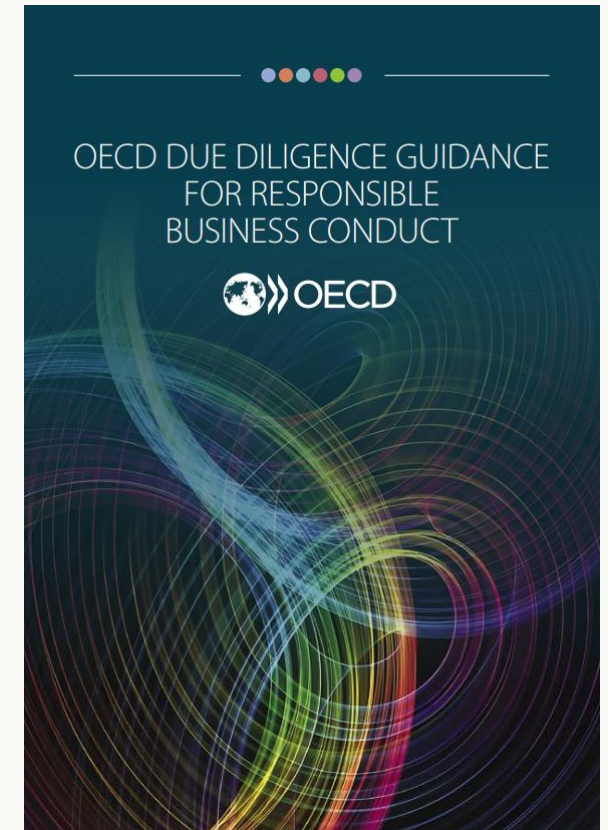
Guidance on application of CSDDD

EC must issue guidelines, including:

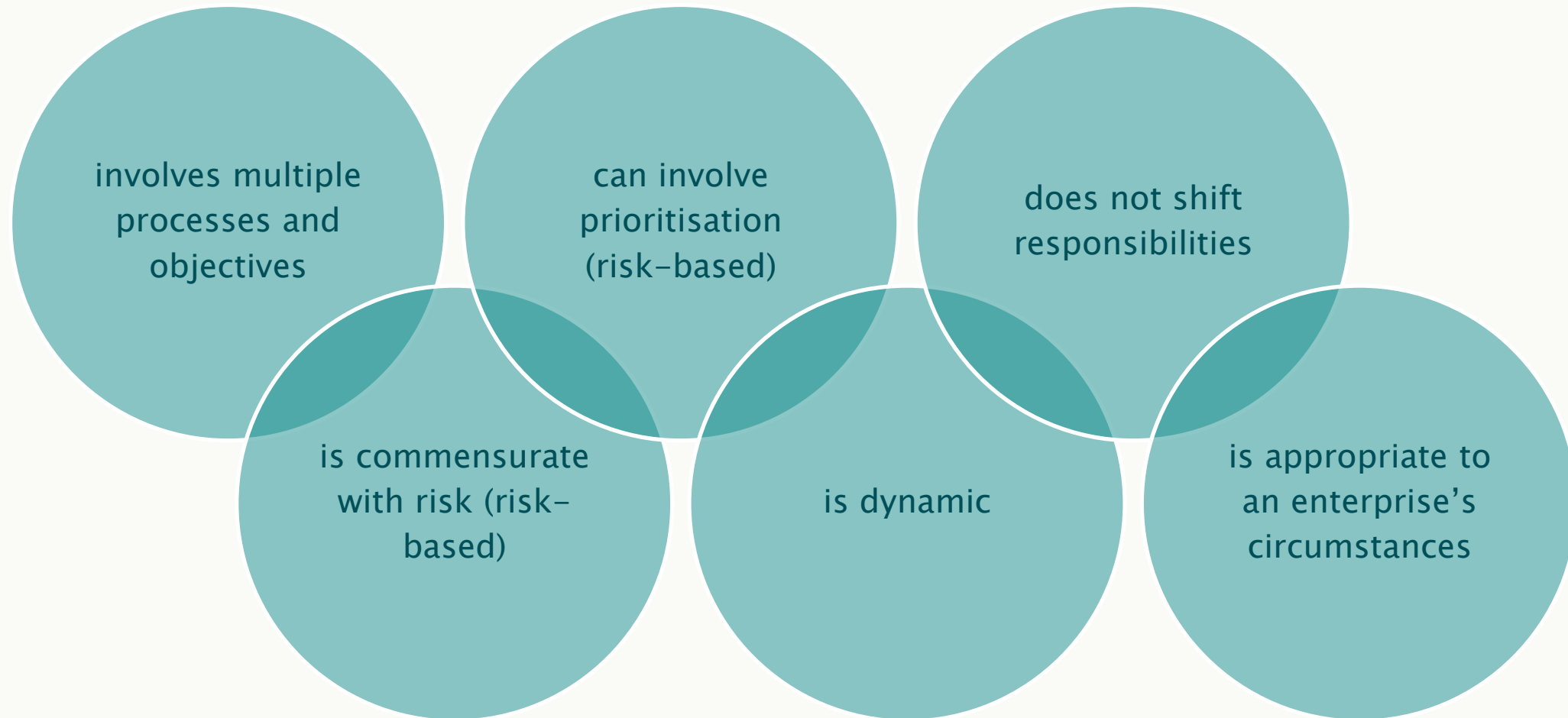
- guidance and best practices on how to conduct due diligence (*by Jan 2027*)
- practical guidance on the transition plan (*by Jul 2027*)
- sector-specific guidance
- guidance on the assessment of company-level, business operations, geographic and contextual, product and service, and sectoral risk factors (*by Jan 2027*)

In the meantime, use the **OECD DD Guidance for Responsible Business Conduct** as a recognised framework that provides a common understanding on due diligence and best practice for businesses in relation to a range of topic areas (human rights, employment and industrial relations, environment, consumer interests and competition, disclosure, combating bribery and extortion)

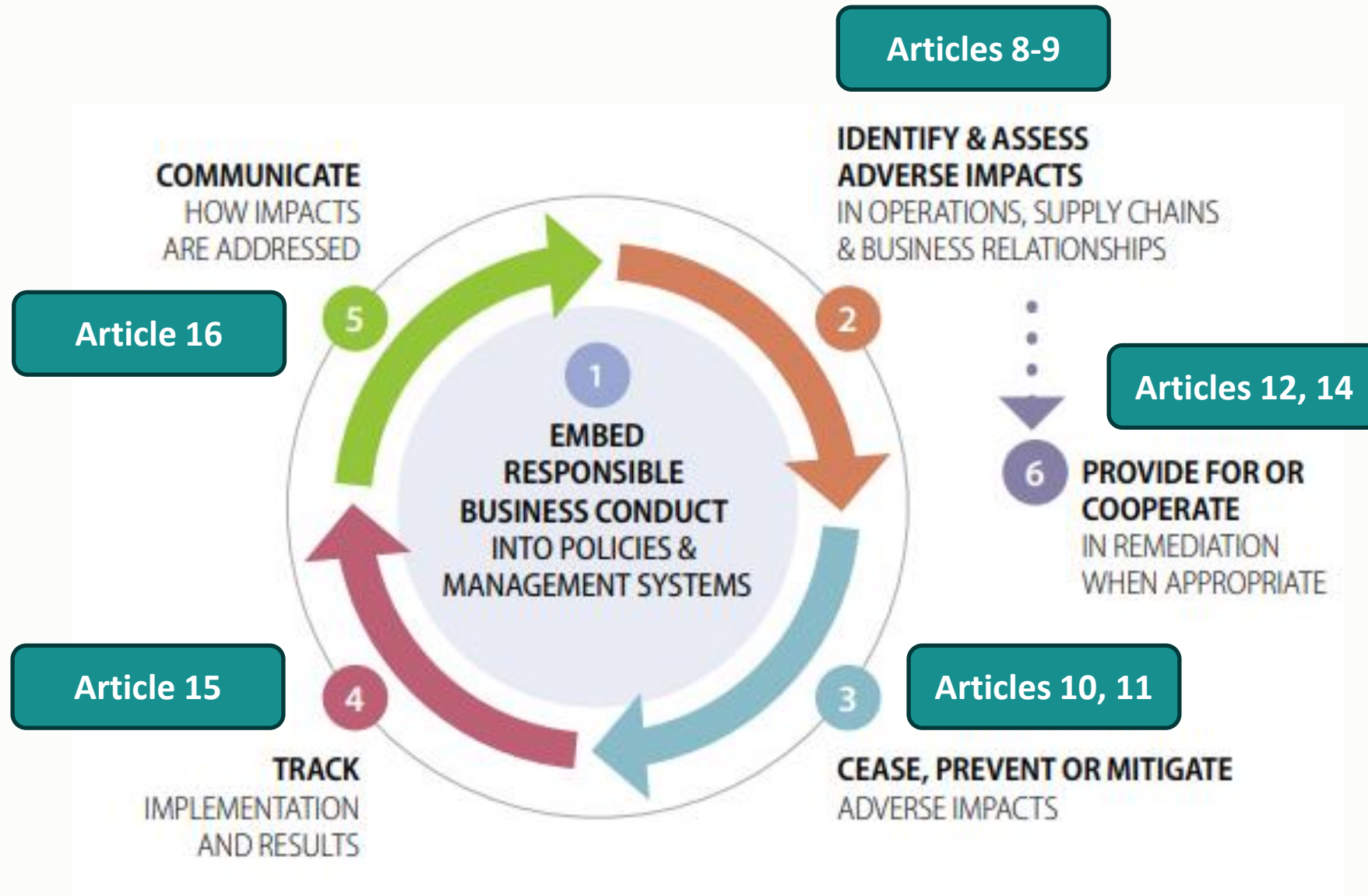
[Guidelines for MNEs - Organisation for Economic Co-operation and Development](#)



Characteristics of DD – applied to CSDDD



Six stages of DD – applied to CSDDD



How to approach CSDDD's risk-based obligations

Obligations under CSDDD follow a risk-based approach, meaning companies:

1. must adopt appropriate measures* when identifying and addressing adverse impacts
2. can prioritize actions when they cannot address all impacts

When identifying impacts:

- (a) Map operations (including subsidiaries and the chain of activities) to identify general areas where adverse impacts are most likely to occur and to be most severe
- (b) Carry out in-depth assessment of those areas where adverse impacts were identified to be most likely to occur and most severe

Following identification, if you are not able to address all identified impacts at the same time, prioritise among identified impacts taking into account severity and likelihood

Roadmap to Compliance



- Develop understanding of CSDDD
- Review current maturity levels and conduct gap analysis
- Implementation plan

- Review (and update) existing value chain mapping
- Stakeholder engagement

- Integrate DD into policies and management systems
- Detailed impact assessment
- Prioritise actions
- Monitor
- Establish complaints mechanism
- Communicate efforts (reporting and disclosures)

Questions



CSDDD contacts



Simon Colvin

Partner

+44 (0)161 233 7356

simon.colvin@weightmans.com



Nick Barker

Principal Associate

+44 (0)161 233 1298

nick.barker@weightmans.com



Abhay Srivastava

Head of ESG

+44 (0)207 822 7154

abhay.srivastava@weightmans.com



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