



# Directive on Corporate Sustainability Due Diligence



# PRESENTATION OF THE PROPOSAL: WHO, WHAT, HOW



# WHY- POLITICAL & POLICY CONTEXT



Corporate Sustainability Due Diligence Directive

Corporate Sustainability Reporting Directive

Regulation on Deforestation-free Products

Regulation on Batteries

Regulation on Forced labour



# PERSONAL SCOPE: WHO

		LARGE EU LLCs + REGULATED FINANCIAL COMPANIES	NON-EU COMPANIES	SMALL AND MEDIUM ENTERPRISES
GROUP 1	<i>500+ employees and more than net €150 million of turnover*</i>	<b>+/- 9,400</b> companies	<b>+/- 2,600</b> companies	Micro companies and small and medium enterprises (SMEs) are not directly concerned by the proposed rules.
GROUP 2	<i>250+ employees and more than net €40 million of turnover*, operating in defined high impact sectors.</i>  <i>The rules will apply to this group 2 years later than to group 1.</i>	<b>+/- 3,400</b> companies	<b>+/- 1,400</b> companies	

\* **Worldwide turnover for EU companies and EU wide turnover for non EU companies**

# PERSONAL SCOPE: High impact sectors for Group 2 companies

## GARMENT & FOOTWEAR:

- Manufacture of textiles, leather and related products including footwear and the wholesale trade of textiles, clothing and footwear

## AGRICULTURE:

- Agriculture, forestry, fisheries including aquaculture, manufacture of food products and the wholesale trade of agricultural raw materials, live animals, wood, food and beverages

## MINERALS:

- Extraction of mineral resources, manufacture of basic metal products, other non-metallic mineral products and fabricated metal products and the wholesale trade of mineral products and fabricated metal products, the wholesale trade of mineral resources

# WHAT: MATERIAL SCOPE

## Human rights impacts

- **All human rights covered** (Annex Part I)
- Section 2: wide list of conventions, including Convention on the Rights of the Child, the United Nations Declaration on the Rights of Indigenous Peoples, etc.

## Environmental impacts

- **12 violations of internationally recognized objectives and prohibitions included in environmental conventions** listed in the Annex, Part II

# What obligations?

## CORPORATE DUE DILIGENCE DUTY

**Human rights and environmental** adverse impacts

Identifying, preventing, bringing to an end, and accounting for negative human rights and environmental impacts in company's **own operations, subsidiaries and value chains** ('**established business relationships**').

**Toolbox of appropriate measures**

## SPECIAL: CLIMATE CHANGE

**Group 1 companies:** 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. In case climate change is identified principal risk for company's operations, include emission reduction objectives.

Directors **variable remuneration** linked to their contribution to long-term sustainability.

## DUTIES FOR DIRECTORS

**Due diligence:** setting up and overseeing the due diligence processes and integrating due diligence into the corporate strategy. Report to the board.

**Duty of care:** when fulfilling their duty to act in the best interest of the company, take into account the human rights, climate change and environmental consequences.

# What are the obligations for companies and their directors in different Groups?

## GROUP 1

- Full due diligence obligation
- All sectors
- Plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement
- CSRD reporting\*
- Directors` duty on due diligence\*
- Directors` duty of care \*

*\* Not applicable for non EU companies*

## GROUP 2- Phase-in 2 years

- Due diligence only for severe adverse impacts
- High impact sectors
- CSRD reporting\*
- Directors` duty on due diligence\*
- Directors` duty of care\*



# HOW: implementation & public enforcement of due diligence



## Internal complaint proceedings

- Complaint mechanism to be set up by company
- Affected persons, trade unions, CSOs



## Administrative supervision

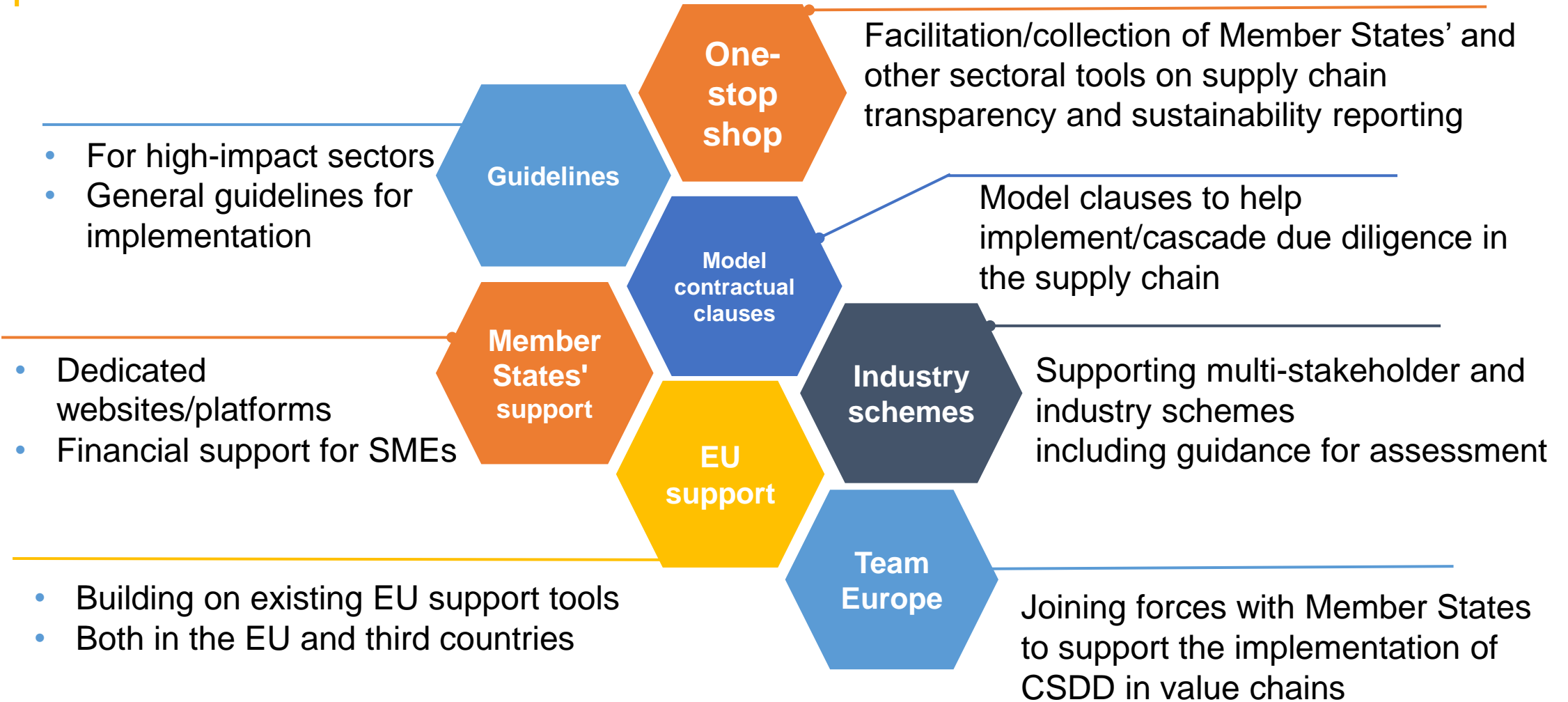
- MS supervisory authorities
- Complaint mechanism “substantiated concerns”
- Sanctions
- European Network of Supervisory Authorities
- Applies also to climate change article



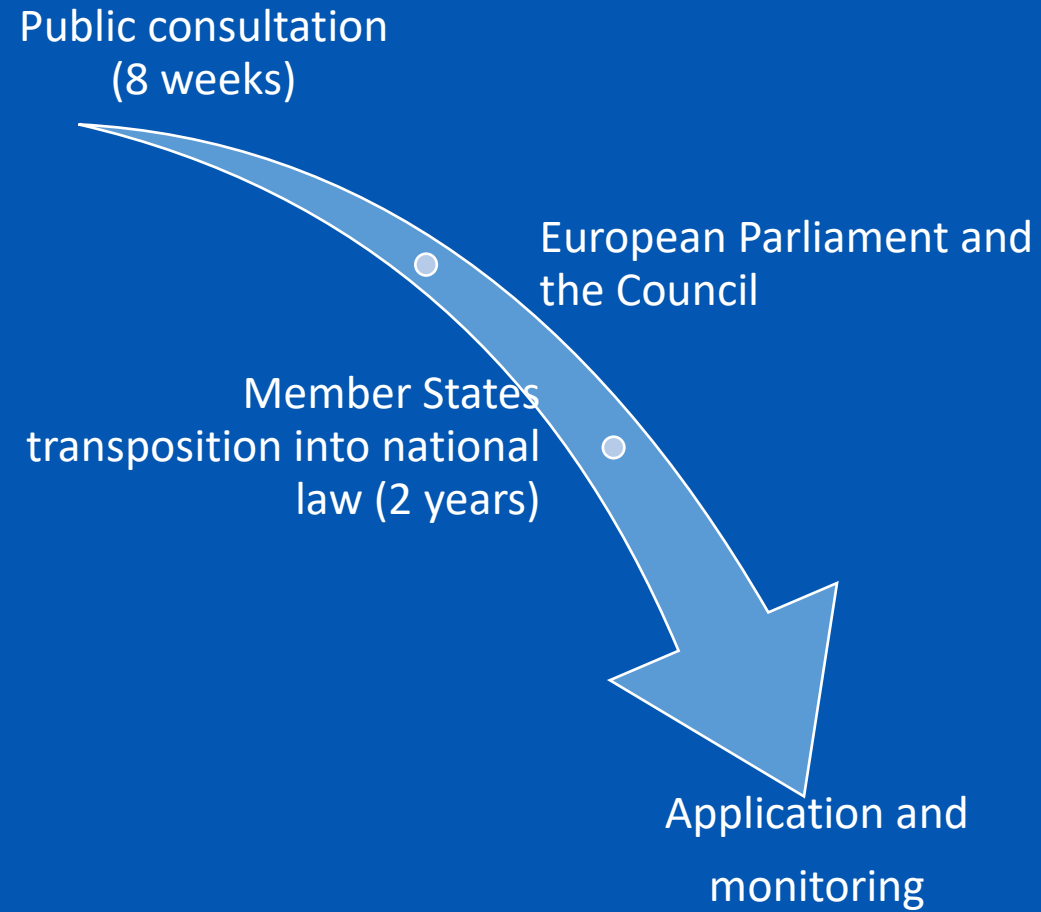
## Civil liability

- Obligation of means
- Own operations, subsidiaries and established business relations
- ‘safeguard’ for liability in value chains beyond Tier 1
- Burden of proof on claimant
- Overriding provisions

# CSDD Support toolbox



# What are the next steps?



# Thank you



- © European Union 2020
- Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.