An introduction to the Corporate Sustainability Due Diligence Directive (CSDDD)

The CSDDD is a Directive that aims to foster sustainable and responsible corporate behaviour which anchors human rights and environmental considerations into a company's operations and corporate governance. The new rules are aimed at ensuring that businesses address adverse impacts of their actions, including in their value chains inside and outside of Europe.



Why do we need regulation like CSDDD?

For many years, policies, or statements of commitment have been relied upon as tools to combat the issue of human exploitation, but data clearly shows more needs to be done.

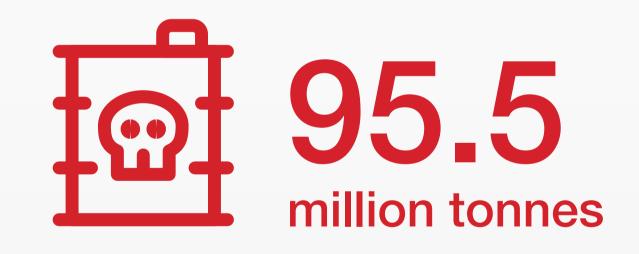
20% increase in modern slavery

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The International Labour Organisation estimated that 49.6 million people were living in modern slavery on any given day in 2021, an increase of 10 million people since 2016.



Approximately 160 million children were subjected to child labour at the beginning of 2020 according to the ILO and UNICEF. The figure accounts for nearly 1 in 10 children worldwide.



In 2020 the European Union generated 95.5 million tonnes of hazardous waste, an increase of 5.1% compared with 2010.

Why is CSDDD important?

The new directive is important because it helps to promote sustainable and responsible business practices, protect human rights and the environment, and create a more just and equitable global economy.

Protection of Human Rights

The Directive is designed to protect human rights by requiring companies to identify and address potential risks in their supply chains, including forced labour, child labour, and other forms of exploitation. By ensuring that companies are held accountable for human rights abuses in their supply chains, the law helps to protect vulnerable workers and communities around the world.

Environmental Protection

The law also helps to protect the environment by requiring companies to prevent and address environmental damage caused by their operations or their suppliers, including pollution, carbon consumption, deforestation, and the destruction of habitats. This helps to promote sustainable business practices and reduce the environmental impact of global supply chains, particularly on local communities.

Responsible Business Conduct

The law promotes responsible business conduct by requiring companies to comply with ethical business practices in their supply chains, including aligning processes to international guidance documents like the OECD Guidelines for Multinational Enterprises and OECD Guidance for Responsible Business Conduct. This helps to create a level playing field for companies and promotes sustainable economic development.

International Norms

The Directive is consistent with international norms on business and human rights, including the United Nations Guiding Principles on Business and Human Rights and ILO Fundamental Conventions. By aligning due diligence processes with these norms, the Directive helps to extend a common understanding of the responsibilities of companies in relation to human rights and the environment across global supply chains.

What are the obligations for companies and directors?



Measures an organisation will be expected to take in order to fulfil obligations are as follows:

- Integrate due diligence into corporate policies and procedures
- Conduct risk analysis to identify potential adverse impacts
- Prevent and mitigate adverse impacts that have been identified
- Establish and maintain a complaints procedure
- Monitor the effectiveness of due diligence procedures
- Publicly communicate the due diligence that has been undertaken

Which organisations need to comply with CSDDD?

The proposed Directive is expected to be ratified in 2024 and will include a two-year implementation phase. The phased roll out is expected to capture the following groups of companies:



Group 1 EU companies with more than 500 employees and a net worldwide turnover of more than €150 million



Group 2 EU companies with more than 250 employees and a net worldwide turnover of more than €40 million

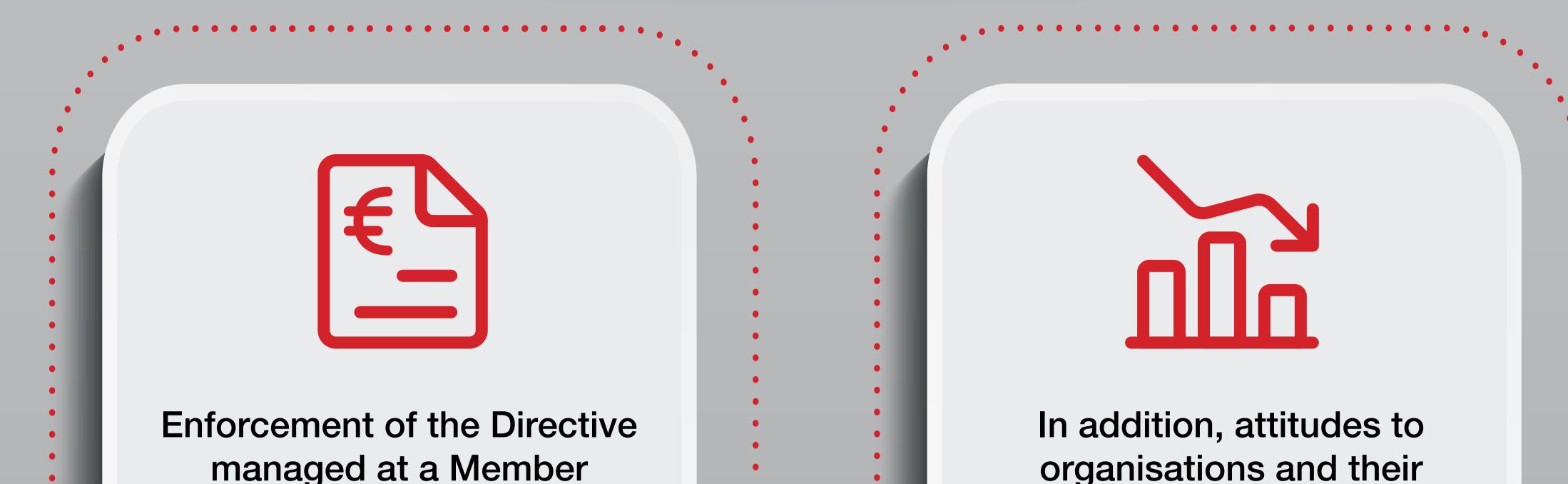


Group 3 Third country (i.e., non-EU) companies that generate a net turnover of more than €150 million in the EU



Group 4 Third country companies that generate a net turnover of more than €40 million in the EU

What happens if a company fails to comply with the CSDDD?



State-level. Individual EU Member States will be expected to use a relevant regulatory authority to impose penalties such as sanctions, fines and compliance orders. Similar legislation adopted by Germany and Norway includes trade sanctions for companies identified as not complying with legislation. organisations and their approach to sustainability are creating other significant implications of not taking a proactive approach to ESG supply chain risk including damage to brand reputation and the financial impact of a loss of consumer or shareholder confidence. It can take a very long time to build up positive brand recognition, however, it does not take long to seriously damage it.

Learn more

Getting started with any Supply Chain Due Diligence requirements can be a complex process, but there are several steps that companies can take to begin their compliance journey and ensure they are as prepared as possible for submission in June 2024.

Visit achilles.com to learn more about SCDDD, who it applies to, what it means to those organisations (and their suppliers) that need to comply and provide advice on how to get started based on our own experience of supporting organisations with supply chain risk assessment and compliance.



