

# Corporate Sustainability Due Diligence Directive

*Technical note on Council's version*



A man in a blue pinstriped suit and tie is shown from the chest up, holding a glowing, semi-transparent scale of justice. The scale is positioned in front of his chest, and his hands are visible at the bottom, appearing to support it. The background is a blurred office setting with a network of white lines and dots overlaid on the scene, suggesting a digital or technological theme. The overall color palette is dominated by blues and greys.

Executive Summary

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Integrating Due Diligence Policies into Business Policies

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Integration into Risk Management

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Communication and Transparency

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Companies Complaints Procedures and Reporting Mechanisms

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Transition Plan

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Why Management Solutions?

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Annex

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# 1 Executive Summary

## General overview of the CSDDD

This Directive lays down common rules within the EU on the obligations for companies regarding actual and potential human rights and environmental adverse impacts and on liability for violations of these obligations

 Objectives and scope	 Perimeter	 Next steps
<ul style="list-style-type: none"><li>• Achieve a better <b>integration of risk management</b> and <b>mitigation in the corporate governance practices</b>.</li><li>• Increase corporate <b>accountability for adverse impacts</b> and ensure coherence on <b>responsible business conduct</b>.</li><li>• <b>Improve access to remedies</b> for those affected by human rights and environmental impacts.</li><li>• CSDDD will apply to <b>EU and third country companies</b> that meet some specific conditions related to the generated <b>net turnover</b> and <b>number of employees</b>.</li></ul>	<ul style="list-style-type: none"><li>• <b>Obligations</b> regarding actual and potential <b>human rights and environmental adverse impacts</b>, with respect to <b>own operations, subsidiaries operations, and the value chain operations</b> carried out by business partners.</li><li>• <b>Liability for violations</b> of these obligations.</li><li>• <b>Transition Plan</b> for climate change mitigation.</li></ul>	<ul style="list-style-type: none"><li>• The Directive will enter into force <b>20 days</b> after its publication in the OJEU.</li><li>• Once adopted, Member States will have <b>2 years to transpose it</b> into national law.</li><li>• The legislation will apply gradually.</li></ul>

### Main Contents

<b>1</b> Integrating Due Diligence Policy into Business Policies <ul style="list-style-type: none"><li>• Description of the company's <b>approach</b></li><li>• <b>Code of Conduct</b></li><li>• <b>Processes</b> for <b>integrating due diligence</b> into policies</li></ul>	<b>2</b> Integration into Risk Management <ul style="list-style-type: none"><li>• <b>Detection and assessment of adverse effects</b></li><li>• Prevention, elimination and mitigation of adverse effects</li></ul>	<b>3</b> Companies Complaints Procedures <ul style="list-style-type: none"><li>• Implementation of an accessible mechanism for the submission of notifications about adverse effects</li><li>• Establishment of a fair, accessible, predictable and transparent procedures</li></ul>
<b>4</b> Civil liability <ul style="list-style-type: none"><li>• Redress of actual adverse effects</li></ul>	<b>5</b> Communication and Transparency <ul style="list-style-type: none"><li>• Reporting on the aspects covered by the Directive by <b>publishing on their website an annual statement</b>.</li></ul>	<b>6</b> Transition Plan <ul style="list-style-type: none"><li>• Adopting and carrying out a transition plan for the mitigation of climate change</li></ul>



# 1 Executive Summary

## Companies under scope and timeline

CSDDD will apply EU and third country companies that meet some conditions. The new rules will be adopted gradually by the companies, starting in 2027 and ending in 2029



### CSDDD will apply to...

1

1 **EU companies** that meet at least one of the following conditions:

- have more than **1,000 employees** and a worldwide **net turnover** of more than **450 million euros** in the last financial year
- did not reach a) thresholds but is the **ultimate parent company** of a **group** that **reached them**; or
- entered into **franchise or license agreements** in the EU for more than **22.5 million euros**, and the parent company or group has generated more than **EUR 80 million euros** worldwide.

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2 **Third country companies** that meet at least one of the following conditions:

- generated a **net turnover** in the EU of more than **€450 million** euros in the financial year preceding the last financial year, provided that they have an authorized representative in the EU
- did not reach a) thresholds but is the **ultimate parent company** of a **group** that **reached them**; or
- entered into **franchise or license agreements** in the EU for more than **22.5 million euros**, and the parent company or group has generated more than **EUR 80 million euros** worldwide (figures generated in the financial year preceding the last financial year).



### Gradual approach

2027

**EU Companies** with > 5,000 employees + net worldwide turnover > EUR 1.5 billion  
**Third-country companies** with net turnover > EUR 1.5 billion in the EU.

2028

**EU Companies** with > 3,000 employees + net worldwide turnover > EUR 900 million.

**Third-country companies** with net turnover > EUR 900 million in the EU

2029

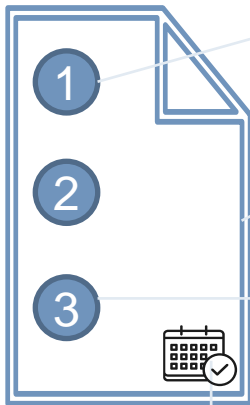
**All other companies** in scope.

## 2 | Integrating Due Diligence Policy into Business Policies

### Due diligence policy contents

Companies shall integrate due diligence into their policies

#### Due Diligence policy



Due diligence policy should be developed in **prior consultation** with the **company's employees** and their **representatives**.

A description of the **company's approach**, including in the long term, to conduct due diligence.

A **code of conduct** describing rules and principles to be followed throughout the company and its **subsidiaries** and, where relevant, the company's direct or indirect **business partners**.

A description of the **processes** put in place to **integrate** due diligence into the company's **relevant policies** and to **carry out** due diligence, including the measures taken to verify compliance with the code of conduct and to extend its application to business partners. The due diligence policy should ensure a **risk based due diligence**.

Companies shall update their due diligence policy annually and in the event a significant change takes place.

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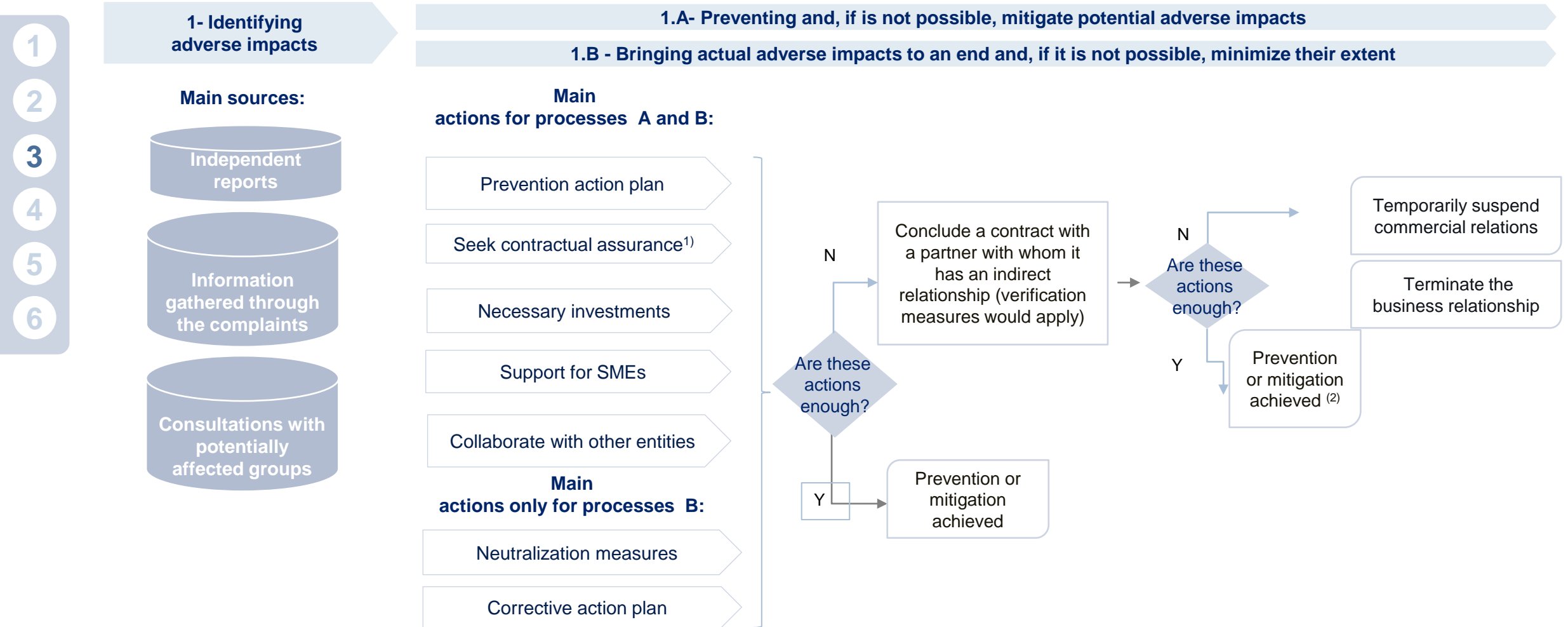
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# 3 Integration into Risk Management

## Management of adverse effects

Companies shall identify actual and potential adverse impacts arising from their own operations or those of their subsidiaries or material business relationships, to prevent them and make every effort to minimise them



# 4

## Communication and Transparency Disclosure and accesibility of information

Companies shall report on the aspects covered by the Directive by publishing on their website an annual statement

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Disclosure



CSRD companies

- **Incorporation on the Non-financial disclosure statement**

Non CSRD Companies?

- Publication on their website of an **annual statement**.
- In at least one of the official **languages** of the Union and, where different, in a language customary in the sphere of international business.
- **No later than 12 months** after the balance sheet date of the financial year for which the statement is drawn up.

Accessibility  
of  
information



- From January 1, **2029**, Member States must ensure that companies, when publicly disclosing their annual statement also submit it simultaneously to the collection body for accessibility on the **European Single Access Point (ESAP)**.
- The information in the annual statement must meet certain requirements, including being submitted in a **data extractable or machine-readable format**, accompanied by specific metadata.
- Member States must ensure companies obtain a **legal entity identifier** for this purpose.




# 5

## Companies Complaints Procedures and Reporting Mechanisms

### Main characteristics

Companies shall establish complaints procedure to hear cases from potentially affected persons or its representatives. Also, companies shall be liable for damages caused by adverse impact that could have not been prevented, mitigated or brought to an end

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Company complaints procedure	
<p>Who can submit complaints</p> 	<ul style="list-style-type: none"> <li>• <b>Persons</b> who are <b>affected</b> or have a reasonable grounds to believe that they might be affected by an adverse impact.</li> <li>• <b>Trade unions</b> and other <b>worker's representatives</b> representing individuals working in the value chain concerned.</li> <li>• <b>Civil society organizations</b> active in the areas related to the value chain concerned.</li> </ul>
<p>Reporting mechanism</p> 	<ul style="list-style-type: none"> <li>• Implementing an accessible mechanism for the <b>submission of notifications</b> by individuals and entities with information or concerns about adverse effects</li> <li>• Establishing a <b>fair, accessible, predictable and transparent procedure</b> for dealing with these complaints (founded and unfounded)</li> <li>• Relevant <b>workers and trade unions</b> must be informed of these procedures.</li> <li>• In the event that the complainant affected is an employee, they could also use the internal complaint procedure set out in EU Directive 2019/1937.</li> </ul>
<p>Complainants' rights</p> 	<ul style="list-style-type: none"> <li>• Requesting <b>appropriate follow-up on the complaint</b> from the company with which they have filed a complaint.</li> <li>• Meeting the <b>company's representatives</b> at an appropriate level to discuss potential or actual <b>severe adverse impacts</b><sup>1</sup> that are the subject matter of the complaint.</li> </ul>

Company civil liability
<ul style="list-style-type: none"> <li>• When companies fail to achieve the objectives of preventing potential adverse impacts, adequately mitigated or bring adverse impacts to an end they shall be <b>liable for damages</b>.</li> <li>• <b>The civil liability of a company shall be without prejudice to the one of its subsidiaries or business partners.</b></li> <li>• Where a company has caused an actual adverse impact, it should remedy it.</li> </ul>



- When a company has **sought contractual assurances from their business partner**, and they are accompanied by the **appropriate measures to verify compliance**, that company shall **not be liable** for damages caused by an adverse impact arising as a result of the **activities of an indirect partner** with whom it has an established business relationship.

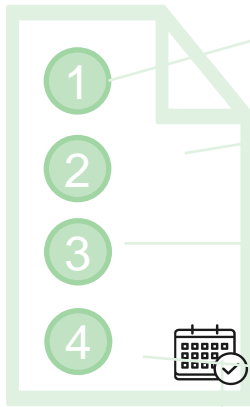
(1) **Severe adverse impact** means an adverse impact, especially significant on account of its nature, such as an impact that entails harm to human life, health or liberty, or on account of its scale, scope or irreparable character, taking into account its gravity, including the **number of individuals** affected, the **extent** to which the environment may be damaged, its **irreversibility** and the limits on the ability to restore affected individuals / the environment to a situation equivalent to the prior situation within a reasonable period of time.



# 6 | Transition Plan Main Characteristics

Companies shall have a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C and the objective of achieving climate neutrality

## Transition Plan for combating climate change



1 Time-bound GHG reduction targets (2050, 2030 and interim five-year steps). It should also include emission reduction targets for GHG emissions (scope 1, 2 and 3).

2 Description of decarbonization levers identified and key actions planned to achieve the targets, including changes in products/services and adoption of new technologies.

3 A **code of conduct** describing rules and principles to be followed throughout the company and its **subsidiaries** and, where relevant, the company's direct or indirect **business partners**.

4 Explanation and quantification of **investments and funding** to support the **plan's implementation**,

5 A description of **the role** of administrative, management and supervisory bodies in the execution of the transition plan.

6 Transition plans must be updated every 12 months.

# 7 | Why Management Solutions?

**Management Solutions has extensive experience in the field of sustainability and ESG risks, social impact assessment, implementation of regulatory projects in global entities as well as in the implementation of vendor risk management models**

- 1 Extensive experience in sustainability and ESG risk management projects**

Extensive experience in projects in all areas of sustainability and ESG risks with a 360° vision (Strategy, Framework, Governance, Organisation, ESG Management Processes, Methodologies, Tools, Data and Reporting). In particular, it has extensive experience in defining and implementing ESG risk assessment models (climate, environmental and social) and has developed specific models and technologies.
- 2 ESG risk regulation experts**

Proven credentials in ESG regulation and a Regulatory Observatory that provides in-depth knowledge of regulatory requirements in sustainability and ESG risks. In this regard, MS has developed multiple regulatory projects (Double Materiality Analysis, CSRD and Sustainability Report, IFRS S1 and S2, Pillar 3 ESG, etc.).
- 3 Supplier risk management experts**

Participation in multiple vendor risk management (VRM) projects (implementation of supply chain risk models, outsourcing models in accordance with supervisory requirements, *Vendor maps* for risk tracking in the supply chain, supplier information models (VRM Scorecard) as well as IT tools and solutions for vendor risk management in global entities.
- 4 Social Impact**

Consolidated experience in multiple projects of evaluation and measurement of the social impact of companies. Additionally, MS is founder and member of the coordinating board of the Social Impact Chair of the Universidad Pontificia Comillas - ICADE, offering access to the most advanced measurement approaches.
- 5 Strong activity in the creation of advanced knowledge, in collaboration with leading institutions**

Collaboration with many prestigious international institutions. In addition, MS has published several specialised publications and has participated as a speaker in various international forums.
- 6 One team**

We work as a "One Firm" with a core team whose mission is to ensure that trends and best practices are consistent across all the regions in which we operate. This makes us an ideal partner for global projects that need to be deployed consistently across all geographies. In addition, we have skilled local teams that adapt our value proposition to the reality of the country and its regulations.

# A | Annex I

## Definitions (1/2)

Adverse impact	Environmental	<b>Adverse environmental impact</b> means an adverse impact on the environment resulting from the breach of the prohibitions of causing any measurable environmental degradation.
	Human rights	<b>Adverse human rights impact</b> means an impact on persons resulting from an abuse of a fundamental human right included in International Human Right Instruments.
	Sever	<b>Severe adverse impact</b> means an adverse impact, especially significant on account of its nature, such as an impact that entails harm to human life, health or liberty, or on account of its scale, scope or irremediable character, taking into account its gravity, including the number of individuals affected, the extent to which the environment may be damaged, its irreversibility and the limits on the ability to restore affected individuals / the environment to a situation equivalent to the prior situation within a reasonable period of time.
Value chain	Upstream	Activities of a <b>company's upstream business partners</b> related to the <b>production of goods or the provision of services</b> by that company, including the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of products and the development of the product or the service.
	Downstream	Activities of a <b>company's downstream business partners</b> related to the <b>distribution, transport and storage</b> of a product of that company, where the business partners carry out those activities for the company or on behalf of the company, and excluding the distribution, transport and storage of a <b>product that is subject to export controls</b> under Regulation 2021/821, which sets up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of <b>dual-use items</b> , or to the <b>export controls relating to weapons, munitions or war materials</b> , once the export of the product is authorized.  <b>Financial institutions</b> are excluded from carrying out downstream due diligence. A review clause is included which obliges to consider a legislative initiative for this sector within a maximum of 2 years.
	Regulated financial undertakings <sup>1</sup>	<b>A regulated financial undertaking</b> , regardless of its legal form, is: a credit institution, an investment firm, an alternative investment fund manager (AIFM), a management company, an insurance undertaking, a reinsurance undertaking, an institution for occupational retirement provision, a central counterparty, a central securities depository, an insurance / securitization special purpose vehicle, a financial holding company, a payment institution, or a crowdfunding / crypto-asset service provider.

(1) Providing loan, credit, or other financial services

# A | Annex I

## Definitions (2/2)

*Independent third-party verification*

Verification of the compliance of an undertaking, or parts of its chain of activities, with the human rights and environmental requirements arising from this Directive, carried out by an expert, completely independent of that undertaking, free from conflicts of interest and external influence, with experience and competence in environmental or human rights matters, depending on the nature of the adverse effect, and accountable for the quality and reliability of the verification.

*Ultimate parent company*

A parent company which directly or indirectly controls one or more subsidiaries and is not controlled by another company.

*Subsidiary*

A legal person through which the business of a 'controlled company' is carried on.

*Sectoral or multi-stakeholder initiative*

A combination of voluntary due diligence procedures, tools and mechanisms, developed and overseen by governments, industry associations, stakeholder organisations, including civil society organisations, or groups or combinations thereof, in which companies can participate to support compliance with due diligence obligations.

*Stakeholders*

Employees of the company, employees of its subsidiaries, trade unions and employee representatives, consumers and other individuals, groups, communities or entities whose rights or interests are affected by the company's activities.

*To remedy*

Restore the affected people, communities or environment to a situation equivalent or as similar as possible to that which they would have been in in the absence of the actual adverse effect.

*Appropriate measures*

Measures that are capable of achieving the due diligence objectives by effectively addressing the adverse effects in a manner that is proportionate to the level of severity and likelihood of the adverse effect, and reasonably available to the company, taking into account the circumstances of the particular case, including the nature and extent of the adverse effect and the relevant risk factors.

*Business partner*

An entity with which the company has a commercial agreement related to the operations, products or services of the company or to which the company provides services (**direct business partner**); or which is not a direct business partner, but which performs business operations related to the operations, products or services of the company (**indirect business partner**).

## A

## Annex II Abbreviations

Abbreviation	Meaning
AIFM	Alternative investment fund manager
CSDD	Corporate Sustainability Due Diligence
CSDDD	Corporate Sustainability Due Diligence Directive
EC	European Commission
ESG	Environmental, Social, and Governance
ESRS	European Sustainability Reporting Standards
EU	European Union
ESAP	European Single Access Point
GHG	Greenhouse Gas
ICADE	Universidad Pontificia Comillas
IFRS	International Financial Reporting Standards

Abbreviation	Meaning
IT	Information Technology
MS	Management Solutions
OECD	Organisation for Economic Co-operation and Development
OJEU	Official Journal of the European Union
SFRD	Sustainable Finance Disclosure Regulation
SME	Small and Medium Enterprise
VRM	Vendor Risk Management



**MS**  
**Management Solutions**  
*Making things happen*



**International  
One Firm**



**Multiscope  
Team**



**Best practice  
know-how**



**Proven  
Experience**



**Maximum  
Commitment**

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