Presentation of the proposal on CSDD

Proposal for a Directive on Corporate Sustainability Due Diligence

Susanne Knöfel, European Commission, DG JUST, Unit A.3

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# WHY - POLITICAL CONTEXT

<table>
<thead>
<tr>
<th>Green and just transition</th>
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<td>Calls from co-legislators</td>
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<td>Stakeholder support</td>
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CURRENT SITUATION: International voluntary framework

- UN Guiding Principles on Business and Human Rights (2011)
- OECD Guidelines for Multinational Enterprises (2011) and Due Diligence guidance for responsible business conduct
- ILO Tripartite Declaration of Principles concerning MNEs and social policy (1977)
OBJECTIVES: Why does the EU need to act?

- Better exploiting the potential of the internal market
- Protect human rights and the environment including in value chains

= Make companies more sustainable and thereby future-proofing the economy, making it more resilient and competitive
Content of the Proposal for a Directive on Corporate Sustainability Due Diligence

- Personal and material scope
- Due diligence
- Specific regime on climate change
- Directors’ duties
- Enforcement
## PERSONAL SCOPE

<table>
<thead>
<tr>
<th>GROUP</th>
<th>LARGE EU LIMITED LIABILITY COMPANIES</th>
<th>NON-EU COMPANIES</th>
<th>SMALL AND MEDIUM ENTERPRISES</th>
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<tbody>
<tr>
<td>GROUP 1</td>
<td>500+ employees and more than net €150 million of turnover*</td>
<td>+/- 9,400 companies</td>
<td>+/- 2,600 companies</td>
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<tr>
<td>GROUP 2</td>
<td>250-500 employees and more than net €40 - 150 million of turnover*, operating in defined high impact sectors. The rules will apply to this group 2 years later than to group 1.</td>
<td>+/- 3,400 companies</td>
<td>+/- 1,400 companies</td>
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*EU wide turnover

*Turnover threshold only; worldwide turnover
PERSONAL SCOPE: High impact sectors

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 are the obligations?

**Corporate Due Diligence Duty**
- Identifying, preventing, bringing to an end and accounting for adverse human rights and environmental impact in company's own operations, subsidiaries and value chains ("established business relationships")

**Duties for directors**
- **Due diligence**: setting up and overseeing the due diligence processes and integrating due diligence into the corporate strategy
- **Duty of care**: take into account the human rights, climate change and environmental consequences

**Special regime: climate change**
- **Group 1 companies**: ensuring that business strategy is compatible with limiting global warming to 1.5°C in line with the Paris Agreement
## Enforcement

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<th>Administrative supervision</th>
<th>Civil liability</th>
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<td>- Member States to designate <strong>one or more authorities</strong> to supervise compliance</td>
<td>- Companies <strong>liable for damages</strong> if they failed to comply with the obligations and this led to damage</td>
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<td>- A <strong>European Network of Supervisory Authorities</strong> will ensure EU level cooperation</td>
<td>- Special regime for damage at indirect business relationship level</td>
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<td>- Overriding mandatory application where otherwise 3rd country law would apply</td>
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State of play and next steps

Commission proposal of 23 February 2022

European Parliament negotiation mandate

Adoption of the legislation by the co-legislators

Council General Approach of 1 December 2022

Trilogue negotiations

Adoption of the legislation by the co-legislators