



Corporate Sustainability Due Diligence Directive (CSDDD)

ULTIMATE GUIDE

June, 2024



Table of Content

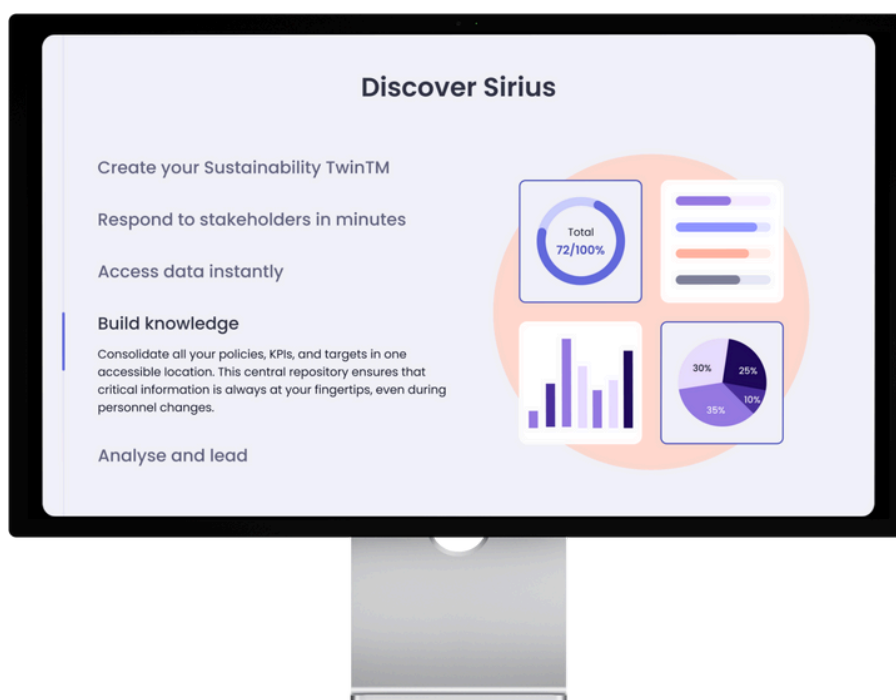
01 Overview

- What is CSDDD?
- Scope
- Due diligence
- Penalties

02 Action plan

- OECD Guidance
- Get ready for CSDDD

03 CSDDD Compliance with Sirius



What is CSDDD?

Overview

The EU Council has given final approval to the **Corporate Sustainability Due Diligence Directive (CSDDD)**, mandating large companies to address their negative impacts on human rights and the environment within their supply chains. While you may have seen multiple approvals in the past, this is the conclusive one – **CSDDD is here to stay!**

The **key goal** of the document is to help companies to navigate new requirements effectively.

The Corporate Sustainability Due Diligence Directive (CSDDD or CS3D) is a groundbreaking legislative measure of the European Union to **enhance corporate accountability for human rights and environmental impacts** within global supply chains.

This directive represents a **significant shift towards mandatory due diligence processes**, ensuring that companies not only identify and mitigate adverse impacts but also **prevent potential harms before they occur**.

Who is this guidance for?

Companies in metals&mining value chains preparing for CSDDD compliance.

Scope

Overview

The requirements apply to **EU** and **non-EU companies** as detailed in the table below, however, their subsidiaries and business partners are also involved.

When*	EU companies	Non-EU companies
2027 or 3 years after the CSDDD enters into force	Companies with more than 5000 employees and a turnover of €1.5 billion	Companies with a turnover of more than €1.5 billion generated in the EU
2028 or 4 years after the CSDDD enters into force	Companies with more than 3000 employees and a turnover of €900 million	Companies with a turnover of more than €900 million generated in the EU
2029 or 5 years after the CSDDD enters into force	Companies with more than 1000 employees and a turnover of €450 million	Companies with a turnover of more than €450 million generated in the EU
	Franchises receiving €22.5 million royalties worldwide and generating more than €80 million net turnover worldwide	Franchises receiving €22.5 million royalties in the EU and generating more than €80 million net turnover in the EU

*The exact date will be determined by the date the CSDDD enters into force.

Exemptions

Exemptions apply to ultimate parent companies primarily holding shares without engaging in management if a subsidiary in the EU is designated to fulfil the Directive's obligations. **The parent company must apply** for this exemption, and if granted, remains jointly liable for the subsidiary's compliance.

Employee numbers include part-time and temporary agency workers calculated on a full-time equivalent basis. The Directive applies only if conditions are met for **two consecutive financial years** and ceases if not met for two consecutive years.

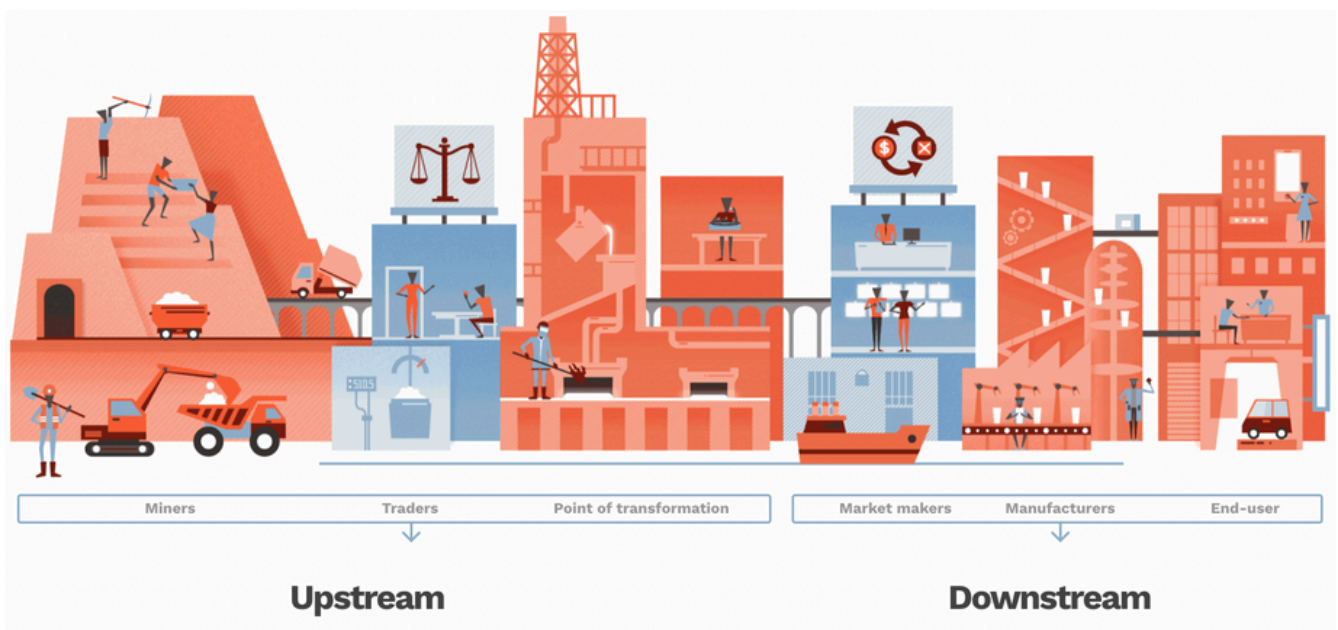
Due Diligence

Overview

Human rights and environmental due diligence obligations apply to a company's own operations, those of its subsidiaries, and those of its direct and indirect business partners throughout their "chain of activities". The Directive defines "chain of activities" as activities of a company's:

Upstream business partners, relating to the production of goods or the provision of services by the company, including the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of the products and development of the product or the service

Downstream business partners, relating to the distribution, transport and storage of the product, where the business partners carry out those activities for the company or on behalf of the company.



Source: [Due Diligence Guidance for Responsible Mineral Supply Chains](#), OECD

Due Diligence

Overview

In **Annex** to the Directive there are links for each topic to related convention, covenant or protocol that describes the requirements.

Social aspects

- Right to Life
- Prohibition of Torture
- Right to Liberty and Security
- Privacy Protection
- Freedom of Thought and Religion
- Just Working Conditions
- Adequate Housing and Essentials
- Child Rights
- Child Labour Prohibition
- Worst Forms of Child Labour
- Forced Labour Prohibition
- Slavery and Human Trafficking
- Freedom of Association
- Non-Discrimination in Employment
- Environmental Protection
- Land and Resource Rights

Environmental aspects

- Biodiversity Protection
- Endangered Species Trade
- Mercury Products
- Mercury Use in Manufacturing
- Mercury Waste
- Persistent Organic Pollutants
- Waste Handling
- Hazardous Chemicals Trade
- Ozone-Depleting Substances
- Hazardous Waste Export
- Hazardous Waste Import
- Natural Heritage and Wetlands
- Marine Pollution
- Marine Environment Pollution

Climate

Obligation to adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, compatibility of the business model and strategy of the company with the transition to a sustainable economy and with the limiting of global warming to **1.5 °C**.

Establishing penalties:

- Member States must create rules for penalties, including fines, for breaking laws based on this Directive.
- Penalties must be effective, fair, and strong enough to discourage violations.

Factors considered in deciding penalties:

- The nature, seriousness, and duration of the violation, and its impact.
- Investments and support provided by the company for remediation and preventing potential adverse impacts.
- Collaboration with other entities to address the impact.
- Prioritisation decisions made based on the severity and likelihood of the adverse impacts.
- Any past violations by the company.
- Remedial actions taken by the company.
- Financial benefits gained or losses avoided due to the violation.
- Other relevant factors that may increase or decrease the severity of the penalty.

Types of penalties:

- Monetary fines.
- Public disclosure of the violation and the responsible company if fines are not paid on time.

Calculation of fines:

- Fines are based on the company's net worldwide turnover, with a maximum of at least 5% of the previous year's turnover.
- For certain companies, fines consider the consolidated turnover of the ultimate parent company.

Publication of penalties:

- Decisions involving penalties must be published and available publicly for at least 5 years.
- These decisions must also be sent to the European Network of Supervisory Authorities and must not include personal data as defined by EU regulations.

The CSDDD isn't creating something entirely new - it's turning voluntary international standards into mandatory rules. The law came about because businesses wanted clearer and more consistent regulations across the EU, and civil society pushed for more responsible business practices.

Companies in the M&M value chain have already implemented most of the requirements.

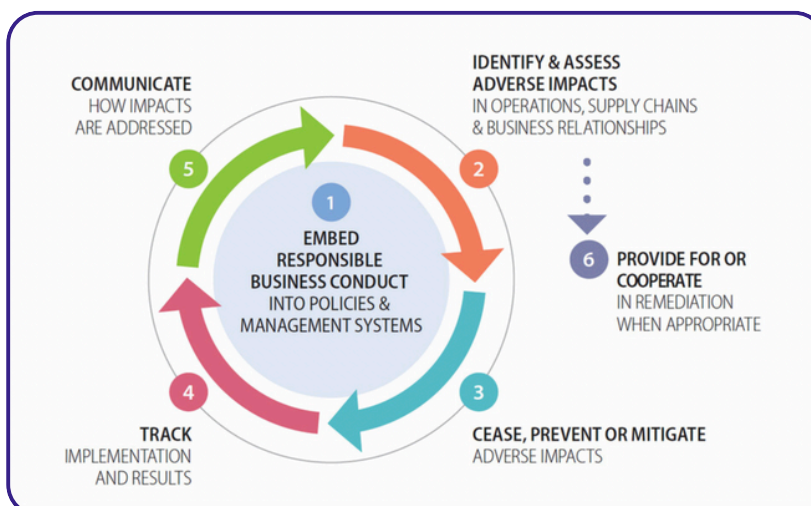
There are due diligence standards, industry programs and regulations that are based on the **OECD Guidance**:

- OECD Due Diligence Guidance for Responsible Mineral Supply Chains
- Responsible Minerals Initiative / Responsible Minerals Assurance Process
- International Tin Supply Chain Initiative (ITSCI)
- Emirates Bullion Market Committee Rules for RBDG
- London Bullion Market Association's Program
- Responsible Jewellery Council's Certification
- World Gold Council's Conflict-Free Gold Standard
- Conflict Minerals Regulation (tin, tungsten, tantalum and gold)
- The Batteries regulation
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (updated in 2023)
- Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz - LkSG) in Germany

OECD Guidelines for Multinational Enterprises on Responsible Business Conduct was **updated** in several aspects and we see that many companies have already started implementing it.

The **6 steps approach** to due diligence remains the same in updated OECD Guidelines and in CSDDD:

- Integrating due diligence into policies and management systems;
- Identifying and assessing adverse human rights and environmental impacts;
- Preventing, ceasing or minimising actual and potential adverse human rights and environmental impacts;
- Monitoring and assessing the effectiveness of measures;
- Communicating;
- Providing remediation.



So it isn't new, it's already partially implemented or in your road map.

Source: [OECD Guidelines](#), Due Diligence

However, there are some differences in scopes, material topics and processes that should be considered long before the regulation will come into effect as they require time and effort to implement.

Get ready for CSDDD

Action plan

1. Update or establish a comprehensive due diligence framework

- Assemble a working group to oversee due diligence processes;
- Conduct gap assessment to identify material topics and missing steps in the processes;
- Map operations, subsidiaries, and business partners to identify high-risk areas;
- Develop a strategy for engaging with stakeholders, including employees, business partners, and affected communities;
- Update/develop due diligence policies and procedures, and make sure they include continuous monitoring, improvement and annual reporting.

2. Implement a due diligence framework

- Conduct an initial assessment to understand current human rights and environmental impacts;
- Work on prevention and mitigation of identified adverse impacts;
- Check whether the contracts with business partners contain clauses required by regulators;
- Ensure compliance of grievance mechanism with current requirements;
- Train employees and business partners on due diligence policies and procedures;
- Provide additional support to SMEs;
- Set up systems for regular monitoring and assessment of due diligence efforts.

3. Work closely with high-risk areas

- Perform analysis of high-risk areas identified during the initial mapping;
- Address the most severe and likely adverse impacts first;
- Create prevention and corrective action plans, including necessary investments.

CSDDD Compliance with Sirius

Sirius



Unified framework: Align requirements from various directives into a single framework.



Effective communication: Facilitate communication with internal and external stakeholders through the platform.



Value chain onboarding: Onboard missing value chain members, assess their compliance, and analyze their policies and performance.



Third-party access: Provide access to your auditors, verifiers, and consultants to your data on the platform.



Data exchange: Enable data sharing within the company and with business partners for due diligence purposes.



Requirement comparison: Compare regulatory requirements with existing data and highlight gaps.



Digital Twins access: Provide access to digital twins for the company, subsidiaries, and value chain members to map operations and identify high-risk areas.



Continuous monitoring: Monitor updates in value chain members' twins and highlight changes promptly



Compliance reporting: Generate reports in required formats



Data protection: Ensure sensitive data is protected and only essential information for due diligence is shared.



Sirius

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