



Ministry of Foreign Affairs



Introduction to the Corporate Sustainability Due Diligence Directive (CSDDD)

Embassy of the Kingdom of the
Netherlands in Malaysia in collaboration
with the Malaysian Dutch Business Council
(MDBC)

26 June 2024

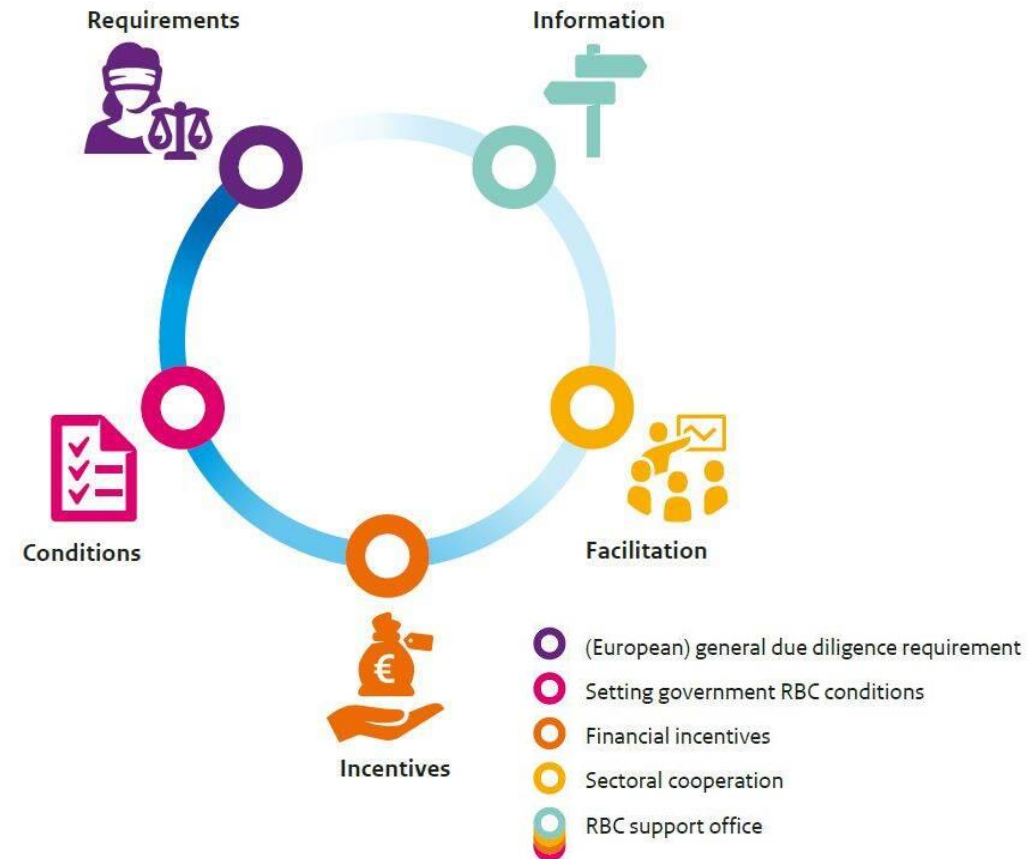
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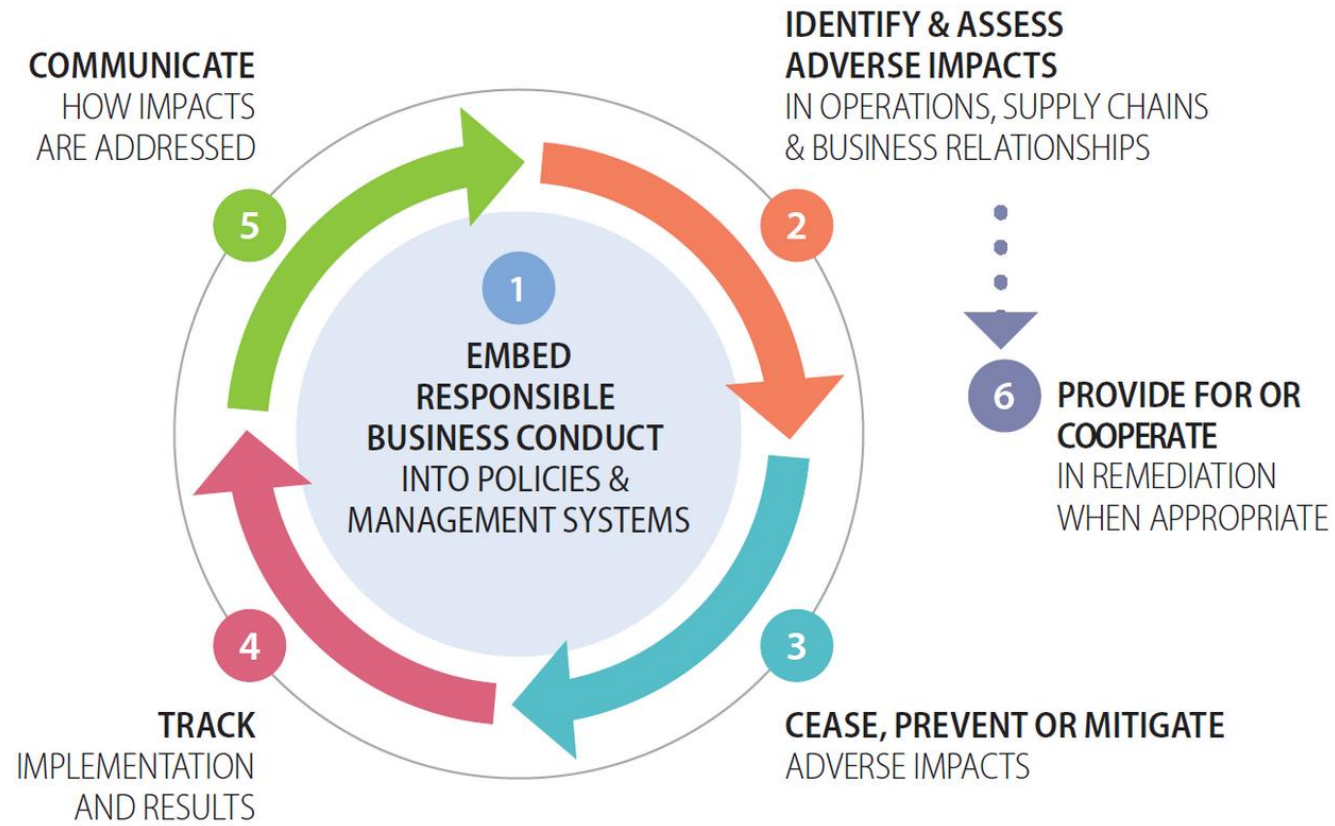
From educating to legislating: a new impulse for responsible business conduct (RBC)

- Smart mix of binding and voluntary measures.
- Main element: broad due diligence legislation, preferably at EU level.
- Binding and voluntary measures are mutually reinforcing. The accompanying measures promote compliance with legislation and improvement of due diligence.





Six steps of due diligence





Corporate Sustainability Due Diligence Directive (CSDDD)

Objective

- Large companies will be obliged to conduct due diligence in its own operations and value chain to identify, prevent and address adverse impacts regarding human rights and the environment.

Timeline negotiations

- Feb 2022: Proposal by European Commission
- Dec 2022: Council position agreed
- Jun 2023: European Parliament position agreed
- Dec 2023: (provisional) political agreement reached
- Apr-May 2024: Final adoption by EP and Council





CSDDD – main topics

- **Due diligence:** alignment with OECD Guidelines/UNGPs with risk-based approach
- **Scope:** EU companies with >1000 employees and >450 mln net turnover (worldwide); non-EU companies with >450 mln net revenue on EU market

Phased-in application:

- 2027: >5000 employees and >1500 mln net turnover
- 2028: >3000 employees and >900 mln net turnover
- 2029: >1000 employees and >450 mln net turnover



CSDDD – main topics

- **Value chain:** chain of activities, including entire supply chain (upstream) and partial chain after sale (downstream)
- **Climate:** transition plan in line with climate goals of Paris Climate Agreement and EU Climate law, incl. reduction targets and where relevant scope 3 emissions
- **Enforcement:** a mix of administrative and civil liability, a.o. max. fine of at least 5% net turnover. National supervisory authorities appointed, collaboration between EU authorities



CSDDD – due diligence obligations

- Integrating due diligence into company policies and risk management systems;
 - Identifying and assessing actual and potential adverse impacts;
 - Prioritisation of identified actual and potential adverse impacts;
 - Preventing potential adverse impacts, incl support of involved stakeholders;
 - Bringing actual adverse impacts to an end, incl engagement with stakeholders;
 - Remediation of actual adverse impacts;
 - Set up a notification mechanism and complaints procedure;
 - Monitoring of due diligence processes and (annual) adjustment of risk analysis;
 - Communicating on due diligence approach.
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- Note: maximum harmonization



Support measures

- Collaborate with stakeholders, incl SMEs
- Multi-stakeholder initiatives (MSI)
- Guidance by European Commission
- RBC Support office at Netherlands Enterprise Agency (RVO)

Timeline CSDDD

- 2024: CSDDD enters into force
- 2026: national implementation by member states
- 2026: Commission report on dd by financial sector
- 2027-29: phased in application of companies in scope
- 2030: First evaluation by Commission, incl effect on SMEs and review of applicable scope





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Questions?