

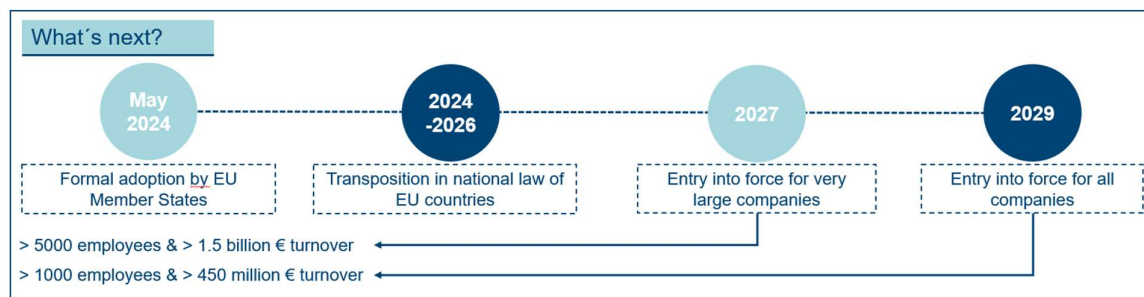
The EU Corporate Sustainability Due Diligence Directive Responsible

Information for Responsible Business Helpdesks to inform and capacitate suppliers on human rights and environmental due diligence

Background

The legislation aims at improving respect for human rights and environmental standards in global value chains. The German Supply Chain Act (LkSG) came into effect on 1 January 2023 and the Corporate Sustainability Due Diligence Directive (CSDDD) now extends similar requirements to the entire EU according to the UNGP and OECD Guidances:

- The CSDDD does not apply to companies directly. Every **EU member state must create their own national law** along the CSDDD's minimum requirements.
- **Germany will most likely adapt the LkSG to reflect higher standards of the CSDDD.** The CSDDD does not require member states to lower existing standards.
- National authorities will be in charge of monitoring the laws and sanctioning (in Germany most likely the BAFA)



CSDDD brings important improvements for rights holders

Compared to the LkSG, the CSDDD introduces some important improvements, especially for rights holders. They include, for example:

- Due diligence obligations in the CSDDD cover not only the **upstream** but also part of the **downstream** value chain (e. g. end of life).
- The CSDDD obliges companies to **meaningfully engage with stakeholders** (like trade unions) to ensure positive impact.
- LkSG requires companies to adopt responsible purchasing practices. The CSDDD specifies that they must also work towards **payment of living wages** and **living incomes** in their value chain. ILO core labor norms apply.

- In case of violation, rights holders must have access to justice and remedy. The CSDDD is more ambitious on civil liability, ensuring that **rights holders can demand remedy effectively also in civil courts.**

- The CSDDD demands **support for SMEs** by EU member states and buyers. Model contract clauses of the EU Commission could contribute to **fair contracts between buyers and suppliers.**

CSDDD requires higher standards on environmental risks

- The CSDDD entails similar requirements to the LkSG on certain environmental risks like soil, wastewater, POPs or mercury.
- CSDDD is more **ambitious on climate risks** and biodiversity. Companies need to set up a climate action plan ("transition plan") to contribute to the *Paris Agreement* (1.5 degree target).



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Possible Consequences for Suppliers

Information/transparency: Buyers ask more information on companies' human and environmental risks – also deeper in the supply chain.

Selecting a direct supplier: Buyers consider the adherence of human rights and environmental standards increasingly in their supplier selection.

New clauses in contracts: Commitment to human rights and environmental standards might be included into contracts, including monitoring and training mechanisms.

Monitoring mechanisms: Checks on human rights adherence in form of audits or (third party) inspections will likely increase.

Remedial action: Buyers might take steps to remedy violations of human rights or environmental standards themselves and/or ask cooperation of suppliers to take remedial action.

Engagement of buyers: Instead of ending business relations in case of violations, buyers should assist their suppliers to minimize risk and provide remedy.

Complaints: Suppliers will be increasingly requested to set up an effective company-internal complaint mechanisms and ensure protection of those utilizing the procedure.

Opportunities for Suppliers

Fairness: Adapting purchasing practices to minimize risks and to improve labor, environmental and social standards is an opportunity for suppliers to negotiate favorable prices, supply times and conditions.

Resilience: By keeping records of business processes, risks, existing regulations and remedial measures, suppliers can gain important information about their own supply chain.

Cementing buyer-supplier relationship: An improved dialogue with the buyer can strengthen trust, credibility and might foster long-term relationships.

Competitiveness: Strong due diligence processes of suppliers can improve their standing with their own customers.

Efficiency: The usage of renewable energy sources as well as improved wastewater and chemical management can cut costs. Healthy, content workers are more productive.

In-depth analyses of the EU CSDDD



1. [Briefing Note by Human Level.](#)
2. [Publication by DIHR](#)

What can I do as a supplier?

- Get familiar with **due diligence obligations**
- **Appoint and train staff members** and integrate requirements through **regular refresher courses**
- Keep an **ongoing record** of processes to be able to provide the necessary information
- **Communicate the need for support to your buyer** to be able to meet their requirements
- Check existing **management systems** and **certification schemes**
- **Know risks** within the own business operations and supply chain to compare their information against the findings of auditors
- **Seek help of support structures** like the Responsible Business Helpdesks and other service providers