

New EU rules on supply chain and due diligence

The end of a (regulatory) cycle – the beginning of a new era in corporate sustainability

The 24th of May saw the long-awaited conclusion of one of the most impactful pieces of EU legislation for companies both in and outside the EU, the famous – or infamous – Directive on Corporate Sustainability and Due Diligence (CSDDD).

This new Directive marks a clear end to the old concepts of Corporate Social Responsibility and is the final product of a five-year regulatory cycle that divided European corporate sustainability legislation into two clear camps of 'before' and 'after'.

Under the CSDDD, companies will be required to enact genuine changes to their ways of work, adjusting to face the fact that they are now liable for monitoring and acting on sustainability across their supply chain, rather than the previous practice of transparency and information sharing.

For most companies, the introduction of the CSDDD brings potential business-critical disruption: from updating strategic messaging, to renewing ESG reporting or even facing reputational challenges or managing immediate issues. Weber Shandwick Brussels can help you assess how this change impacts on your company specifically and identify the key priorities for ensuring CSDDD preparedness.

WHAT DO YOU NEED TO KNOW?

From late 2027 onwards, large EU companies (with over 1000 employees) will face several Due Diligence obligations that aim to cultivate sustainable and responsible corporate behavior, and consolidate human rights and environmental concerns within companies' operations and corporate governance.

With this change - which will also apply to non-EU companies operating in the EU (generating a net turnover of at least EUR 450 million in the EU) - the EU has set an effective basis for global standards by including value chains inside and outside Europe, within the scope of the new norm.

The Directive will also cover adverse environmental and human rights impacts generated through production, distribution, transport and storage of a product or service, at the level of companies' own operations, operations of their subsidiaries and business partners in their chains of activities.

In essence, many companies – if not the majority – will have to adapt to the new law and set up new mechanisms to ensure compliance, or risk fines.

If a company fails to comply, it will have to compensate those adversely affected. Companies will also need to adopt complaints mechanisms and engage with individuals and communities impacted by their activities or pay at least 5% of their net turnover.

WHAT ARE THE NEXT STEPS COMPANIES NEED TO TAKE

Integrate due diligence into policies and risk management systems:

Companies must implement a risk-based due diligence approach – developed in prior consultation with the company’s employees – and create a detailed layout of the company’s short and long-term approach. These plans must be updated at least every 2 years.

Identify and assess adverse human rights and environmental impacts:

Companies must map their own operations, those of their subsidiaries, and of their business partners to identify areas where adverse impacts could occur. Information is to be obtained from across the value chain where adverse impacts are ‘most likely to occur’.

Handle actual and potential adverse human rights and environmental impacts:

After identifying the relevant potential impacts and possible prevention measures, companies must take measures such as developing an action plan or potentially even suspending/terminating business relationships if proportionate.

Companies will also have to take appropriate measures to end any actual adverse impacts. To determine appropriate measures, companies must consider whether adverse effects are caused by their actions alone or by other circumstances, as well as the role of their subsidiaries/business partners, and their ability to influence their business partners.

Provide remediation to actual adverse impact: Whenever a company has caused or jointly caused an actual adverse impact, that company must provide remediation. When the actual adverse impact is caused only by the company’s business partner, a company could voluntarily provide remediation, or use its ability to influence the business partner causing the adverse impact to enable remediation.

Carry out meaningful stakeholder engagement: A company must carry out effective and transparent consultations and utilise such engagements to gather information on adverse impacts and develop corrective measures.

Establish a notification system and complaints procedure: Companies must create a way for any person or organization to file a complaint on actual or potential adverse impacts generated by the company or its supply chain. The procedure should be fair, publicly available, accessible, predictable, and transparent. If a complaint is well-founded, companies will be expected to take appropriate measures.

Monitor the effectiveness of due diligence policies: Companies will have to carry out annual assessments of their own operations and measures, as well as those of their subsidiaries, supply chains and business partners, to assess implementation and monitor the effectiveness of their actions to identify, minimise and prevent adverse impacts.

Publicly communicate on policies: Companies will have to publish annual statements on their website, under a specific timeframe corresponding to their reporting framework (and in line with the CSDDD). New measures will be adopted in the coming months to define the content and criteria for reporting on due diligence policies, in line with the EU Sustainability Reporting Standards (ESRS).

SO, HOW DO WE SUPPORT ORGANIZATIONS TO BECOME CSDDD READY?

OUR CSDDD PREPAREDNESS SUITE

Looking ahead, companies can proceed in one of two directions:

- **Accurately complying with all the provisions** included in the new text, following the same standards that the competition will be subject to.
- **Take a leading role in 'championing' the new rules**, going beyond the public communication obligations and using the CSDDD as another pillar to strengthen a company's public positioning around supply chains and sustainability.

Strong public sustainability communications, going beyond reporting and compliance obligations, yields benefits for companies, especially at a time when customers, regulators and business partners demand a greater impetus – and thus transparency – on companies' sustainability practices.

No matter how your company plans to proceed, our seasoned team at Weber Shandwick Brussels has been closely following the developments of the CSDDD requirements in Brussels, as well as the surrounding ESG legislation at EU level.

As part of our CSDDD Preparedness Suite we have the breadth of expertise required to guide your organization through all challenges provided by the adoption of the CSDDD and the direction that you as an organization are prepared to take.

SUSTAINABILITY

Weber Shandwick's CSDDD Preparedness Suite offers a broad range of services including:

CSDDD Workshop: A collaborative workshop with your teams to map the breadth of potential CSDDD impacts, and set priorities and a clear pathway to help your organization become CSDDD ready.

Preparedness Audit: A profound audit by our team to assess your effective preparedness to comply with the CSDDD. For this, our teams will vet your organization's communication materials and assets and highlight any risks or issues.

Sustainability strategy: As the CSDDD has a potentially highly disruptive impact on the ways that organizations display their sustainability efforts, Weber Shandwick's teams can support with:

- ❑ Materiality assessments
- ❑ ESG data analysis and reporting
- ❑ Sustainable transformation roadmaps
- ❑ Implementation & Governance
- ❑ ESG campaigning

Corporate reputation: The introduction of the CSDDD brings potential liabilities and consequently, reputational issues for organizations. To mitigate these issues, Weber Shandwick can support with:

- ❑ Climate advisory
- ❑ Sustainability advisory
- ❑ Corporate messaging & narratives
- ❑ Issues & crisis preparedness
- ❑ Stakeholder mapping

Policy and regulation: As the framework of the CSDDD may bring additional policy-related challenges or changes, Weber Shandwick can support with intelligence gathering and clear advice on how to engage with stakeholders:

- ❑ Policy Intelligence
- ❑ Political and stakeholder engagement
- ❑ Advocacy campaigns

OUR EXPERTS



LUIS CERVILLA
Vice President
Public Affairs, Belgium
M: +32 472 57 05 11
lcervilla@webershandwick.com



MARIA TANOU
Senior Associate
Public Affairs, Belgium
M: +32 499 79 25 82
mtanou@webershandwick.com

OUR NETWORKS



webershandwick.eu



[@WS_Brussels](https://twitter.com/WS_Brussels)



[Webershandwick_Brussels](https://www.instagram.com/Webershandwick_Brussels)