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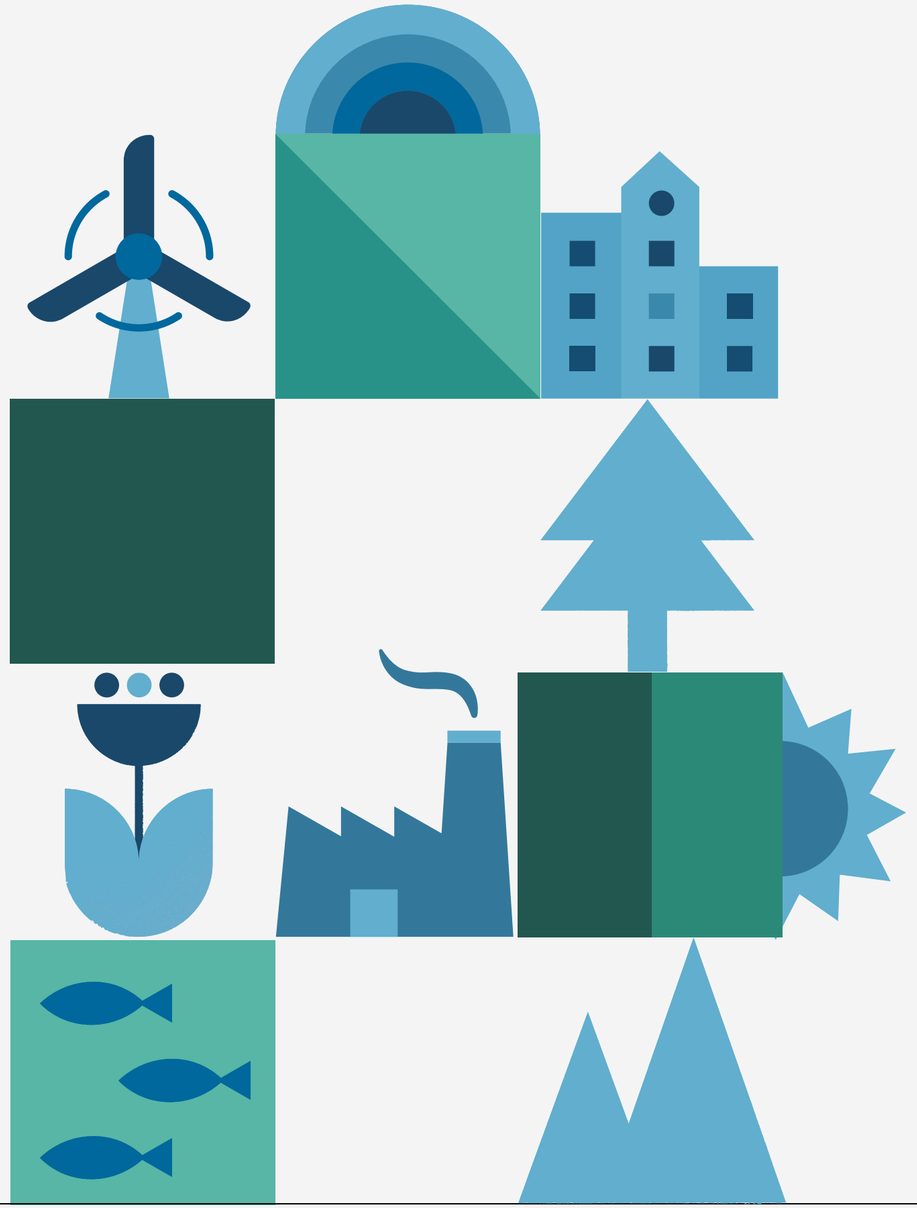
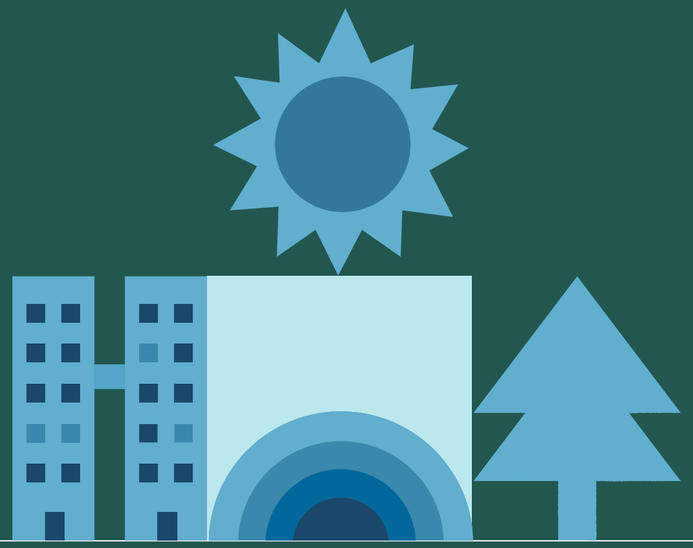
CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

EU Regulation Factsheet



PURPOSE OF THE DIRECTIVE



01

Enhance the protection of the environment and human rights in the EU

02

Increase stakeholders' awareness on key sustainability issues and the trust in business through a harmonized legal framework in the EU

03

Introduce requitements for companies to identify, prevent and mitigate the actual and potential impact on their activities on the environment and the human rights abuses

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Content of the Directive

Identify, bring to an end, prevent, mitigate and account for negative human rights and environmental impacts in the company's own operations, their subsidiaries and their value chains.

Civil liability **arises for damage caused by a company through intent or negligence** and obligation to end business relationship with partners not compliant

Having a business strategy compatible with sustainability and climate change mitigation & Obligations for large companies to put in place a climate transition plan (in line with Paris agreement)

List of specific rights and prohibitions that constitute adverse human rights impacts when violated (App.1) Clarification on measurable environmental degradations

TIMING

Adoption of JURI Position

Trialogue Session EP and Council to agree*

Provisional agreement

Adoption of the final Directive *

*According to our sources, the EP's Legal Affairs (JURI) Committee is expected to vote on the deal in February.

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Scope

- Large EU companies > 500 employees + turnover > €150 million
- High-risk sector EU companies > 250 employees + turnover > €40 million
- Non-EU companies > €150 million net turnover generated in the EU (three years from the entry into force of the directive)
- Financial services will be temporarily excluded from the scope of the Directive but there is a review clause for future inclusion of the financial downstream sector (based on impact)

Impact of the Directive

Adoption of a climate transition plan with time-bound targets for climate change mitigation by companies, to ensure that their business strategy is compatible with limiting global warming to 1.5 °C

Obligation to conduct due diligence on the business, the activities of the subsidiaries and the other entities in the value chain (direct and indirect business partners)

New duties for Directors of companies in the scope: they are responsible for overseeing due diligence requirements on environment, climate change and human rights

Compliance with the Directive could be included as a criterion for the award of public contracts and concessions

Monetary penalties in case of violation should be at least 5% of the companies' net turnover

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