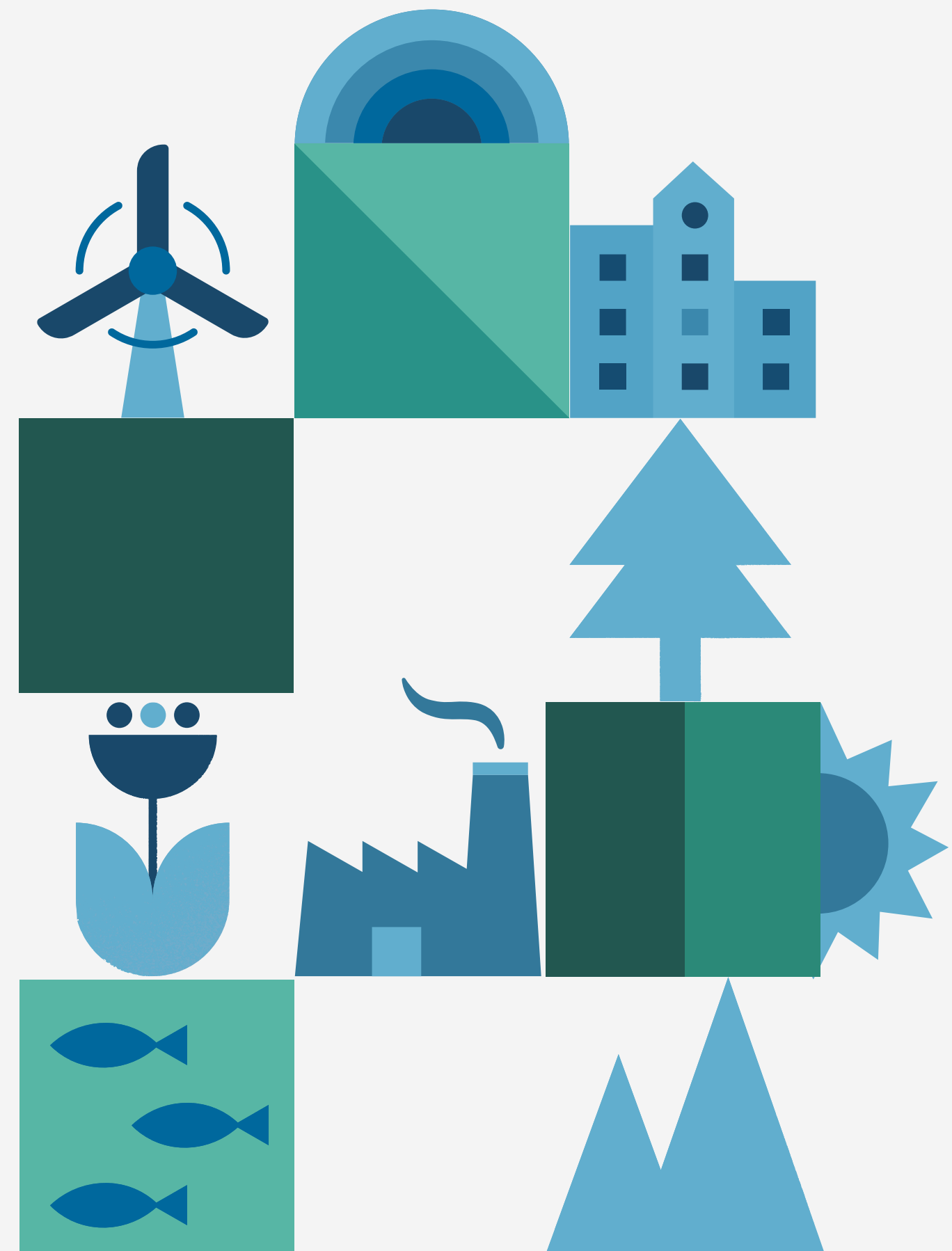




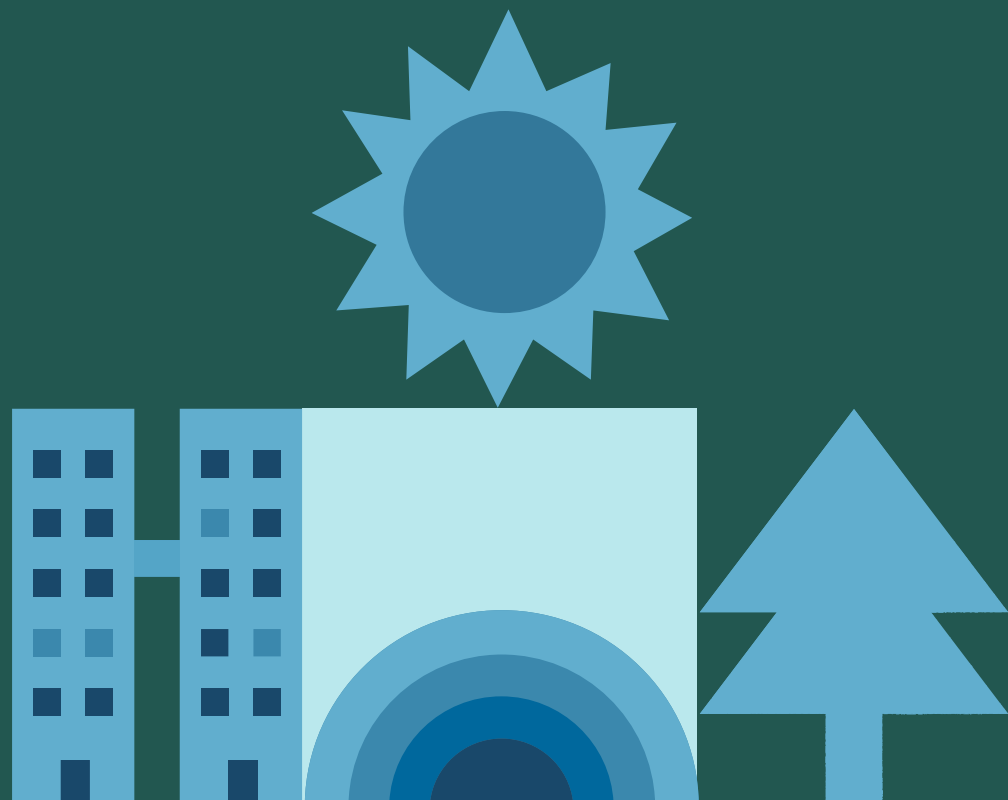
CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

EU Regulation UPDATE*
Factsheet #2



* March 15, Council endorsed the agreement on CSDDD

PURPOSE OF THE DIRECTIVE



01

Foster sustainable and responsible corporate behaviour in companies' entire value chain inside and outside of Europe

02

Prevent and mitigate the risks of adverse corporate impact on human rights and environmental conditions

Who will be affected?

The Directive targets companies of specific size...

European companies with more than 1000 employees and 450 million Euros in net worldwide turnover*

3rd country companies with more than 450 million Euros in net EU turnover

European companies with more than 80 million Euros in net worldwide turnover entering a franchising agreement in the Union for more than 22,5 million Euros

3rd country companies with more than 80 million Euros in net EU turnover entering a franchising agreement in the Union for more than 22,5 million Euros

* No specificities for high risk sectors anymore



Who will be affected?

But also...

Parent companies of subsidiaries that fall under the conditions are also covered by the Directive

While not directly covered in the CSDDD, it is expected that smaller companies will be affected by the obligations of the targeted business partners

Overall, approximately 5.300 companies in the EU are expected to be affected by the Directive



The future obligations

- Companies will need to establish a Due Diligence Policy and a Code of Conduct in consultation with employees. Due Diligence measures will need to be applied to the Company's **own operations**, those of their **subsidiaries**, as well as their **direct and indirect business partners** who perform activities for or on behalf of the company
- Companies will also need to create a science backed transition plan that outlines their actions and targets to comply their business models with the Paris Agreement, the 1.5C warming target, and climate neutrality by 2050. The plan will need to be updated every 12 months



COMPANIES WILL ALSO NEED TO

01

Identify and assess adverse human rights and environmental impacts

02

Preventing, cease or minimize actual and potential adverse human rights and environmental impacts

03

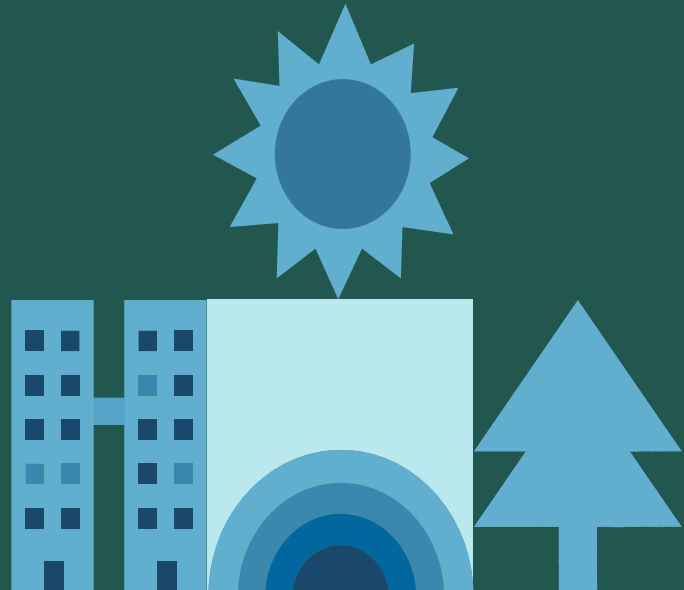
Monitor and assess the effectiveness of their measures

04

Communicate issues and actions

05

Provide remediation



Limits of the obligations

The Directive outlines an “obligation of means” meaning that its obligations are dependent on its ability to affect change in its chain of activity

Companies need to take a risk-based approach to due diligence, meaning that while they have to assess their entire value chain, actions need to be taken only in the areas with the highest risk for severe impact

Companies are not obliged to resolve all their identified issues immediately if they do not have the means to do so and must prioritize the most severe issues first.

The company chain of activity does not include the disposal of the product*

* the downstream part has been removed for regulated financial undertakings



Penalties

Companies under this Directive are subject to enforcement penalties and civil liability

National enforcement bodies will have the power to assess compliance with the obligations of the Directive and impose fines, and public statements

The fines should consider the worldwide net turnover of the offending company and should have a maximum limit of no less than 5% of said turnover

Civil liability may be incurred by companies that intentionally or negligently failed to fulfil their obligations in a manner that caused damage to a natural or legal person. Such persons may seek full compensation but not punitive damages or overcompensation

Companies are not liable for indirectly affected persons, damages caused only by business partners, and damage caused by adverse impacts that the company has not been able to resolve due to means considerations and effective prioritization of more severe issues



TIMING



The Belgian presidency secured agreement on the current, less extensive, draft in the Council after dissatisfaction with the previously agreed version

The EP will vote to approve in the Plenary on the 24th of April, but all translations are not ready meaning that most likely any agreement will be provisional, and the legislation will not be adopted until late

Fall 2024