

Text of Due Diligence Directive Approved

On 15 March 2024 European Union Member States reached a compromise on the final wording of the Corporate Sustainability Due Diligence Directive (CSDDD). The Directive imposes obligations on companies to address negative impacts caused by business activities, from both an environmental and human rights perspective.

I. EU directive on corporate due diligence

The objective of the Corporate Sustainability Due Diligence Directive (CSDDD) is to ensure that companies make an active contribution to sustainable development through proper management of their supply chains and business operations. It introduces a requirement for companies to exercise due diligence with respect to environmental and social issues, which includes integrating social and environmental responsibility into their policies, identification and assessment of risk, prevention and mitigation of negative impacts, monitoring the effectiveness of measures and communicating results.

II. Companies covered by CSDDD

The scope of the CSDDD is to cover companies and groups with more than 1000 employees and over EUR 450 million in revenues. It will be introduced gradually and is to apply to the entities starting from 2027. These will be companies and groups with more than 5000 employees and over EUR 1,5 billion in net revenues. As of 2029 the Directive would cover companies and groups with over 3000 employees and in excess of EUR 900 million in net revenues.

III. Integration of due diligence into company policies

In accordance with the CSDDD, companies have to integrate the process of due diligence related to human rights and the environment into their general strategies and operating policies. This requires the development and implementation of clear procedures to ensure the identification, prevention and minimization of potential negative impacts of company operations on human rights and the environment. Companies must therefore develop clear and comprehensive due diligence policies that reflect their commitment to identify, prevent, minimize and offset the negative impacts of their operations on human rights and the environment. This means that integration of due diligence into company policies necessitates a commitment at the highest level of management, continued involvement and openness to dialog, as well as readiness to adapt business practices in response to identified risks and challenges.



IV. Risk identification and assessment

Companies are required to regularly perform a detailed assessment of risk to identify potential and actual negative impacts of their operations on human rights and the environment. This assessment should cover their own operations, as well as those of entities from their supply chain and value chain. Risks to human rights can include violations of employee rights, the rights of local communities, land rights, consumer rights, as well as other human rights violations, such as discrimination, forced labor or violations of the right to privacy. Environmental risks can include degradation of the environment, air and water pollution, loss of biodiversity, excessive use of natural resources and greenhouse gas emissions.

V. Prevention and mitigation of negative impacts

When a company identifies risks of negative impacts, it must take effective preventive or remedial measures to prevent or reduce those impacts to a minimum. This requires the development and implementation of preventive and remedial action plans, as well as monitoring of the progress and effectiveness of those measures. Such an action plan should be an integral part of the company's social and environmental responsibility policy, and its performance should be included in the company's general risk management processes. It should contain a realistic timetable for the implementation of the various measures, including objective meeting deadlines. It should make it possible to regularly monitor progress and adjust measures as necessary.



VI. Monitoring and reporting

Under the Directive companies are obligated to monitor the effectiveness of their due diligence measures and to regularly report on the related activities and progress. Reporting should be transparent and available to all stakeholders. Companies are required to report on their due diligence measures at least once a year. The reports should include information on the policies and procedures implemented in order to integrate due diligence policies, risk assessment results, preventive and remedial measures taken in response to identified risks, as well as the effectiveness of these measures. In addition, the reports should contain information on any actual negative impacts that have occurred despite the preventive measures.

VII. Stakeholder collaboration and engagement

The Directive stresses the importance to the due diligence process of collaboration and dialog with stakeholders, including employees, local communities and civil society organizations. Companies should involve stakeholders in the identification of risks and the development and implementation of action plans. Special attention should be given to engaging local communities and groups that are particularly vulnerable to the negative effects of corporate operations. The Directive stresses a need to consider their opinions and experiences in the risk assessment process, as well as in the development and implementation of preventive measures. In addition, companies are encouraged to work with business partners throughout their supply chains to jointly manage risks associated with human rights and the environment. They should also establish mechanisms that will enable stakeholders to submit comments and complaints on the potential negative impacts of corporate operations. These mechanisms should be easily accessible, fair and transparent, and should enable effective communication and review of complaints.



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VIII. Access to remedial measures

Where negative impacts occur, companies must provide access to effective remedial measures for those affected by their actions. This includes internal compensation procedures, as well as supporting access to external pathways of dispute resolution. Remedial measures are a key component of the due diligence process, which make it possible to respond to damages or violations. Importantly, access to remedial measures includes negative impacts caused directly by the companies themselves, as well as those that occur in their supply chains. Effective remedial measures can include apologies, compensation, damages, repair of environmental damages, restoration, as well as guarantees that the violations will not occur again. Companies are required to inform the public of the available remedial measures and of the results of the complaint handling process and corrective measures.

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