

Preparing for the EU CSDDD

FAQ for Business

10 FAQs on what the EU CSDDD will mean for your Business

Parliamentarians within the EU have voted to approve the Corporate Sustainability Due Diligence Directive (CSDDD), which will require many companies operating in the EU to conduct effective human rights and environmental due diligence in their supply chains. It will support businesses in addressing forced labour in their global supply chains, provide remedy to workers, and prepare them for the [Forced Labour Regulation](#) which will prevent goods made with forced labour from being traded within the EU – the world’s largest single market. It has the potential to set a higher bar for corporate accountability legislation and make a positive impact on the lives of workers worldwide.

Member States will soon begin the process of transposing the Directive into national legislation. Businesses will also need to start preparing to ensure they are meeting the outlined requirements. Anti-Slavery International has been campaigning for many years to bring this legislation forward, and make sure its core elements actually support businesses to eradicate forced labour in their supply chains. Our Business and Human Rights team will continue to push the Commission (and Member States) to make forthcoming official guidance practical for business, and ultimately effective in tackling forced labour. In the meantime, Anti-Slavery International’s business advisory services team has prepared this FAQ so you can better understand the CSDDD’s likely impact on your business, and your immediate priorities.

Q1. What is the CSDDD and why is it important?

The CSDDD requires certain companies conduct human rights and environmental due diligence (HREDD) to identify, prevent, mitigate and remedy adverse human rights and environmental impacts in their supply chains. It enshrines existing guidelines on responsible business practice – such as the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#) and [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) – in law.

As the EU is the world’s largest single market, home to millions of businesses whose value chains extend across the globe, the passing of the CSDDD is an important milestone in global efforts to legislate for corporate accountability, drive better business practices, and improve working conditions for millions of workers.

17.3 million people are estimated to be in forced labour in the private sector, and an estimated 3.9 million people exploited in state-imposed forced labour.

Critically, companies in scope will soon have to:

- Conduct due diligence on their chain of activities, which extends from raw materials to distribution of goods once they are ready for sale.
- Move beyond a reliance on social audits, with consideration of a company’s purchasing practices.
- Meaningfully engage with stakeholders (including workers and their representatives).
- Remediate actual adverse impacts caused or jointly caused by the company.

Q2. Which companies are under scope?

The Directive’s introduction will be staggered – with smaller companies given more time to prepare:

What Business are under scope?	When will it come into force?
<ul style="list-style-type: none"> ○ EU headquartered companies with more than 1000 employees and a net worldwide turnover exceeding EUR 450 million. ○ Non-EU headquartered companies with a turnover exceeding EUR 450 million <i>within</i> the EU market. ○ Franchises with a net worldwide turnover of EUR 80 million and EUR 22.5 million in royalties. <p>*For EU companies, turnover refers to net worldwide turnover, and for non-EU companies, turnover refers to turnover in the EU.</p>	<ul style="list-style-type: none"> ○ A 3-year application period for companies with more than 5000 employees and EUR 1500 million turnover. ○ A 4-year application period for companies with more than 3000 employees and EUR 900 million turnover. ○ A 5-year application period for companies with more than 1000 employees and EUR 450 million turnover. ○ Franchises will also have five years to comply.

Q3. Is this just another (bureaucratic) reporting requirement?

What distinguishes the CSDDD from other forms of human rights legislation is that the focus is on outcomes for rightsholders – preventing and remedying harm – rather than solely reporting activities. Companies will be required to take a risk-based approach to human rights and environmental due diligence (see below). If implemented correctly, the Directive should compel businesses to integrate effective due diligence into their corporate structures and management systems, by establishing policies and processes to identify and mitigate against risks. Due diligence should be formed around meaningful engagement with workers, affected communities, trade unions and civil society organisations to ensure these processes are effective and impactful. The CSDDD also goes one step further than many other mandatory human rights due diligence legislation by suggesting companies adapt their purchasing practices and contribute to living wages and incomes for their suppliers’ employees.

This is complementary but ultimately distinct from other legislation, such as the recently introduced Corporate Sustainability Reporting Directive (CSRD) which focuses on improving the broader sustainability reporting and standardising to ensure consistency and comparability of data for ease of use for stakeholders such as investors and consumers.

Q4. Where does my business start?

The CSDDD enables companies to conduct risk-based human rights and environmental due diligence, allowing prioritisation of adverse impacts based on the severity (i.e. scale, gravity, number of individuals, irreversibility) and likelihood of the adverse impacts.

So, unlike other forms of existing supply chain due diligence, where companies are incentivised to focus on their Tier 1 suppliers, businesses will be required to dedicate resources to their most at-risk procurement categories. To do this, meaningful stakeholder engagement with workers and their representative groups will be crucial in providing the front-line, accurate intelligence that is [often lacking when companies over-rely on social audits and certification schemes](#). Instead, companies should be looking to partner with civil society organisations and trade unions to conduct onsite worker engagement, co-design trusted grievance mechanisms with workers, invest in training on emerging risks and develop workers' access to remedy.

Our advisory services team provides bespoke analysis for our partners, informed by the latest best practice in worker-centred approaches and our global partnerships with frontline workers' groups. We have experience working with a range of businesses – across multiple different sectors, sizes, and stages of due diligence – but all equally committed to addressing the root causes of forced labour in supply chains.

Q5. What happens if my business does not comply with the requirements?

Companies will face real consequences for non-compliance with the CSDDD's requirements. Its civil liability provisions will allow victims to bring claims to court when companies do not uphold their duties under the Directive and harm is caused. Member States will also be establishing Supervisory Authorities in their jurisdictions, another critical enforcement mechanism. Supervisory Authorities will be empowered to order the performance of an action or ceasing a conduct, abstention from any repetition of a relevant conduct, and where appropriate, orders of remediation or adoption of interim measures. Member States will also be required to ensure there are pecuniary penalties (maximum being not less than 5% of net worldwide turnover) for infringements of provisions. Such accountability will be critical to levelling the playing field for businesses; ensuring responsible companies are not constantly undercut by non-compliant competitors.

Investing in effective due diligence will act as a form of insurance for businesses, avoiding costly implications for non-compliance. Due diligence steps can be embedded into existing business systems and processes to ensure effective implementation. And [studies](#) have found this does not create large costs for

the business – an academic study found that the cost of due diligence for a large company was less than 0.01% of revenue, and for a small-to-medium sized company, less than 0.14%.

Q6. My business is an SME, do I still need to prepare for this?

Unfortunately, a vast proportion of SMEs are disappointingly not in scope of the CSDDD – despite widespread support for the law from EU SMEs, such as the Italian Multi-Stakeholder Initiative CNA (the Italian Confederation of Craft Trades and Small and Medium-Sized Enterprises), which represents over 600,000 SMEs [publicly endorsing](#) the law.

This is a missed opportunity to improve working conditions throughout global supply chains and to support businesses of all sizes in this implementation. The OECD Guidelines and UNGPs apply to businesses of all sizes, and - as outlined above - studies show that undertaking due diligence is feasible and affordable for businesses of all sizes. And many SMEs already recognise the benefits of implementing due diligence requirements. These benefits include the profitability of sustainable business practices (many SMEs, with aspirations to scale up and grow, already recognise the business case for adopting these processes and ensuring compliance from an early stage) and meeting the requirements of existing and potential customers to whom they supply.

Despite their exclusion, many SMEs may still be impacted, as their larger clients start to increase engagement and auditing of their suppliers. Thankfully, the CSDDD requires a risk-based and proportionate prioritisation when conducting due diligence, which will filter down to SMEs. The Directive's accompanying measures also demonstrate how larger businesses can provide support to their smaller suppliers in the due diligence process. There are many opportunities for collaboration, from investing in training together, co-developing policies, procedures, and worker grievance mechanisms, collaborating on responsible recruitment strategies, and committing to sustainable purchasing practices.

Please get in touch if you want advice on how to navigate these elements. Our team has expertise in working with smaller businesses on how to undertake due diligence, as well as developing best practice for how larger companies can work with their suppliers.

Q7. How will this effect UK businesses?

UK companies will be in scope and will have to meet the CSDDD's requirements if they generate EUR 450 million or more from trade in the EU. However, as outlined above, companies will also be impacted if they are in the supply chains of larger businesses, both within and outside the EU. Both the CSDDD and the Forced Labour Regulation are a wake-up call to the UK government. While the UK's 2015 Modern Slavery Act was pioneering at the time, such transparency legislation falls short of preventing forced labour. UK businesses currently face a patchwork of inadequate domestic legislation, leaving a lack of clarity and certainty and multiple demands to meet. Research by the British Institute of International and Comparative

Law exploring the legal feasibility of a duty on UK commercial organisations and public authorities to prevent human rights harm found that [82% of surveyed businesses believe a new law in the UK could help clarify](#). And a recent opinion poll of the public also showed that 82% of respondents are in support of an import control law in the UK.¹

The UK must urgently consider both a Business, Human Rights and Environment Act and import controls to prevent goods made with forced labour from being traded within the UK and to mandate companies to take action to prevent these and other human rights and environmental abuses. Anti-Slavery International is [championing a House of Lords Private Members Bill](#) on this subject, which is being sponsored by our patron and human rights advocate and campaigner Baroness Young of Hornsey.

Q8. How does this Directive fit in with the planned EU Forced Labour Regulation?

The [EU Forced Labour Regulation](#) was recently agreed in the European Parliament. The CSDDD and the Forced Labour Regulation will work together to support businesses in removing forced labour from their supply chains, provide remedy to harmed workers, and prevent goods made with forced labour from being traded within in the EU.

This Regulation, which will come into force three years after it passes later this year, will drive action for those who are not meeting the CSDDD's requirements, penalising companies who continue to abuse workers' rights. This will also mean that companies in countries selling into the EU, such as the UK and US, will need to ensure that their products are not made with forced labour.

Q9. What about the Environmental requirements, such as Climate Transition Plans?

The CSDDD is not just focused on human rights, but also encompasses environmental obligations. This includes a requirement for companies to adopt transition plans for climate change mitigation and ensure that their business model and strategy are compatible with the transition to a sustainable economy. These transition plans should be reviewed every 12 months and contain a description of the progress the company has made towards achieving their targets.

The business case for breaking down the siloes between the 'E' and the 'S' in ESG is ever-increasing: particularly when it comes to addressing persisting trends in forced labour. Anti-Slavery International has been at the forefront of highlighting the [links between climate change and forced labour](#). Get in touch if you'd like to learn more about our work in this area.

¹ Polling conducted by YouGov Plc for Anti Slavery International. Total sample size was 2,351 adults. Fieldwork was undertaken between 20th - 21st March 2024. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). YouGov is a member of the British Polling Council and abide by their rules.

Q10. How can Anti-Slavery International help my business?

Our Business and Human Rights team are currently reviewing the CSDDD's final text and will be publishing a comprehensive analysis soon. Our business advisory services team can advise you now on the immediate next steps your business should be taking.

At Anti-Slavery International, we have been partnering with companies for over seven years, providing a critical lens to help them prevent and remedy forced labour in their supply chains. Our bespoke advisory services integrate our unique expertise (such as that gathered from being at the centre of advocating and campaigning for this legislation) and foregrounds the work of our global network of partners. We will enable you to engage every part of your business, including staff, suppliers, customers and shareholders, and put into practice your commitment to helping end modern slavery. Get in touch with our Private Sector Adviser Eloise Savill (e.savill@antislavery.org) if you'd like to find out more or partner with us.

In the meantime, we'll continue working with partners to ensure that voices of workers in producer countries and affected communities are at the forefront of approaches. We will also continue connecting business with our cutting-edge research and advocacy work, as well as with our partners in global supply chains to ensure that the CSDDD works for those who stand to benefit from it most.

For further information:

Find out more about Anti-Slavery International's business advisory services [here](https://www.antislavery.org/take-action/companies/advisory-services/) (<https://www.antislavery.org/take-action/companies/advisory-services/>)

Email: e.savill@antislavery.org.

Anti-Slavery International, The Foundry, 17 Oval Way, London SE11 5RR

tel: +44 (0)20 7501 8920 email: supporter@antislavery.org website: [antislavery.org](https://www.antislavery.org)

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