

CSRD vs CSDD

Overlap and Key Differences

Corporate Sustainability Reporting Directive

Corporate Sustainability Due Diligence Directive

- Applicable to Large Companies (From January 1, 2024)
- Alignment with EU **Green Deal**
- Reporting Standards (ESRS)
- Double Materiality
- Third-party Assurance
- Digital Publication (XHTML)
- Aims for Uniformed Sustainability Reporting

- Emphasis on Sustainability and Ethical Business Conduct
- Supply Chain Insight
- Stakeholder Engagement

- Applicable to Various Company Sizes (Expanding Over Phases)
- Policy on Human Rights and Environmental Due Diligence
- Risk Assessment, Mitigation, and Annual Statement
- Cooperation with Other Parties
- Non-EU Companies Operating within the EU
- Potential Expansion in 2025





CSRD & CSDD

Overlap, Key Differences and Mandatory Obligations

Overlap

- Both directives aim to enhance corporate sustainability. They are interconnected, with CSDD referencing CSRD and other regulations.

Key Differences

Focus:

- CSRD primarily concerns sustainability reporting standards, while CSDD focuses on supply chain due diligence and responsible business conduct.

Compliance Consequences:

- Non-compliance with CSRD risks inconsistent sustainability reporting, whereas non-compliance with CSDD may lead to compliance orders and significant financial penalties based on turnover.



CSRD initially applies to large companies starting from January 1, 2024, aligning with the **EU Green Deal**, while **CSDD has a broader reach, covering various company sizes and including non-EU companies operating within the EU**. In 2025, CSDD may expand further.



CSRD & CSDD

Mandatory Obligations and Main Takeaways

Mandatory Obligations for Companies:

- Large companies with over 500 employees, previously subject to the Non-Financial Reporting Directive (NFDR), must report according to CSRD requirements for the 2024 fiscal year, with reports to be published in 2025.
- Companies must **align their sustainability reporting with the ESRS standards.**

Main Takeaways:

- Standardizes sustainability reporting across the EU.
- Promotes consistency, reliability, and transparency in sustainability reporting.
- Enhances the company's understanding of its impact on people, the environment, and its business.

Mandatory Obligations for Companies:

- Companies must **conduct environmental and human rights due diligence throughout their supply chains.**
- Compliance is crucial to avoid compliance orders and substantial financial penalties based on turnover.
- **OECD Guidance Basis:** CSDD aligns with OECD Due Diligence Guidance, emphasizing responsible business conduct, including human rights and environmental due diligence.

Main Takeaways:

- Emphasizes the importance of due diligence in supply chains.
- Focuses on human rights, environmental considerations, and collaboration within the supply chain.



By understanding and meeting the mandatory obligations of both the CSRD and the CSDD, your company can ensure better compliance.

Check the next page for actionable takeaways

→ CSRD

1. Double Materiality: Companies must assess their sustainability impact from two perspectives: the impact of their business on people and the planet, and how sustainability and climate change affect their business.

2. ESRS Compliance: Companies are obligated to follow the European Sustainability Reporting Standards (ESRS) during sustainability reporting, which encompasses environmental, social, and governance topics.

3. Third-party Assurance: CSRD mandates companies to provide limited assurance for their sustainability data. Impartial third parties review the data to ensure its accuracy and reliability.


4. Digital Publication: Sustainability information must be a part of the management report and published in a digital format (XHTML)

Takeaway Actions

CSDD



- **1. Policy on Human Rights and Environmental Due Diligence (From January 1, 2024):**
 - Companies are obligated to develop, implement, and communicate a policy on Human Rights and Environmental Due Diligence.
 - Rights and Environmental Due Diligence. This policy articulates the company's commitment to responsible business conduct in the supply chain.
- **2. Risk Assessment and Mitigation (01/01/2024)**
 - Companies must establish a process to assess and identify the most significant risks within their operations, suppliers, and business relationships. Including evaluating environmental and human rights risks and developing strategies to mitigate these risks effectively.
- **3. Annual Statement (From January 1, 2024):**
 - Companies are required to publish an annual statement on their website to communicate the relevant due diligence measures taken during the previous calendar year. This statement serves as a means to report on actions taken to address identified risks and engage with stakeholders transparently.
- **4. Cooperation with Other Parties (01/01/2024):**
 - Companies must cooperate with other parties ie. suppliers, stakeholders, and organizations, to enable remedies and address issues identified during due diligence. This collaboration fosters collective efforts to improve supply chain sustainability.
- **5. Expansion in 2025:**
 - In 2025, the CSDD may potentially expand to include companies that were not previously subject to the Non-Financial Reporting Directive (NFDR) if they meet specific criteria, such as employee count, turnover, and total assets



WHY YOU SHOULD TACKLE THIS NOW



BUSINESS OPPORTUNITIES

1. Compliance Advantage (CSRD):

– Early compliance with CSRD can position your company as a leader in sustainability reporting, meeting the new requirements well ahead of deadlines.

2. Ethical Reputation (CSDD):

– Proactive adoption of CSDD showcases your commitment to ethical business conduct, fostering trust among stakeholders.

3. Enhanced Stakeholder Relations (CSRD & CSDD)

– Engaging with stakeholders on sustainability and due diligence practices can strengthen relationships, improve transparency, and meet their growing demands for ethical and sustainable business.

4. Competitive Edge (CSRD & CSDD):

– Tackling these directives now can give you a competitive edge by demonstrating your ability to meet stringent reporting and due diligence standards, setting your business apart from competitors.

5. Risk Mitigation (CSDD):

– Implementing robust risk assessment and mitigation practices in line with CSDD can prevent potential legal and reputational risks in your supply chain.

6. Resource Efficiency (CSRD & CSDD):

– Streamlining your sustainability reporting and due diligence processes can enhance resource efficiency, reducing costs and improving overall operations.

7. Access to New Markets (CSDD):

– Complying with CSDD opens doors to new markets and partners, especially as ethical sourcing becomes a prerequisite for many businesses.

8. Sustainable Growth (CSRD & CSDD):

– Aligning with the principles of sustainability and due diligence can lead to sustainable business growth and long-term success.

9. Investor Attraction (CSRD):

– Early adoption of CSRD requirements can make your company more attractive to investors looking for businesses with strong sustainability practices.

10. Innovation and Adaptability (CSRD & CSDD):

– Tackling these directives encourages innovative approaches to sustainability and the ability to adapt to changing regulatory landscapes, which is essential for long-term success.

11. Community Engagement (CSDD):

– Demonstrating a commitment to responsible sourcing under CSDD can enhance community relations and foster support from local communities where your operations exist.

12. Transparency (CSRD & CSDD):

– Meeting the transparency requirements of both directives can create a culture of openness and accountability within your organization.