

**2024  
Edition**

**Factsheet 1:  
EU Corporate Sustainability  
Due Diligence Directive**

# An Apparel Supplier's Guide **2.0**

**Key Sustainability Legislation  
in the EU, US, and UK**

EU Strategy for Sustainable and Circular Textiles  
**EU Corporate Sustainability Due Diligence Directive**  
EU Corporate Sustainability Reporting Directive  
New York Fashion Act  
EU Forced Labour Regulation & Guidance  
US Uyghur Forced Labor Prevention Act  
EU Ecodesign for Sustainable Products Regulation  
EU Packaging & Packaging Waste Directive & Provisional Regulation  
EU Microplastics Regulation  
UK Plastic Packaging Tax  
EU Product Environment Footprint Guide  
EU Textiles Regulation  
EU Taxonomy  
The German Due Diligence in the Supply Chain Act  
Lessons for Fashion: How the agricultural sector is tackling commercial compliance through the EU Directive on unfair trading practices

# Acknowledgements

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**The Remedy Project** is a social enterprise that works to improve access to justice and remedy for migrant workers in global supply chains. They work constructively with governments, civil society, law enforcement, and the private sector to translate the UN Guiding Principles on Business and Human Rights into practice. For more information please see [www.remedyproject.co](http://www.remedyproject.co).

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# Introduction

UPDATE

## a. Objective

In July 2023 the first iteration of this guide covering, 12 pieces of legislation, was published. This document is an update to that guide and includes updates to the 12 factsheets issued last year as well as three additional factsheets covering new legislation not previously included.

This document is intended to enable suppliers in the apparel value chain that are established or headquartered outside of the Global North<sup>1</sup>, or whose operations are based outside these jurisdictions or whose supply chains extend to the Global South, to better understand how sustainability-related legislation in the Global North could potentially impact them. While suppliers may not, in all cases, be directly subject to the obligations created by these Global North

laws, they may still experience knock-on effects as they form an integral part of the global apparel value chain and produce goods for multinational brands and retailers who have increasing compliance obligations as they adopt new practices in order to respond to the increased legislation. As such, this document aims to:

- Offer a public resource and roadmap for suppliers to proactively respond to and prepare for the requirements of these Global North laws.
- Provide a platform for dialogue and information exchange where suppliers and manufacturers can explore engagement (where possible) with policy makers in Global North jurisdictions.
- Support suppliers in delivering the fashion industry's social and environmental performance goals, and drive meaningful change for rights holders – whether workers, local communities, cotton farmers– globally.

## b. Important legislative context to understand

As governments in the Global North embark on ambitious plans to transition towards climate neutrality, inclusive and sustainable growth, the body of sustainability legislation is expanding rapidly.

The European Union (EU) is at the forefront of these changes, introducing a plethora of legislative and non-legislative measures to implement priority policies such as the [European Green Deal](#). The European Green Deal is a cornerstone of the EU's industrial strategy, comprising a series of proposals to make the EU's climate, energy, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, and to secure the global competitiveness and resilience of European industry<sup>2</sup>. There are also sector-specific initiatives such as the EU Strategy for Sustainable and Circular Textiles, which aim to implement the commitments made

<sup>1</sup> For the purposes of this document, "Global North" encompasses the European Union, United Kingdom, and the United States.

<sup>2</sup> European Commission, [A European Green Deal](#)

under the European Green Deal (see infographic on the next page “**Snapshot of the Legislative Landscape in the Global North**”), by setting out measures to address the design and consumption of textile products, and promote a greener and fairer value chain in the textiles industry. The legislations covered in this document such as the EU Ecodesign for Sustainable Products Regulation and Digital Product Passport, EU Corporate Sustainability Due Diligence Directive, EU Regulation on Prohibiting Products Made With Forced Labour on the Union Market (Forced Labour Regulation), are only some of the initiatives taken by the EU to execute on the European sustainability policy objectives<sup>3</sup>.

These legislations create legally binding obligations on companies to consider how they are managing their social and environmental impact. Many of these laws and regulations have global application and/or will impact apparel manufacturing and sourcing hubs outside of the Global North. As such, while these laws originate from the Global North such as the EU, United Kingdom, and United States, they will impact companies operating outside of these jurisdictions. It is therefore a prescient

time for companies directly subject to these legislations, and for those who have business relationships with them, to align their sustainability policies and practices with these laws.

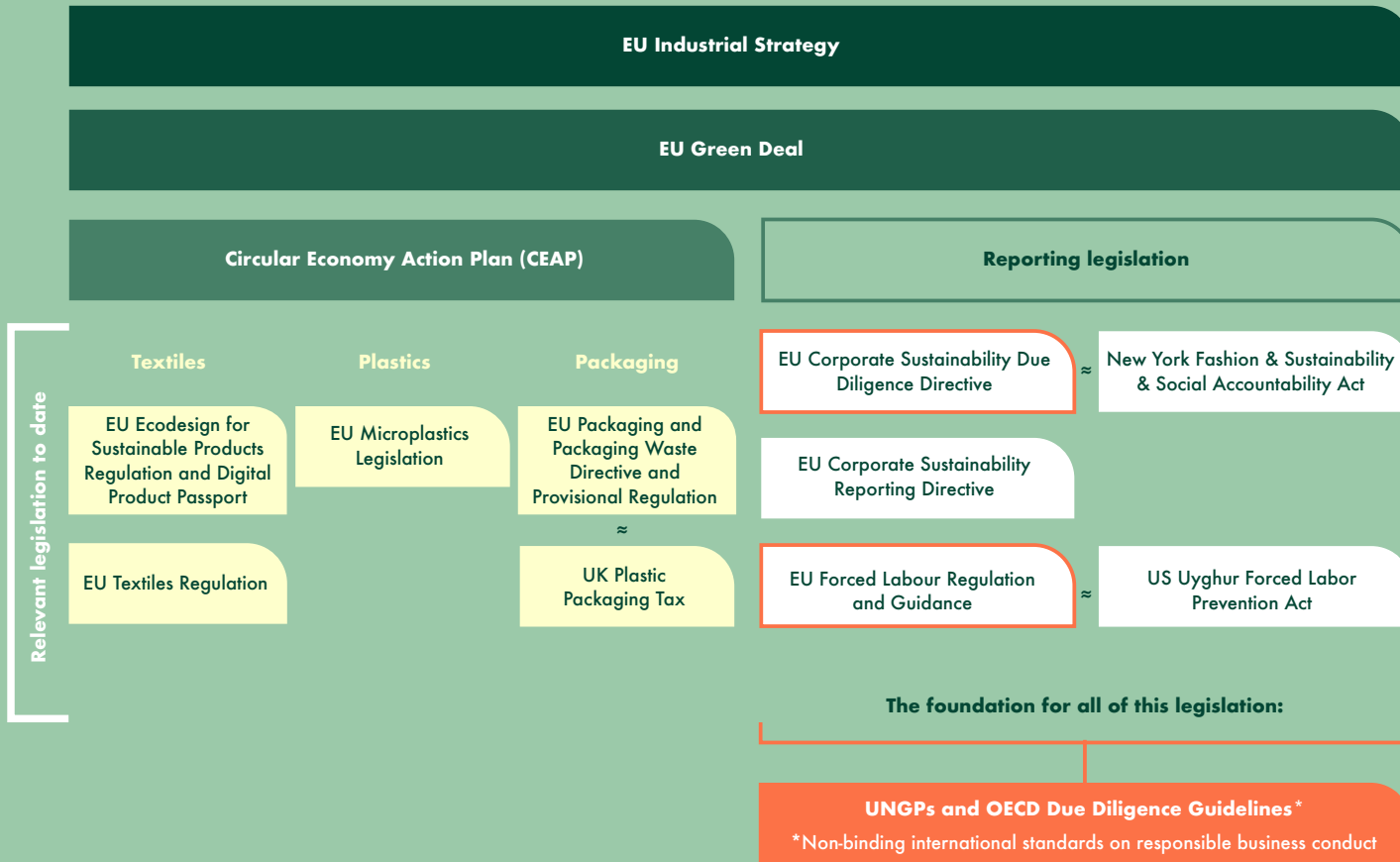
At a high level, these laws (especially those relating to mandatory human rights due diligence) can be collectively understood as a legal framework that translates elements of the United Nations Guiding Principles on Business and Human Rights (UNGPs) into binding legal obligations. The UNGPs represent the authoritative framework on how businesses should operationalize their commitments to human rights. As businesses are increasingly required to comply with different (and sometimes overlapping) laws in this area, it is The Remedy Project’s view that businesses that are able to operate in accordance with the UNGPs and other international frameworks such as the OECD Due Diligence Guidance for Responsible Business Conduct will be more successful in making this transition. Complying with the highest international standards could help future-proof business against future legislative changes and may also be more efficient from a process perspective. Furthermore, the Remedy Project sees a trend of many

brands upgrading their internal compliance and value chain requirements based on the UNGPs and international frameworks. Thus, complying with these international standards could help businesses position themselves to align with brands’ expectations and easily and effectively adapt to future legislative requirements, as well as satisfy the requirement of other business partners and customers. Instead of having to operate in accordance with different standards of compliance for each jurisdiction and each counterparty, the business can adopt a less fragmented, and thus less burdensome, approach to compliance. Of course, even if suppliers align with established international frameworks, different brands will continue to set varying detailed procedural requirements on their supply chain partners, particularly in the near future. We therefore continue to recommend that suppliers proactively work with brands and retailers on implementation to reduce the risk of multiple interpretations.

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<sup>3</sup> See for example the summaries of EU legislation on environment and climate change.

# Snapshot of the Legislative Landscape in the Global North



**Note \*** The legislations, regulations and directives in this diagram are not the complete set laid out under the umbrella strategies. Head to the [European Commission](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1111) website to learn more.

## c. General implications for companies supplying apparel & beyond

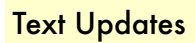
These legislative developments make clear that businesses will need to re-think the way they approach sustainability. This new era of legislation moves sustainability from “nice to have” to “must-have” and requires companies to implement human rights and environmental risk management practices. With this transition, we expect to see more cross-functional efforts to embed considerations of human rights and environmental impacts into business’ day-to-day operations and overall strategy. In this new landscape, in-house legal teams must work closely with procurement and sourcing, operations, product teams, and in-house sustainability experts to achieve compliance. There must also be executive and management level buy-in, and attention given to sustainability issues.

# How to Use ● This Document

This document comprises a series of factsheets. For each legislation, the factsheet will cover the following topics on the right.

Updates to Factsheets will be identified by these indicators:

UPDATE 

 Text Updates

## 1. Key Changes

A summary of key changes to the legislation since August 2023.

## 2. Overview

A summary of the key aspects of the legislation.

## 3. Context

A description of the political context and policy objectives that the legislation seeks to address or achieve.

## 4. Status

Whether the legislation is in effect and if not, the current stage of the legislative procedure. If known, the expected timeline for implementation is also provided. For proposed EU legislation, users may find it helpful to refer to the [European Parliament's infographic](#) for information on the different stages of the EU legislative procedure.

## 5. Scope

This section sets out the types of companies or products that fall within the scope of the legislation. This may include, for example, an explanation of the thresholds that a certain company must meet for the legislation to apply. Our suggestion to suppliers is to start by identifying whether they are directly in-scope and, if so, review the obligations and compliance recommendations for companies in-scope (Sections 5 & 6). If a supplier has established that they are not directly in-scope, it is our suggestion that those suppliers review whether the brands for which they produce are in scope. If a supplier's customer is within scope, our suggestion is to review the potential implications for suppliers to companies in-scope (see Section 7).

## **6. Obligations for companies in-scope**

A description of the duties and responsibilities that must be undertaken by the companies that are directly subject to the legislation.

## **7. Compliance recommendations for companies in-scope**

Suggested recommendations for companies to prepare for compliance with the legislation (where the legislation is not yet in effect), or considerations for companies seeking to improve their compliance (where the legislation is already in effect). For the avoidance of doubt, these compliance recommendations do not constitute legal advice or opinion; companies should seek legal advice from attorneys concerning any specific situation or legal question they may have. Moreover, as the text of the laws in many cases remains subject to change, companies should refer to the most updated version of the legislation in developing their compliance strategy. The enforcement actions undertaken by the relevant regulator (once the law is in effect) will also determine the scope of compliance obligations.

## **8. Potential implications for suppliers to companies in-scope**

In some instances, suppliers in the apparel value chain who are not directly subject to the concerned legislation, may still be impacted by the legislation as they supply to companies in-scope (i.e., a fashion brand or fashion retailer in-scope). These may include requirements around transparency and traceability, or obligations to undergo audits or obtain certifications. This section sets out the potential implications of the legislation for suppliers. For the avoidance of doubt, companies in-scope will approach compliance differently and many of the legislations covered in this document are in nascent stages of development. Moreover, the enforcement actions undertaken by the relevant regulator will also affect how companies in-scope respond to the legislation. As such, the guidance provided herein is only intended to represent our best estimates of the knock-on effects of the concerned legislation and is for informational purposes only.

## **9. Penalties for non-compliance**

Where applicable or known, the penalties for companies in-scope that fail to comply with the legislation are set out.

## **10. Form of Enforcement**

A description of the key forms of enforcement action that may be taken by the relevant authorities.

## **11. Reporting/disclosure for companies in-scope**

An overview of the key information disclosure obligations (if any) for companies in-scope.

## **12. Access to remedy mechanisms and litigation risk**

This section notes where the relevant legislation provides a right for legal action to be taken against a company for alleged non-compliance.

## **13. Opportunity to participate and engage in legislative development**

Where applicable, opportunities to participate in public consultation.

## **14. Useful resources to support compliance**

Links to third-party resources and guidance are provided for further detail on how companies in-scope may approach compliance and how suppliers or business partners to companies in-scope may prepare for cascaded compliance requirements.



# Glossary

**A glossary of key terms used in this document is set out below.**

**Brands:** For the purposes of this document, this refers to a multinational company that is engaged in the business of offering branded apparel products.

**Companies in-scope:** Companies that are directly subject to the obligations set out in the relevant legislation.

**Due Diligence:** A process that businesses should carry out to identify, prevent, mitigate, and account for how they address the actual and potential adverse human rights or environmental impacts in their operations, their value chain and other business relationships.

**EU Decision:** A “decision” is binding on those to whom it is addressed (e.g., an EU country or an individual company) and is directly applicable.<sup>4</sup>

**EU Delegated Act:** A delegated act is an EU legislative mechanism to ensure that EU

laws that are passed can be implemented properly or reflect developments in a particular sector.

**EU Directive:** A directive is a legislative act that sets out a goal that all EU countries must achieve. However, it is up to the individual countries to devise their own laws on how to reach these goals<sup>5</sup>.

**EU Regulation:** A regulation is a binding legislative act. It must be applied in its entirety across the EU<sup>6</sup>.

**EU negotiation position:** A particular stance taken by a European Institution in a negotiation where it outlines the preferred result.

**EU provisional agreement:** When after negotiations, an informal agreement is reached on the text of a legislative proposal that then needs to be formally approved by the European Parliament and the Council of the European Union during the legislative procedure.

**Adopted:** When a law is officially approved at the end of the legislative procedure.

**Approved:** Used as a synonym for adopted or used in cases of approval of draft versions of the law.

**Derogated:** Not included or not applied.

**European Commission:** The European Commission is the EU’s politically independent executive arm. It is responsible for drawing up proposals for new European legislation, and it implements the decisions of the European Parliament and the Council of the EU.

**European Council:** The European Council is the EU institution that defines the general political direction and priorities of the European Union.

**European Parliament:** The European Parliament is the EU’s law-making body that is directly elected by EU voters every 5 years.

**Grievance Mechanism:** Any routinized, State-based, or non-State-based, judicial or non-judicial process through which grievances concerning business-related human rights abuse can be raised and remedy can be sought<sup>7</sup>.

<sup>4,5,6</sup> European Union, Types of legislation

<sup>7</sup> UNGPs Principle 25 and commentary

## Types of EU legislation

- **Directive:**  
A legislative act that sets out a goal for EU countries who then have to devise their own laws on how to reach these goals.
- **Regulation:**  
A binding legislative act which must be applied in its entirety across the EU.
- **Decision:**  
A binding law only on those to whom it is addressed (e.g. an EU country or an individual company) and is directly applicable (it does not have to be implemented by the recipient).
- **Delegated and Implementing Acts:**  
Non-legislative acts adopted by the European Commission aimed at supplementing elements of a legislative act for uniform implementation.

**Supplier:** For the purposes of this document, unless otherwise specified, this refers to a supplier in the apparel value chain. While the information provided herein is applicable across the entire value chain, it is primarily intended for Tier 1 suppliers and sub-contractors who produced finished goods for fashion brands and retailers, and Tier 2 suppliers and sub-contractors who provide services and goods, such as knitting, weaving, washing, dyeing, finishing, printing for finished goods, and components (e.g., buttons, zippers, soles, down and fusible) and materials for finished goods.

**Value Chain:** A value chain encompasses all activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream business relationships of the company.

**Intentionally added:** Deliberately utilized in the formulation of a material or component where its continued presence is desired in the final product to provide a specific characteristic, appearance or quality.



# EU Corporate Sustainability Due Diligence Directive

Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937

UPDATE

## 1. Key Updates

After much debate and questions as to whether the CSDDD would pass, the CSDDD received approval from the European Parliament. Since the Commission's original proposal, many key provisions have been adapted or removed. The most relevant changes are: the thresholds to be a company in-scope have risen dramatically, the directors' duties have been removed, and key concepts such as "chain of activities" and "business partners" have been modified. The key changes are in Section 4, 5, 6, 7 and 10.

## 2. Overview

The EU Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1773 (**CSDDD**) will require some companies inside and outside of the EU to undertake due diligence on their environmental and human rights impacts and create a plan to mitigate climate change.

**Due diligence** in this context refers to the process businesses should carry out to identify, prevent, mitigate, and account for how they address the actual and potential adverse human rights or environmental impacts in their operations, their **chain of activities<sup>1</sup>** and **other business relationships<sup>2</sup>**. For example, this may include forced and child labour, inadequate workplace health and safety, workplace exploitation, greenhouse gas emissions, pollution and biodiversity loss and ecosystem damage.

<sup>1</sup> Chain of activities means (1) activities of a company's upstream business partners related to the production of goods or the provisions of services by the company, including the design, extraction, sourcing, manufacture, transport, storage, and supply of raw materials, products, or parts of the products and development of the product or the service, and (2) activities of a company's downstream business partners related to the distribution, transport and storage of the product, where the business partners carry out those activities for the company or on behalf of the company. Compared to the original proposal, the concept of 'chain of activities' excludes part of the downstream supply chain, specifically consumer use and product disposal.

<sup>2</sup> The concept of 'business relationships' includes direct and indirect business partners, irrespective of how structured the business relationship is. Compared to the original proposal, it is broader as it includes any indirect business relationship. Adapted from the OECD Due Diligence Guidance for Responsible Business Conduct, Page 15. Due diligence under the CSDDD generally is aligned with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

## 3. Context

The EU wants to hold companies **accountable for their social and environmental adverse impacts** – both within their own operations and throughout their value chains. They also want to ensure that companies that have significant operations in the EU are held to the same standard across all the different EU countries.

The CSDDD is intended to complement the proposed EU Corporate Sustainability Reporting Directive (**CSRD**). The CSDDD imposes legal obligations on companies in-scope to manage human rights and environmental risks in their operations and chain of activities. The CSRD requires companies in-scope to report on a **number of metrics**, including how they are managing these risks.

## 4. Status

In order for the CSDDD to be adopted, the European Commission, the European Parliament, and the European Council must all agree on the text. The first step in this process was a proposal by the European Commission in February 2022. In November 2022, the European Council adopted its negotiating position and general approach to the CSDDD.

In June 2023, the European Parliament, adopted its negotiating position. On December 14, 2023 the European Parliament and the European Council reached provisional political agreement on the CSDDD. After several weeks of delays due to insufficient support from the EU Member States, notably from Germany and Italy, on March 5, 2024, the Belgian EU Council Presidency shared with other Member States and Parliament an updated text of the CSDDD with certain concessions. After much back and forth and further concessions, on March 15, 2024, the Council approved the Directive. On March 19, 2024, the JURI Committee of Parliament

voted to approve the Directive. Parliament approved the CSDDD during its April 2024 plenary and the Council gave final approval on May 24, 2024.

Following the adoption, the EU countries will have two years to transpose the CSDDD into their national laws and communicate the relevant texts to the European Commission<sup>3</sup>.

As the CSDDD is an EU Directive, the EU countries may, in theory, establish choose to set higher standards than what is set out in the CSDDD.

There is currently no guidance on how inconsistencies (if any) between national legislation and the CSDDD shall be resolved.

Only large companies are expected to comply initially, i.e., from two years following the entry into force of the CSDDD. Please refer to Section 5 below for further details.

<sup>3</sup> Article 30, CSDDD



## 5. Scope

UPDATE

### To which companies will the CSDDD directly apply?

The CSDDD will apply to companies, irrespective of whether they are incorporated in the EU, provided they meet the applicable thresholds. In this factsheet, companies meeting these criteria are referred to as “companies in-scope”.

### Applicability Thresholds

The applicable thresholds to determine whether a company is in-scope are set out below:

#### Company established in the EU

Companies with more than 1,000 employees on average and net worldwide turnover of more than EUR 450 million for the last financial year.

The ultimate parent company of a group that reaches the thresholds set forth above.

Companies or parent companies with franchising or licensing agreements in the EU with annual royalties exceeding EUR 22.5 million and net worldwide turnover of more than EUR 80 million in the last financial year.

#### Company established outside of the EU<sup>4</sup>

Companies that generated a net turnover of more than EUR 450 million in the EU in the financial year preceding the last financial year.

The ultimate parent company of a group that reaches the thresholds set forth above.

Companies or parent companies with franchising or licensing agreements in the EU with annual royalties exceeding EUR 22.5 million in the EU and net worldwide turnover of EUR 80 million in the EU in the financial year preceding the last financial year.

<sup>4</sup> Article 2(2), CSDDD

## UPDATE

**Effective Date**

Each EU Capital Member State has two years to incorporate the CSDDD into its national laws, regulations, and administrative provisions.

In-scope companies have different timelines to comply with CSDDD obligations based on the following applicability thresholds:

- ▶ Three years after the Directive's entry into force in 2024, the following companies would be covered:
  - Companies established in the EU with more than 5,000 employees on average and generated a net worldwide turnover of more than €1.5 billion generated in the last financial year.
  - Companies established outside the EU that generated a net worldwide turnover of more than €1.5 billion in the last financial year.
- ▶ Four years after the Directive's entry into force, the following companies would be covered:
  - Companies established in the EU with more than 3,000 employees on average and generated a net worldwide turnover of €900 million generated in the last financial year.
  - Companies established outside the EU that generated a net worldwide turnover of €900 million in the last financial year.
- ▶ Five years after the Directive's entry into force, all companies in-scope would be covered.

**For Context** 

**SMEs** are excluded from direct scope of the CSDDD, although they may still be indirectly impacted due to actions taken by the larger companies in-scope.

Similarly, if your company supplies to, or produces for, a company in-scope, you may still be indirectly impacted by the CSDDD as its requirements are expected to have knock-on effects on chain of activities globally. These implications are set out in more detail in Section 8.

## 6. Obligations for companies in-scope



UPDATE

### Overview

The CSDDD, as proposed, will require the companies in-scope to undertake human rights and environmental risk-based due diligence in relation to their own operations, the operations within their group (including their subsidiaries) and chain of activities. A chain of activities encompasses all activities of a company's upstream business partners related to the production of goods or provision of services, including sourcing, manufacture, transport, and supply of raw materials, and activities of a company's downstream business partners connected to the goods, including distribution, transport and storage, where the business partners carry out those activities for or on behalf of the company. Downstream activities for company's services and disposal of the product are excluded.

A business partner is a legal entity related to the operations, products or services of the obligated company. It can be related via a commercial agreement or a provision of services as part of their chain of activities (direct business partners), but also any performance of business operations (indirect business partners).

Companies in-scope will also be required to adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that their business model and strategy are compatible with the transition to a sustainable economy and with limiting global warming to 1.5°C in line with the Paris Agreement.



## Due Diligence Obligations<sup>5</sup>

The CSDDD sets out specific requirements that companies in-scope must implement. These requirements are to:

► **Integrate due diligence into relevant policies, develop risk management systems and set up a due diligence policy.**

The due diligence policy should include a description of the company's approach; a code of conduct followed by the company's subsidiaries; employees and business partners, and a description of the processes put in place to integrate and implement due diligence.

► **Identify and assess actual and potential adverse impacts from their business operations or those of their subsidiaries or business relationships and, where necessary, prioritize potential and actual adverse impacts.<sup>6</sup>**

Where it is not feasible to prevent or mitigate all identified adverse impacts at the same time to their full extent, companies would need to prioritize adverse impacts identified based on the severity and likelihood of the adverse impact.

► **Take appropriate measures to prevent or, if not possible, adequately mitigate potential adverse impacts identified.**

Companies would be required to take the following actions, including but not limited to:

- i. seeking contractual assurances from direct business partners to ensure compliance with the company's codes of conduct (and, as necessary, prevention action plans); and
- ii. making necessary modifications of the company's business plan, overall strategies and operations, including purchasing practices, design and distribution practices;

<sup>5</sup> Article 4, CSDDD

<sup>6</sup> Article 6, CSDDD



- iii. supporting SMEs that are business partners of the company, with training, knowledge and financial resources where necessary.

Where the above-described appropriate actions cannot prevent or adequately mitigate the potential impact, the company may be required to refrain from entering into new or extended relations with the relevant partner in the chain of activities value chain and may be required to temporarily suspend or terminate such relationship as a last resort.

**Take appropriate measures to bring actual identified adverse impacts to an end or minimize their impact**

This could include being required to take the following actions, including but not limited to developing and implementing a corrective action plan with the implementation of appropriate measures and monitoring indicators; and seeking contractual assurances from direct business partners that the partner will ensure compliance with the company's code of conduct.

Where the above-described appropriate actions cannot prevent, adequately mitigate, or bring an end to (respectively) the adverse impact, the company may be required to refrain from entering into new or extended relations with the relevant partner in the chain of activities and may be required to temporarily suspend such relationship as a last resort.

**Provide remediation of actual adverse impacts.<sup>7</sup>**

Where a company has caused or jointly caused an actual adverse impact, that company would be required to provide remediation. Where the actual adverse impact is caused only by the company's business partner, voluntary remediation may be provided by the company. The company may also use its ability to influence the business partner causing the adverse impact to enable remediation.<sup>8</sup>

<sup>6</sup> Article 6, CSDDD

<sup>7</sup> Article 8c, CSDDD

<sup>8</sup> Remediation means restitution of the affected persons, communities or environment to a situation equivalent or as close as possible to the situation they would be in had the actual adverse impact not occurred, proportionate to the company's implication in the adverse impact, including financial or non-financial compensation provided by the company to a person or persons affected by the actual adverse impact and, where applicable, reimbursement of the costs incurred by public authorities for any necessary remedial measures.



### ► Carry out meaningful engagement with stakeholders.<sup>9</sup>

Companies would be required to consult with stakeholders in the following steps of due diligence process, including but not limited to gather the necessary information on actual or potential adverse impacts, in order to identify, assess and prioritize adverse impacts; and the development of prevention and corrective action plans.

### ► Establish a notification mechanism and complaints procedure for use by the following people and organizations.<sup>10</sup>

- i. those affected or have reasonable grounds to believe they may be affected by an adverse impact, and their legitimate representatives, such as civil society organizations and human rights defenders;
- ii. trade unions and other workers representatives representing those concerned; and
- iii. civil society organizations active and experienced in areas related to the environmental adverse impact that is the subject matter of the complaint.

The complaints procedure should allow complainants to request appropriate follow-up from the company and meet with company representatives to discuss the complaint. A company would be required to provide a complainant with its reasoning as to whether a complaint is found to be founded or unfounded, and, if founded, the steps or actions to be taken.

### ► Conduct annual monitoring.<sup>11</sup>

Companies should assess their own operations and measures and those of subsidiaries, where related to the company, those of their business partners, to monitor their adequacy and effectiveness, after a significant change and at a minimum on an annual basis. The due diligence policy should be updated accordingly following these reviews.

<sup>9</sup> Article 8d, CSDDD

<sup>10</sup> Article 9, CSDDD

<sup>11</sup> Article 10, CSDDD

## Climate Change Obligations<sup>12</sup>

In-scope companies must adopt and put into effect a transition plan for climate change mitigation that aims to ensure, through best efforts, that their business model and strategy are in line with the obligations under the Paris Agreement to limit global warming to 1.5°C and the objective of achieving climate neutrality and 2050 climate neutrality targets, and, where relevant, the exposure of the company to coal-, oil- and gas-related activities.

This plan should include:

- Time-bound targets related to climate change for 2030 and in five-year steps up to 2050 based on conclusive scientific evidence and including, where appropriate, absolute emission reduction targets for greenhouse gas for scope 1, scope 2 and scope 3 greenhouse gas emissions for each significant category;
- A description of decarbonization levers identified and key actions planned to reach targets referred to in the previous bullet point, including where appropriate changes in the undertaking's product and service portfolio and the adoption of new technologies;
- An explanation and quantification of the investments and funding supporting the implementation of the transition plan; and
- A description of the role of the administrative, management and supervisory bodies with regard to the plan.

The transition plan would be required to be updated every 12 months and contain a description of the progress the company has made towards achieving the targets in the first bullet point above.

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<sup>12</sup> Article 15, CSDDD

## 7. Compliance recommendations for companies in-scope

As the CSDDD has been recently adopted, we suggest the following as general recommendations to consider at this stage:

- ▶ **Comprehensive Evaluation of Supply Chains:** As an initial matter, companies should undertake an assessment. In addition to this, companies in-scope should review their subsidiaries and business partners within their value chains, to establish the potential extent of their due diligence obligations.
- ▶ **Development of a Robust Governance and Compliance Framework:** Companies in-scope should consider potential governance and oversight responsibilities within their organization. Companies in-scope should also review their current procedures and policies to identify any gaps against the requirements of the CSDDD. For example, businesses may not have a complaints procedure in place and will need to establish one. Many businesses will need to either adjust and amend their due diligence policies and practices or implement them for the first time. The due diligence plans should set out clear actions to achieve the objectives, be forward-looking and supported by specific milestones.

It is The Remedy Project's assessment that the CSDDD and other human rights due diligence laws derive from the UNGPs, which provides the authoritative international framework on how business should respect human rights. Companies in-scope may consider aiming to operate in accordance with the UNGPs and the OECD Due Diligence Guidance for Responsible Business Conduct as this would likely be more efficient than seeking to achieve different standards of compliance for each individual piece of legislation.



## 8. Potential implications for suppliers to companies in-scope

Companies that do not fall directly within scope of the CSDDD, but supply to companies in-scope, will still be indirectly affected by the CSDDD due to their position in the chain of activities of companies in-scope. As explained in Section 6 above, where adverse impacts are identified, companies in-scope may be required to temporarily suspend commercial relationships within their chain of activities until the impact can be brought to an end or minimized, so suppliers should keep this possibility in mind.

Suppliers who are in the chain of activities of brands or retailers in-scope, but are not directly subject to the obligations of the CSDDD, could expect to see the following **knock-on effects**:



**Contractual Compliance:** Suppliers should prepare for requests from brands or retailers in-scope to include contractual assurances in agreements that oblige the supplier to comply with the brand's or retailer's codes of conduct, and these may be in the form of warranties and indemnities. This could be the case where there is a direct relationship between the supplier and the brand or retailer, but also where there is an indirect relationship, and the contractual assurances have been flowed down from the brand or retailer to a sub-supplier, through the Tier-1 supplier.

Considering the financial impact that implementing CSDDD obligations will have on suppliers, CSDDD provides the possibility to initiate conversations on changing practices, such as purchasing practices, aimed at compensating suppliers' efforts. It is also worth noting that CSDDD recognises the ability of contracts to underpin more balanced

trading relationships. This also presents suppliers with an opportunity to advocate for a more balanced commercial relationship with the companies in-scope.



**Compliance with Company's Code of Conduct:** While most brands or retailers currently already require their suppliers to comply with their codes of conduct, we would expect that the standards in the codes of conduct will become increasingly stringent, e.g., suppliers will be required to undertake their own due diligence on their business partners. Similarly, brands or retailers may adapt existing auditing processes to better verify compliance e.g., there could be a higher frequency of unannounced audits for suppliers that are deemed to be high-risk.



### Documentation and Record-Keeping:

Suppliers should also prepare for brands or retailers in-scope to include further rights in contracts that would enable them to conduct more robust verification. This may include the right to conduct audits, on-site inspections, or to requests for information (see subsequent bullet for types of expected information requests). Suppliers should therefore assess their internal processes and record-keeping so that when they are agreeing to be subject to these verification measures they can be confident that they will be able to meet those requirements.



### Development of a Robust Compliance Framework:

Specifically, we would also expect buyers to request information from suppliers to conduct human rights and environmental risk assessments, and to verify compliance with buyer's codes of conduct. This may include providing data such as demographic information of workers, wages, working hours, and information to support raw materials tracing (e.g., country of origin of materials) and supply chain mapping (e.g., identity and location of sub-suppliers and sub-contractors). Based on the individual brand or retailer, it is possible that data provided will need to cover service providers (e.g., janitorial, catering or security services provided at facilities), and extend upstream to the source of materials (including e.g., ginners or farmers). Buyers may also request suppliers to provide declarations to confirm the accuracy of the information provided.



### Enhancement of Company's Complaint Procedure:

Brands or retailers in-scope may roll-out, strengthen or expand the scope of existing grievance channels (e.g., third-party helplines, worker voice tools and applications) to cover further tiers of their value chain. While many brands or retailers may have existing grievance reporting channels, these may only cover their own facilities and or Tier-1 supplier facilities currently. These grievance channels will likely be expanded to cover Tier-2 suppliers or even further upstream (depending on the individual brands' or retailers' approach). Suppliers will likely be required to publicize and socialize the availability of brands' or retailers' grievance mechanisms to affected rightsholders (e.g., workers in supplier facilities).





### Establishment of Supplier's Complaint

**Procedure:** At the same time, we would also expect brands or retailers in-scope to require their direct suppliers to put in place multiple grievance reporting channels (e.g., hotlines, applications) operated by the supplier themselves or by a third-party service provider as well as platforms to solicit worker feedback periodically (e.g., surveys, interviews, applications), to cover supplier sites. At a minimum, these channels must provide users the ability to report anonymous, protect the user's confidentiality, and be accompanied by non-retaliation policies. Brands and retailers will also likely require suppliers to make a diversity of reporting channels available and offer methods of escalating grievances. These grievance channels must be accompanied by procedures to track, investigate, and resolve the reported grievances, and a mechanism to communicate / report how grievances are being resolved.



### Record-Keeping of Complaint

**Procedure:** These policy measures will likely be accompanied by more proactive engagement by brands and retailers on grievance management – for example, brands and retailers may require their suppliers to provide grievance logs and grievance-related data to verify whether the suppliers' grievance mechanism is effective at resolving grievances and actually used by affected rightsholders.

Given that the CSDDD has been recently adopted, and it is uncertain how its provisions will apply in practice, brands and retailers in-scope will likely take different approaches to compliance. Suppliers who expect that they will be indirectly impacted by the CSDDD may already engage in discussions with the brands or retailers who will be directly subject to the obligations of the CSDDD to better understand how the brand or retailer expects to change their current purchasing practices, codes of conduct and other policies, due diligence programs, audit and verification practices, grievance mechanisms and other human rights and environmental risks management practices in light of the CSDDD.



## 9. Penalties for non-compliance

Each EU country will designate one or more supervisory authority responsible for overseeing compliance with the CSDDD.

These supervisory authorities can initiate investigations on their own. The supervisory authority may also initiate a investigation where a third party raises substantiated concerns, and there is sufficient information to indicate a potential breach of the CSDDD.<sup>13</sup> Any natural and legal persons (this includes any individual, company, or civil society organization whether located inside or outside the EU) may submit substantiated concerns to any supervisory authority when they have reasons to believe, on the basis of objective circumstances, that a company in-scope is failing to comply with the national law provisions adopted pursuant to the CSDDD.<sup>14</sup>

Supervisory authorities may impose the following penalties if non-compliance is found:

- order the company to end the infringing actions;
- order the company to not engage in certain conduct;
- order the company to take remedial action proportionate to the infringement and necessary to bring it to an end;
- impose interim measures in case of imminent risk of severe and irreparable harm; and
- impose penalties.<sup>15</sup>

Companies in-scope may also be liable for civil damages if they fail to mitigate, put an end to, or minimize identified adverse human rights or environmental impacts, and this failure led to damage being caused.<sup>16</sup>

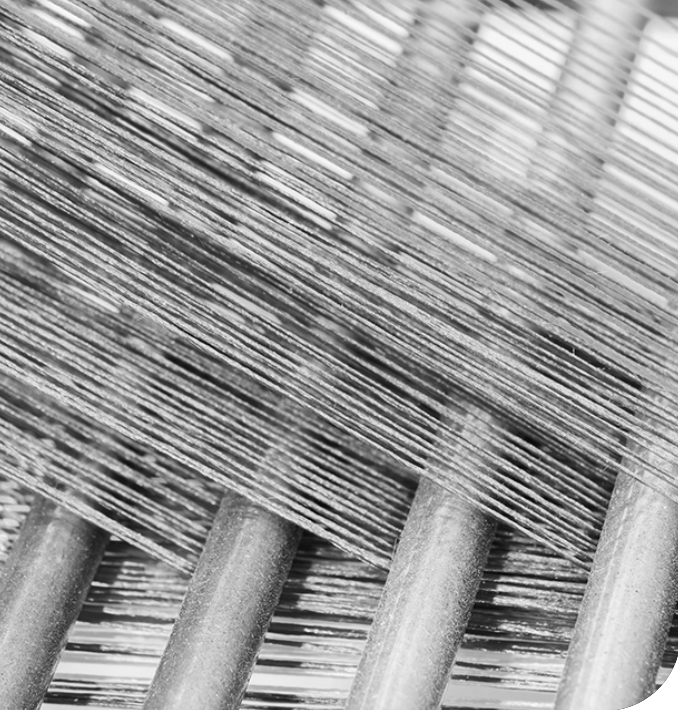
However, where the damage is caused by the company's indirect partner with whom it has an established business relationship, the company will not be held liable, if it has

<sup>13</sup> Article 18 (2), CSDDD

<sup>14</sup> Article 19 (1), CSDDD

<sup>15</sup> Article 19 (1), CSDDD

<sup>16</sup> Article 18 (5), CSDDD



taken steps to mitigate, end or minimize the adverse impact, unless the actions taken by the company could not be reasonably be expected to adequately address the adverse impact.<sup>17</sup>

In other words, where (hypothetically):

- The sub-tier supplier of a brand in-scope was required to comply with the brand's code of conduct;
- The brand in-scope implemented robust measures to verify the sub-tier suppliers' compliance with the code; and
- The brand in-scope implemented risk mitigation plans to address any identified adverse impacts... the brand may not be held liable for damages caused by the sub-tier supplier.

By contrast, if the brand in-scope required their sub-tier supplier to comply with the brand's code of conduct but did not undertake compliance verification or risk mitigation measures, the brand in-scope may still be held liable for damages caused by the sub-tier supplier. This is because the measures undertaken by the company could not be reasonably expected to be sufficient to mitigate, end or minimize adverse impacts. This provision highlights the importance of ensuring that any due diligence actions undertaken are genuinely effective and responsive to the risks identified, and do not only exist on paper.

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<sup>17</sup> Article 22 (1), CSDDD

# 10. Form of Enforcement

As noted above, enforcement comes in the form of investigation and related powers, sanctions, and civil liability:

<sup>18</sup> Article 22 (1), CSDDD

<sup>19</sup> Article 18 (4), CSDDD

<sup>20</sup> Article 20 (1), CSDDD

<sup>21</sup> Article 20 (3), CSDDD



## Investigations/Supervision.

Where a supervisory authority identifies non-compliance pursuant to an investigation (as described in Section 9 above), the company will be granted an appropriate period of time for remedial action (if possible)<sup>18</sup>. The supervisory authorities may also order the concerned company to stop the infringing conduct as set out above.

## Penalties.

Each EU country establishes their own rules on penalties for infringements. As such, the form of sanctions may differ based on the EU country. The penalties should be effective, proportionate, and dissuasive.<sup>19</sup> Any pecuniary penalties (i.e., fines) should be based on the company's turnover, at a maximum of 5% of net worldwide turnover.<sup>20</sup> The type and extent of penalties imposed will depend on:<sup>21</sup>

- The nature, gravity and duration of the infringement, and the severity of the impacts resulting from that infringement;
- Any investments made and any targeted support provided;
- Any collaboration with other entities to address the impacts concerned;
- Where relevant, the extent to which prioritization decisions were made;
- Any relevant previous infringements by the company of national provisions adopted pursuant to the Directive found by a final decision;
- The extent to which the company carried out any remedial action with regard to the concerned subject-matter;
- The financial benefits gained from or losses avoided by the company due to the infringement; and
- Any other aggravating or mitigating factors applicable to the circumstances of the case.



## 11. Reporting/ disclosure requirements for companies in-scope

### Civil Liability.

As above, complainants may be entitled to compensation by way of damages stemming from non-compliance with the CSDDD if:

- The company intentionally or negligently failed to comply with the obligations under the CSDDD, when the right, prohibition or obligation is aimed to protect the natural or legal person; and
- As a result of a failure, as referred to in the previous bullet point, a damage to the natural or legal person's legal interest protected under national law was caused.

Companies in-scope who are not subject to reporting requirements under Articles 19a and 29a of Directive 2013/34/EU<sup>22</sup> must publish a statement on their website on an annual basis on the matters covered by the CSDDD. The statement must be published in an official language of the European Union of the Member State of the applicable supervisory authority no later than 12 months after the balance sheet date of the applicable financial year. Companies voluntarily reporting should publish their disclosures by the date of publication of their annual financial statements. The European Commission will adopt delegated acts specifying the content and criteria for such reporting no later than March 31, 2027.<sup>23</sup>

There are no other reporting or disclosure requirements under the CSDDD, as these obligations will be largely covered by the CSRD. However, CSDDD and CSRD set different requirements for what companies fall under their scope of application. CSDDD applies to companies with more than 1,000 employees and a net worldwide turnover of more than EUR 450 millions, while CSRD applies to large companies with an annual net turnover of EUR 50 millions and 250 employees, listed SMEs and public interest entities with over 500 employees (please see Section 4 of CSRD for a detailed explanation of the scope of application).

<sup>22</sup> Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

<sup>23</sup> Article 11, CSDDD

## 12. Access to remedy mechanisms and litigation risk

Each EU country must ensure that natural and legal persons are entitled to submit ‘substantiated concerns’ to any supervisory authority when they have reasons to suspect non-compliance by a company in-scope. The supervisory authority shall, as soon as possible, inform the complainant of the result of the assessment of their concern and provide reasons. Each EU country must ensure that such complainants with a legitimate interest in the matter have access to a court or other independent and impartial public body competent to review the procedural and substantive legality of the decisions, acts, or failure to act of the supervisory authority.<sup>24</sup>

As above, companies in-scope can face civil liability for non-compliance with their obligations under the CSDDD, and so should be aware of the litigation risks in this respect.<sup>25</sup>

## 13. Opportunity to participate and engage in legislative developments

There is no indication that further public engagement or participation is requested or possible in relation to the CSDDD.



<sup>24</sup> Article 19, CSDDD

<sup>25</sup> Article 22, CSDDD

## 14. Useful resources to support compliance

European Commission, [Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive \(EU\) 2019/1937](#)

European Commission, [Just and sustainable economy: Companies to respect human rights and environment in global value chains](#)

European Commission, [Questions and Answers: Proposal for a Directive on corporate sustainability due diligence](#)

European Commission and European Parliament, Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937.

European Council, Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937

# Discover Other Factsheets from An Apparel Supplier's Guide 2.0

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**EU Strategy for Sustainable and Circular Textiles**

1

**EU Corporate Sustainability Reporting Directive**

2

**EU Corporate Sustainability Due Diligence Directive**

3

**New York Fashion Act**

4

**EU Forced Labour Regulation and Guidance**

5

**US Uyghur Forced Labor Prevention Act**

6

**EU Ecodesign for Sustainable Products Regulation**

7

**EU Packaging and Packaging Waste Directive and Provisional Regulation**

8

**EU Microplastics Regulation**

9

**UK Plastic Packaging Tax**

10

**EU Product Environment Footprint Guide**

11

**EU Textiles Regulation**

12

**EU Taxonomy**

13

**German Supply Chain Due Diligence Act**

14

**Lessons for fashion: How the agricultural sector is tackling commercial compliance through the EU Directive on unfair trading practices**