

Webinar

Strengthen Sustainability Reporting with Due Diligence Processes

24 April 2024



Introduction to sustainability due diligence and CS3D

Susanne Stormer

Partner, ESG & Sustainability Service Leader

PwC Denmark



When are the rules final?



Final vote in the European Parliament Plenary Session **24th April**.



Expected **publication** in the Official Journal in **May**.



Member States will have **2 years to transpose** the Directive into national law.



Phase-in period of **3 - 5 years** for companies meeting the requirement.



What Human Rights Reporting offers

“Good human rights reporting can spark meaningful conversation. Through the reporting process, businesses are prompted to discuss and challenge their own assumptions, approaches, and to identify areas for improvement. In parallel, these conversations offer stakeholders valuable insights into a company’s human rights risks, its efforts to address them and the challenges that persist.”

- CAROLINE REES, PRESIDENT OF SHIFT

Why CS3D matters

FOR CITIZENS



Better protection of human rights, including labour rights

Healthier environment for present & future generations

Products and services made in sustainable way

Increased trust in businesses

More transparency and informed choices

Better access to justice for victims

FOR COMPANIES



Harmonised legal framework in EU, creating legal certainty and level playing field

Greater customers' trust and employees' commitment

Greater awareness of adverse impacts

Better risk management (including reputational risks) and adaptability

Better access to finance

FOR DEVELOPING COUNTRIES



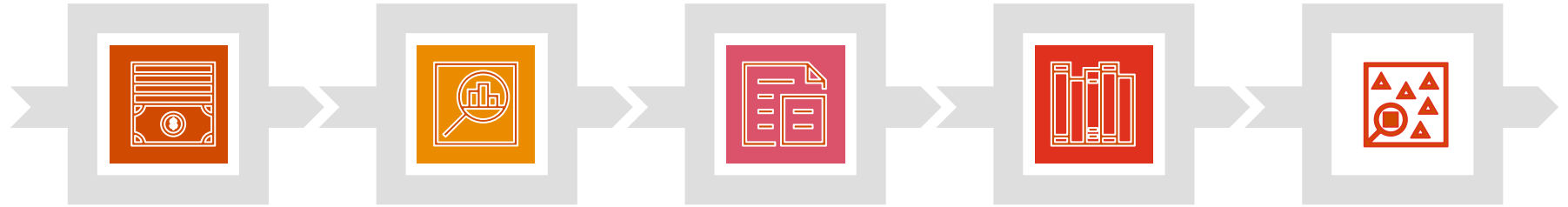
Better protection of human rights and the environment

More awareness about sustainability issues

Sustainable investment

Improved living conditions for people

What is the link between EU's regulation?



SFDR

Statement on due diligence policies and information requirements on violations and non-compliance with UNGP & OECD guidelines.

Taxonomy

Minimum Social Safeguards reference to UNGP & OECD guidelines.

CSRD

Description of the company's due diligence processes.

ESRS

Statement and description of due diligence processes.

CS3D

Description of which behavior in the form of processes that must be implemented in a company to identify and address negative impacts on people and the environment.

Agenda

1. Key changes in the proposed text of CS3D, Mette Sørensen, Senior Manager, PwC
2. Working with due diligence from a company perspective, Dorte Vigsø, Director, Head of Corporate Sustainability, Lundbeck
3. Reporting requirements on due diligence in CSRD, Mette Sørensen, Senior Manager, PwC
4. Q&A

*Questions
can be raised
in the chat*



Changes in the CS3D text

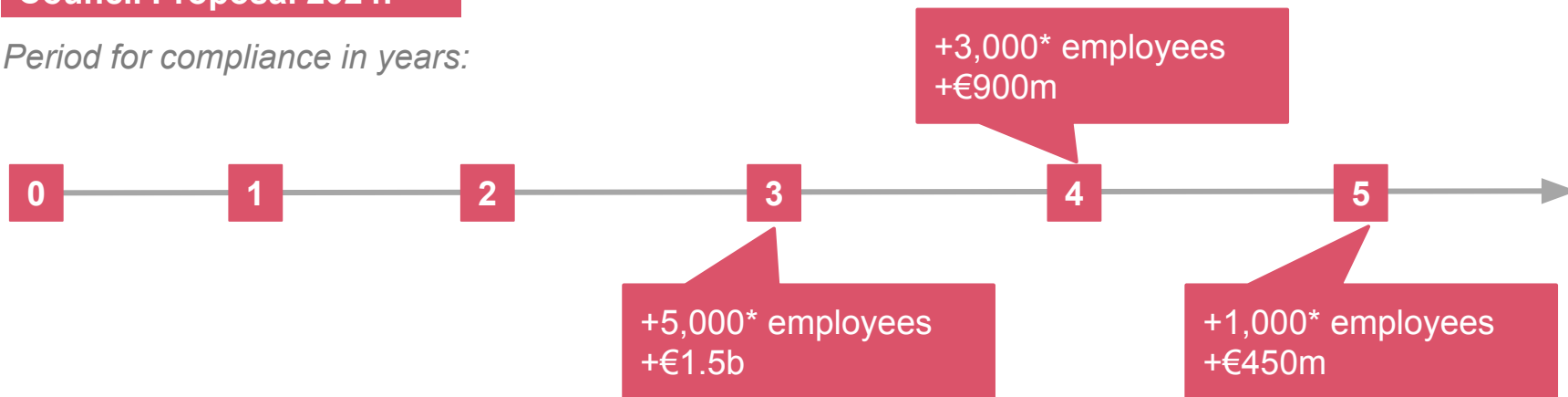
Mette Schiøtz Sørensen

Senior Manager, Sustainability Advisory and Advisory Services
PwC Denmark

Who and when

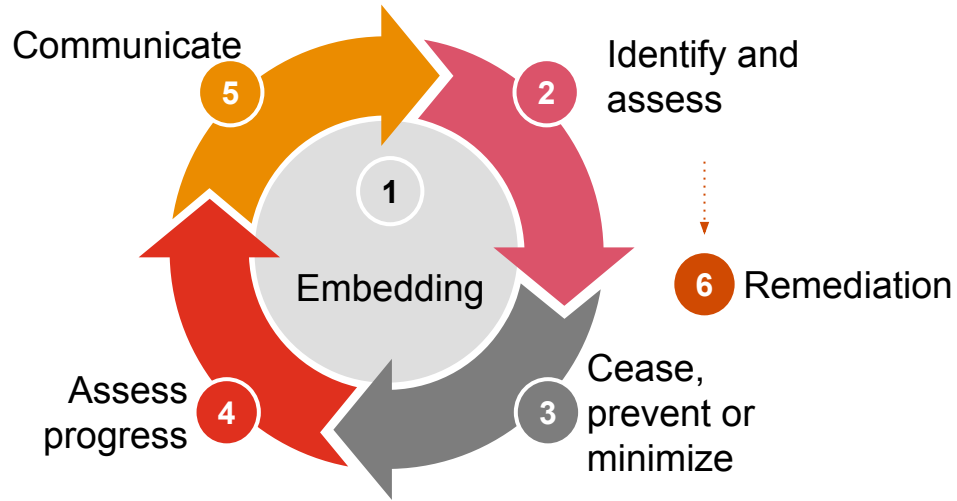
Council Proposal 2024:

Period for compliance in years:



* for non-EU companies there are no employee thresholds

6 main steps that a company needs to cover



The due diligence process for CS3D should follow the six steps defined by OECD Due Diligence Guidance for Responsible Business Conduct, which includes due diligence measures for companies to identify and address **adverse human rights and environmental impacts**.

CS3D - what is the final outcome (1/2)?

OVERVIEW 1/2	Original proposal	Council proposal 2024
Due diligence processes	Process to identify, prevent, mitigate and address actual and potential adverse impacts in their own supply chain.	No change to mandatory status.
Chain of activities definition	Value chain definition.	Upstream activities of a company's business partners. Downstream activities of a company's business partners, excluding disposal of the product.
Climate transition plan	Adopt a transition plan in line with the Paris Agreement, including through any financial incentives to director's.	Adopt a transition plan in line with the Paris Agreement. Remuneration requirements are deleted.

CS3D - what is the final outcome (2/2)?

OVERVIEW 2/2	Original proposal	Council proposal 2024
Civil Liability	Introduces civil liability, where companies may be held liable to pay damages to victims in case of non-compliance.	Companies can be held liable if they cause the damage, not if damage is caused by someone else.
Financial companies	Companies providing loan, credit, or other financial services, “value chain” should be limited to the activities of the clients receiving such services.	Only obligations regarding upstream activities, meaning loans and investments are excluded.
Penalties	Penalties may be of up to 5% of the company's net worldwide turnover.	No change.
Director's duty of care	Take into account the consequences of their decisions for sustainability matters and setting up and overseeing the company's due diligence processes.	Deleted.

Working with due diligence

Dorte Vigsø

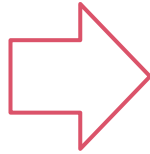
Director, Head of Corporate Sustainability

Lundbeck

Working with due diligence from a company perspective: Lundbeck



Dorte Vigsø
Director, Head of
Corporate
Sustainability



Lundbeck is a biopharmaceutical company focused exclusively on **neuroscience**, with more than **70 years of experience** in improving the lives of people with neurological and psychiatric diseases.

Lundbeck's goal is to create **long-term value** and make a positive contribution to people and societies, everywhere we operate.

Reporting requirements on due diligence in CSRD

Mette Schiøtz Sørensen

Senior Manager, Sustainability Advisory and Advisory Services
PwC Denmark

The difference between CSRD and CS3D

The upcoming EU Directive (CS3D) will mandate “behavior” along the value chain

CSRD Corporate Sustainability Reporting Directive & **ESRS**



What to report

ie do not mandate behaviour

→ *description of the existing sustainability due diligence process*

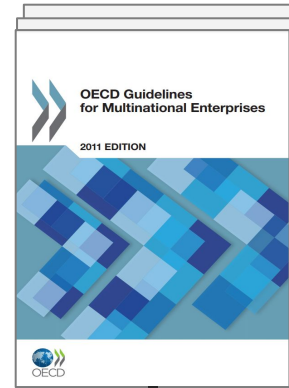
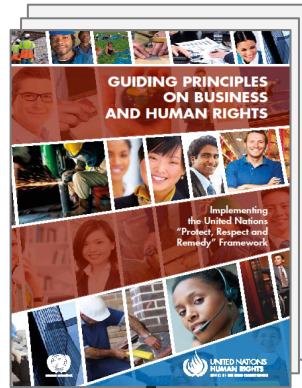
CS3D Corporate Sustainability Due Diligence Directive

What to do

ie how to behave

→ *identify, prevent and stop the negative impacts on human rights and the environment*

The sustainability due diligence process is described in international frameworks



**UN Guiding Principles
on Business and
Human Rights**

**OECD Guidelines for
Multinational Enterprises on
Responsible Business
Conduct**

Sustainability due diligence process in ESRS 1

“ ESRS 1, section 4: Due diligence is:

- **the process** by which undertakings identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people connected with their business.
- **an on-going practice** that responds to and may trigger changes in the undertaking’s strategy, business model, activities, business relationships, operating, sourcing and selling contexts.
- **The outcome** of the undertaking’s sustainability due diligence process **informs** the undertaking’s assessment of its material impacts, risks and opportunities.



Illustrative examples of ESRS disclosures that reflects the core due diligence elements

“ Illustrated in **ESRS 1, para. 61**

- A. embedding due diligence in governance, strategy and business model

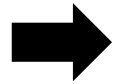
This is addressed under:

- i. ESRS 2 GOV-2: Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies;
- ii. ESRS 2 GOV-3: Integration of sustainability-related performance in incentive schemes; and
- iii. ESRS 2 SBM-3: Material impacts, risks and opportunities and their interaction with strategy and business model.

Statement on Sustainability Due Diligence

ESRS 2 General disclosures - GOV 4

The undertaking shall disclose a mapping of the information provided in its sustainability statements about the sustainability due diligence process(es).



facilitate an understanding of the undertaking's due diligence process(es) with regard to sustainability matters

The mapping may be presented in the form of a table

Main aspect of sustainability due diligence	Relevant disclosures in sustainability statement
Embedding due diligence in governance, strategy and business model(s)	
Engaging with affected stakeholders	
Identifying and assessing negative impacts	
Taking action	
Tracking effectiveness	



Q&A

Register for the upcoming webinars

at pwc.dk/sustainability-2024

Kick-starting your Sustainable Business Transformation

23 May 2024

Corporate ESG Reporting 2024 - Learn From the Best

18 June 2024

Diversity and Pay Transparency - New Legislation

See the webcast

How will a Danish CO2 Tax affect the Industry and Agriculture? [In Danish]

See the webcast

Double Materiality Assessment: Value Creation and Value Leaks

See the webcast



Thank you for your attendance



Susanne Stormer

Partner
ESG & Sustainability Service Leader

Contact

T: +45 23 34 62 83
E: susanne.stormer@pwc.com



Mette Schiøtz Sørensen

Senior Manager
Sustainability and Advisory Services

Contact

T: +45 51 15 86 25
E: mette.schiotz.sorensen@pwc.com

This presentation has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2024 PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

