climate & company



climate & company

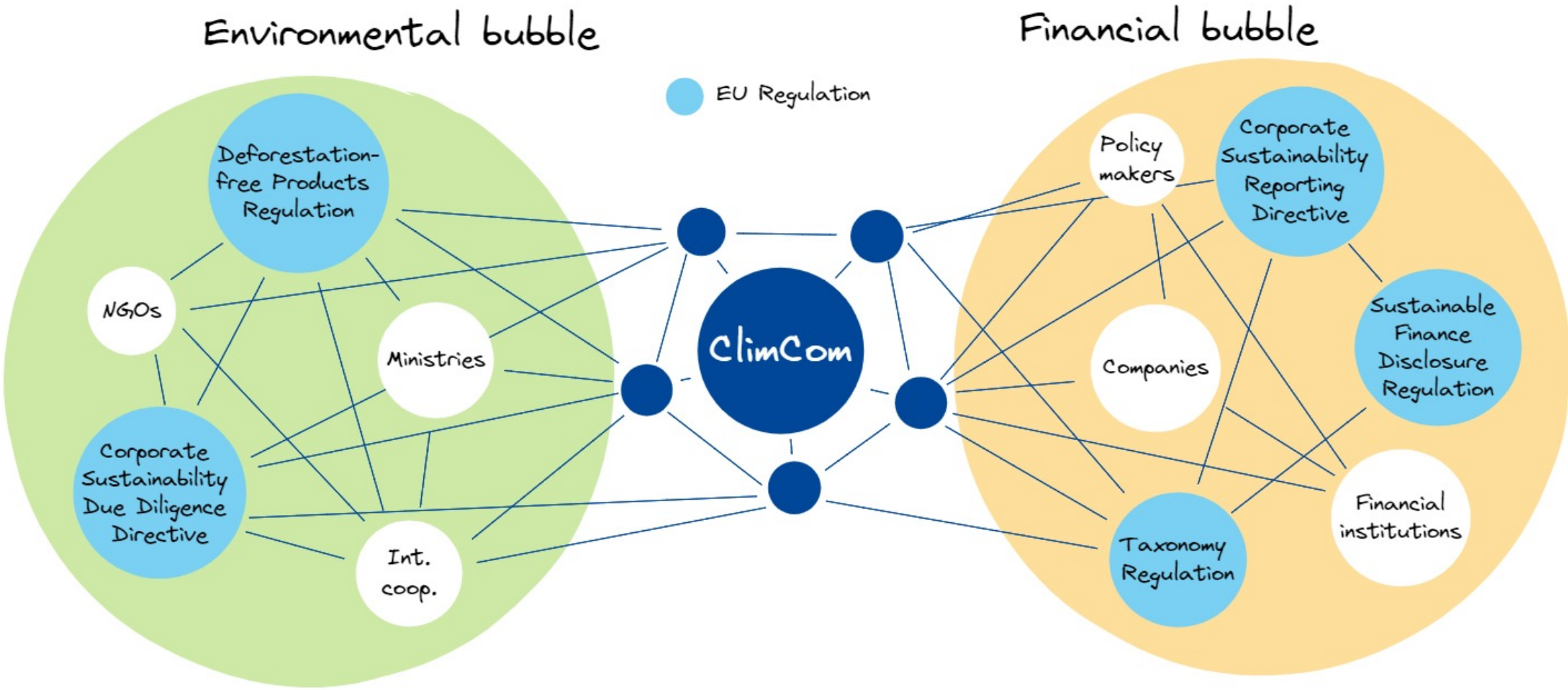
Sustainable Finance Think Tank

IF WE ARE SERIOUS ABOUT SUSTAINABLE DEVELOPMENT, WE NEED TO GET THE FINANCING RIGHT.

climateandcompany.org
hello@climcom.org

climate & company

About us



climate & company

Sustainability due diligence obligations for financial institutions

The Corporate Sustainability Due Diligence Directive (CSDDD)

Louise Simon
5 December 2023

climate & company

The **CSDDDD** in a nutshell

What is the CSDDD?

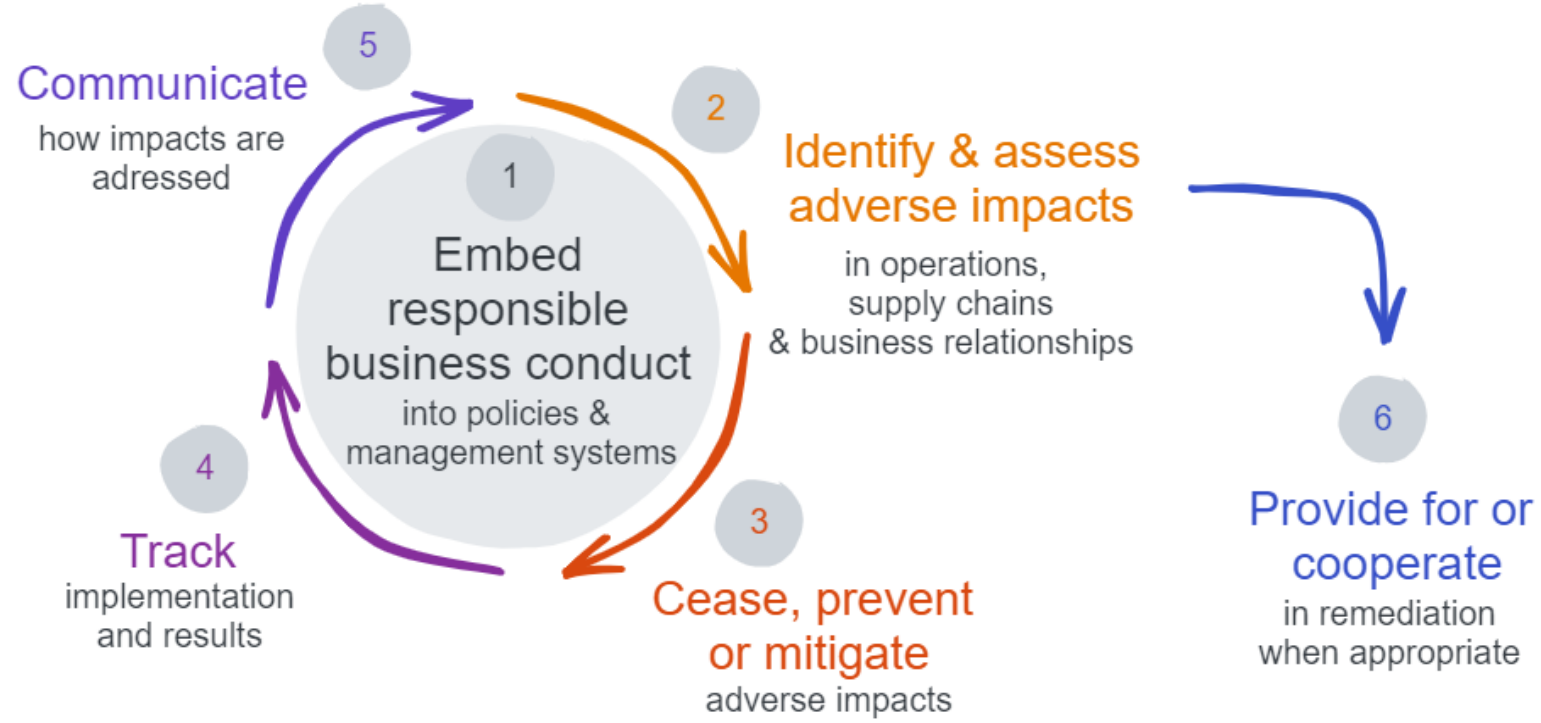




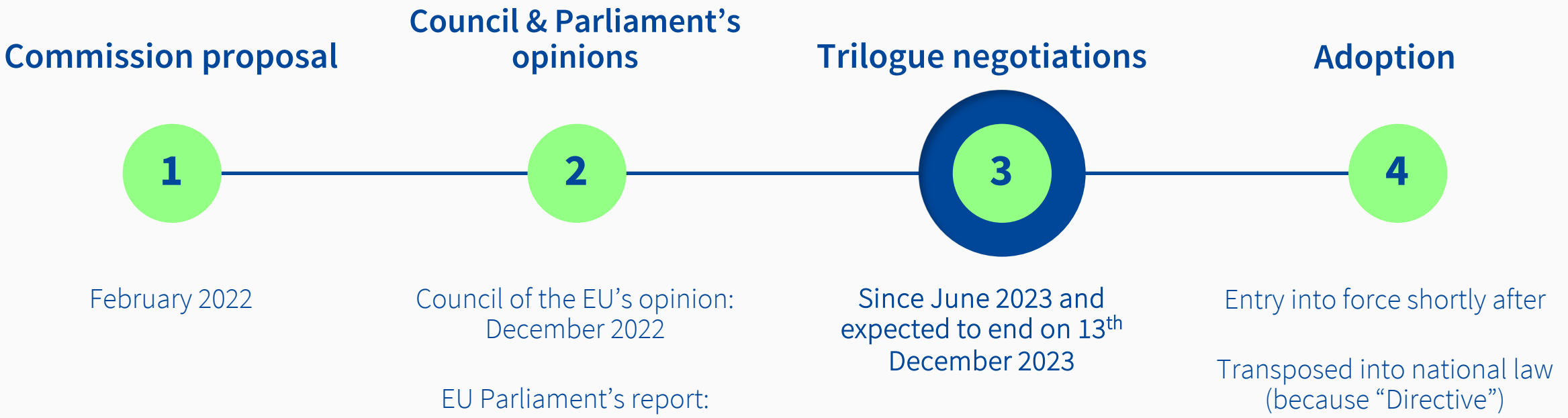
The **"EU Supply Chain Law"**

Ensure that companies comply with human rights and environmental standards

(= exercise due diligence)



Timeline of the CSDDD



climate & company

Trilogue negotiations

- Next and (expected) last trilogue: next week Wednesday 13th December
- Important topic still open: the **inclusion of the financial sector**

European Commission	Council of the EU	European Parliament
Includes financial sector, but with limitations: • Pre-contractual due diligence only • Value chain limited to direct contractual partners, where not SMEs • No divestment if causes "substantial prejudice"	December: "opt-in" or "opt-out" option for Member States **Updated mandate: exclusion of the entire financial sector** • But few countries in favour of whole financial sector in, or at least banks and insurers (Germany)	Includes financial sector and addresses certain shortcomings of the Commission proposal

climate & company

Why is **mandatory** sustainability due diligence for financial institutions **key?**

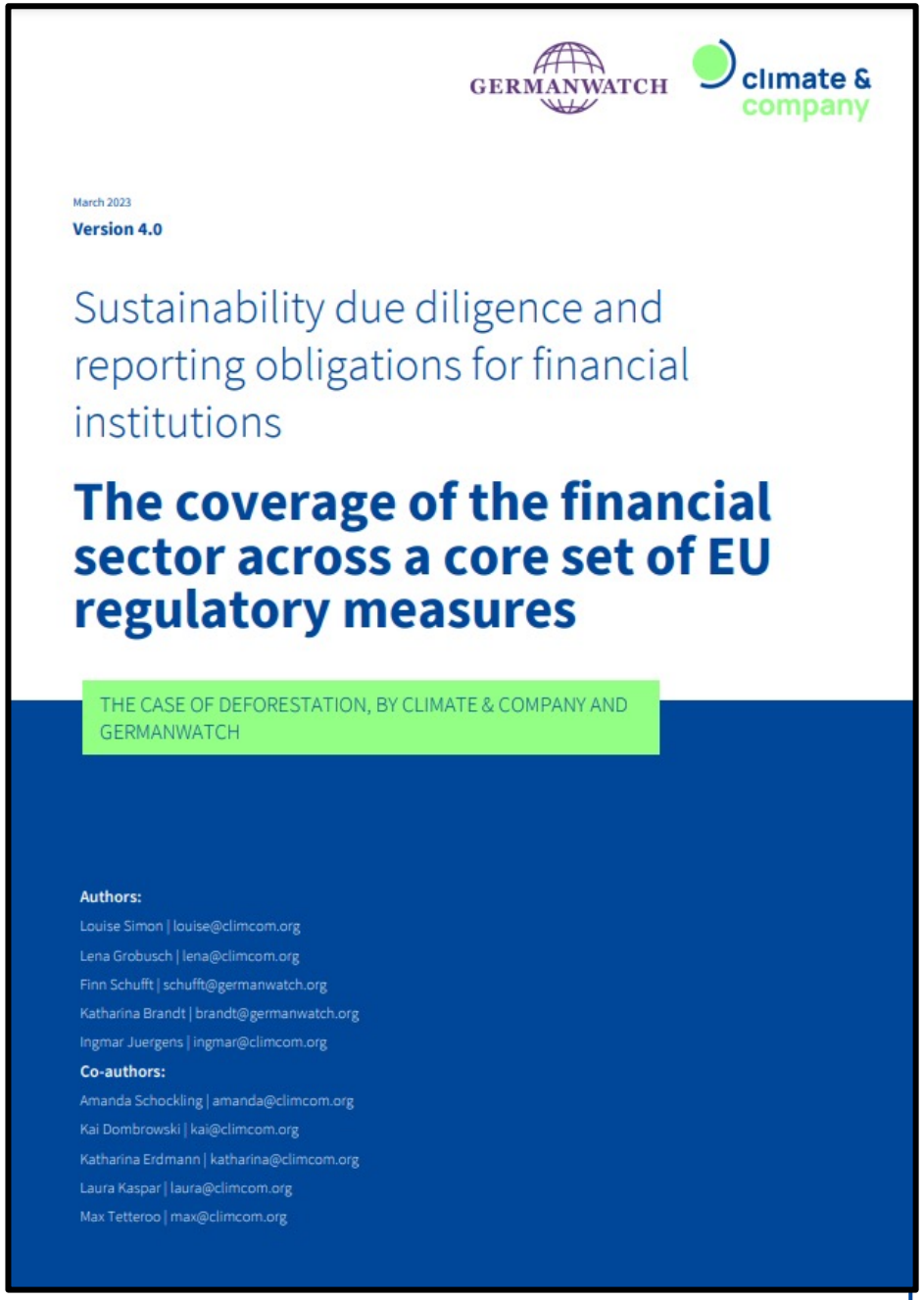
Why is mandatory due diligence for financial institutions key to delivering the EU Green Deal?

- Creating a **level-playing field** across the EU
  - For **EU financial institutions** : avoid distortion of competition in the EU's internal market
  - For **real economy**: coherent set of requirements from the financial sector
- Increasing **policy coherence**
  - To reduce the burden, uncertainties and liability risks for financial institutions

Why the CSDDD?

Overview: sustainability due diligence and reporting obligations for the financial sector across EU legislation

Link



Why is mandatory due diligence for financial institutions key to delivering the EU Green Deal?

- Creating a **level-playing field** across the EU
  - For **EU financial institutions** : avoid distortion of competition in the EU's internal market
  - For **real economy**: coherent set of requirements from the financial sector
- Increasing **policy coherence**
  - To reduce the burden, uncertainties and liability risks for financial institutions
- **Voluntary** actions have not been enough
  - Due to information asymmetries, high search costs and lack of disclosure of value chain impacts

climate & company

How to make value chain due diligence obligations **work** for the **financial sector?**

Finding a feasible compromise on the inclusion of the financial sector

1. Banks and insurers in the scope **now**
2. Require banks and insurers to **build on** the due diligence procedure of clients
3. **Delayed start of applications** for financial sector
4. Follow a **risk-based approach**

climate & company

We want to hear from you!

How does this procedure sound to you?
What are the challenges that you would face?

climate & company

Thank you!



Louise simon
(Policy) Analyst

louise@climcom.org

www.climateandcompany.org

linkedin.com/company/climate-and-company

climate & company