



Version 1.0

Summary of the  
Corporate Sustainability  
Due Diligence Directive  
[CSDDD]

## Introduction

In April 2024, after months of negotiations, the **Corporate Sustainability Due Diligence Directive (CSDDD)** was approved by the European Parliament. This approval came two years after the European Commission proposed the directive.

Under the CSDDD, large companies with operations in Europe have to conduct research in their value chain on (potential) negative impacts they have on human rights and the environment, and they must prevent, mitigate or stop these impacts.

While the directive primarily targets large companies, it also has implications for Small and Medium-sized Enterprises (SMEs). Large companies that fall under the Directive will need to ensure their entire supply chain adheres to sustainability standards, leading to increased scrutiny and requirements for their suppliers and business partners.

**This document provides a summary of the CSDDD, its scope and requirements and the measures LC Packaging has in place to ensure compliance and make a valuable contribution to the due diligence processes of our stakeholders in line with the Directive.**

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## What is the CSDDD?

The [EU Corporate Due Diligence Directive](#) (CSDDD) introduces a due diligence duty, making it a legal requirement for in-scope companies to check how their actions negatively affect people and the environment in their own operations and value chain, inside and outside Europe and to act with due care. Companies covered by the CSDDD also need to adopt and implement a climate mitigation plan aligned with the Paris Agreement.

The goal is to hold more companies accountable for their wrongdoing and prevent negative impacts from occurring in the first place. Think of it like an annual health checkup to make sure your company's actions aren't causing any harm. And if they do – create an action plan to fix it.

## What is due diligence?

[Due diligence](#) is a continuous process to help companies identify risks related to human rights, labour rights and the environment with a view to ending, preventing or mitigating those risks. Due diligence is an essential element of international responsible business conduct and is also known as **supply chain responsibility** (OECD).

## Corporate sustainability due diligence laws

Over the past years, countries all over the world have been adopting due diligence laws to enforce sustainable conduct, such as:

- [French Corporate Duty of Vigilance law](#) (2017);
- [German Supply Chain Due Diligence Act](#) (2021);
- [Dutch Child Labour Due Diligence Bill](#) (2019);
- [Norwegian Transparency Act](#) (2021);
- [UK Modern Slavery Act](#) (2015);
- [US Uyghur Forced Labour Prevention Act](#) (2021).

Other laws are in progress, such as the [Belgian Due Diligence Supply Chain Act](#) and the [Dutch Responsible Business Act](#). The CSDDD is the first due diligence Directive on EU level.

## Scope of the CSDDD

How and when the CSDDD will apply depends on company size, and location.

The following companies are in-scope of the Directive:

- EU companies with more than 1,000 employees and a net worldwide turnover of more than €450 million;
- Non-EU companies with at least €450 million in net turnover generated in the EU.

## Impact on out-of-scope companies

While the directive primarily targets large companies, it also has implications for large companies that fall out of scope and Small and Medium-sized Enterprises (SMEs). In-scope companies under the Directive will need to ensure their entire supply chain adheres to sustainability standards, leading to increased scrutiny and requirements for their suppliers and business partners.

Companies, such as LC Packaging, that are part of the supply chains of in-scope companies will need to implement due diligence processes to ensure compliance with human rights and environmental standards, aligning with the expectations of their clients and thus the CSDDD requirements.

## CSDDD key requirements vs LC Packaging's measures

Although companies are not expected to show how their value chains are free of impacts, they are required to demonstrate that they have taken all appropriate measures to effectively identify risks and prevent, cease, mitigate, address or remediate actual and potential adverse impacts.

The table below summarises the CSDDD's key requirements and the measures implemented by LC Packaging to ensure compliance.

In April 2024, LC Packaging's sustainability efforts have been acknowledged and awarded the EcoVadis Platinum CSR Rating for the fourth consecutive year. With this rating, LC Packaging remains part of only 1% of more than 130,000 companies by EcoVadis worldwide with such a high CSR rating. On Labour and Human rights, we score a 9/10 and an 8/10 on Environment and Sustainable Procurement, leaving the industry average score far behind.

> [read more on our platinum CSR rating](#) or [download our scorecard](#).

CSDDD key requirements	LC Packaging's measures
<p>Integrate due diligence into policies, risk management systems and at all relevant levels of operation</p>	<ul style="list-style-type: none"> <li>- <b>Extensive policies</b> are in place on various levels of operation on topics such as 'human rights', 'supply chain sustainability', and 'energy consumption and greenhouse gas emissions'. These policies include a clear scope, objectives, measures and assigned responsibilities throughout the organisation. &gt; <a href="#">view all policies</a></li> <li>- For all LC Packaging's locations and the locations of our production partners, <b>social and environmental risk assessments</b> are conducted annually on among others social political topics, geolocation, child labour and global rights. Additionally, as a member of Sedex, we make use of the <a href="#">Radar Risk Tool</a> to compare levels of risks across countries, sectors and sites. &gt; <a href="#">view risk assessment 2023</a> (page 32)</li> <li>- <b>Good governance</b> is in place to ensure social and environmental standards and responsibilities are met. &gt; <a href="#">more about good governance</a> (page 13)</li> </ul>
<p>Carry out meaningful engagement with stakeholders and have the due diligence policy developed in consultation with workers and their representatives.</p>	<ul style="list-style-type: none"> <li>- We have <b>regular dialogue</b> with our employees through our bi-annual Flow survey and corresponding meetings, in which satisfaction around work-related topics is discussed openly. Additionally, on our sites, employees are represented by worker representatives.</li> <li>- Through <b>long-term partnerships</b> with our production partners and logistics partners we have a meaningful understanding and regular dialogue based on trust and transparency, aiming for mutual social, environmental and financial growth.</li> <li>- To ensure due diligence in our value chain, an extensive <b>supplier selection and assessment process</b> is in place, which includes desk research, code of conducts for <a href="#">production partners</a> and <a href="#">logistics partners</a>, a mandatory <a href="#">Sedex</a> membership, a self-assessment questionnaire, site visits and (when lack of proof of compliance) <a href="#">SMETA audits</a>.  [Process document, certificates and audit reports are available <a href="#">upon request</a>]</li> </ul>

<p>Identify and address human rights and environmental impacts and prioritise these impacts based on severity and likelihood</p>	<ul style="list-style-type: none"> <li>- Based on our annual social and environmental risk assessments, self-assessment questionnaires and on-site audit reports, <b>human rights and environmental impacts are identified and prioritised.</b></li> <li>- As a response to identified impacts, such as low wages and extensive working hours in sourcing countries, LC Packaging has launched its <a href="#">Living Wage Programme</a>, supported by <a href="#">IDH – Sustainable Trade Initiative</a>. By enabling key production partners to increase wages from a legal minimum wage to a living wage, we aim to eliminate working poverty and with that (indirectly) the risk of child labour from our supply chain and improve the livelihoods of at least 15,000 families.</li> </ul>
<p>Track effectiveness of measures and report efforts and findings in the yearly ESG report (CSRD).</p>	<ul style="list-style-type: none"> <li>- Since 2019, we transparently and publicly <b>report on social and environmental KPIs</b> in accordance with the <a href="#">Global Reporting Initiative: Core Option standards (GRI)</a>. Starting fiscal year 2025, our annual report will comply with the mandatory <a href="#">Corporate Sustainability Reporting Directive (CSRD)</a>. &gt; <a href="#">view our 2023 ESG report</a></li> </ul>
<p>Set up an effective grievance mechanism for workers and stakeholders to report potential problems or concerns.</p>	<ul style="list-style-type: none"> <li>- An internal <b>whistleblowing procedure</b> and <b>worker representatives</b> (sites) encourage and protect employees who speak up when they encounter behaviour in the workplace that is unethical, illegal or goes against the values of our <a href="#">Code of Conduct</a>.</li> <li>- Additionally, in line with our <b>grievance procedure</b>, all employees, business partners and third parties are entitled to voice concerns and report malpractices through the <a href="#">malpractices reporting form</a>, publicly available on our website and highlighted in our code of conducts for <a href="#">production partners</a> and <a href="#">logistics partners</a>.</li> </ul>
<p>Align business strategy with limiting global warming to 1.5 °C in line with the Paris Agreement.</p>	<ul style="list-style-type: none"> <li>- Our near-term science-based greenhouse gas emission reduction <b>targets are validated by the Science Based Targets initiative (SBTi)</b>. The targets are in line with the Paris Agreement’s 1.5 °C pathway and cover LC Packaging’s full operations and value chain. Progress on these targets, and actions taken are <a href="#">reported</a> annually. &gt; view detailed <a href="#">Greenhouse Gas inventory reports</a>.</li> <li>- <b>CO<sub>2</sub>e Product Lifecycle assessments (LCAs)</b> are conducted on all main <a href="#">product categories</a>, to better understand the environmental impact of our products, identify high emitting areas and opportunities and strategies to reduce the environmental impact. &gt; <a href="#">reach out</a> to learn more about the climate impact of your packaging.</li> </ul>

## How is the CSDDD enforced?

Authorities across the EU Member States will be responsible for monitoring compliance with the rules and for applying sanctions including fines based on a percentage of the company's annual turnover, in instances of non-compliance.

For instance, companies could become liable for damages, be publicly identified, and be subject to fines of 5% of their global net revenue.

## What comes next?

At present, the CSDDD is progressing through the final stages of the legislative process. The final endorsement by the EU member states' Council on 24 May is a pivotal milestone bringing a 4-year long process almost to an end. Following this vote, publication in the Official Journal of the EU will pave the way for national transposition whereby Member States will be given two years to transpose the text into national law.

## When will it take effect?

The rules will be implemented in stages, starting in 2027, all the way to 2029:

- From **2027**: EU companies with over 5,000 employees and worldwide turnover higher than 1,500 million euro; and non-EU companies with a EU turnover higher than 1,500 million euro.
- From **2028** to EU companies with over 3,000 employees and more than 900 million euro worldwide turnover; and non-EU companies with a EU turnover higher than 900 million euro.
- From **2029** to EU companies with over 1,000 employees and worldwide turnover higher than 450 million euro; and non-EU companies with a EU turnover higher than 450 million euro.

However, companies are encouraged to get started promptly rather than waiting for the Directive's formal entry into application especially if they are new to due diligence.

**IMPORTANT NOTE:** This summary is made available by LC Packaging for educational purposes and to give general information and the current status.