

# PRESS RELEASE

## Eurosif welcomes new EU rules on sustainability due diligence



Brussels, 14 December 2023

*These comments are preliminary reactions according to the most recent information to date on the outcome of the negotiations. Further analysis will be conducted when the text of the final agreement is made available.*

**The political agreement reached today on the Corporate Sustainability Due Diligence Directive (CSDDD) is a major milestone to advance a just transition to a sustainable economy.**

The CSDDD is a groundbreaking regulation establishing rules to ensure large EU companies effectively identify, prevent, mitigate, report, and bring to an end adverse human rights and environmental impacts caused by their economic activities. Therefore, it is expected to help companies better manage their sustainability risks and mitigate and address negative impacts on people and the planet.

Major achievements include requiring large companies to establish and put into effect transition plans, including emission reduction targets in line with the Corporate Sustainability Reporting Directive and the objectives of the Paris Agreement. This requirement will also apply to large financial institutions, which is welcome given their important role in financing the transition.

Eurosif also welcomes the inclusion of large financial institutions in due diligence requirements but we regret this is confined to their upstream value chain and own operations only. This *de facto* excludes investments, loans and insurance activities. Meanwhile, due diligence is already part of responsible investors' toolkit and essential for sound risk management. We hope these requirements can be extended to financial institutions' entire value chain during the review foreseen in the agreement.

Aleksandra Palinska, Executive Director of Eurosif said: "*We congratulate EU co-legislators on having reached an agreement on this crucial piece of legislation which is a key milestone to end serious environmental harm and human rights breaches and advance a just transition to a sustainable economy. We now call for a swift finalisation of the technical details and a timely adoption ahead of the end of this Parliament's mandate. Appropriate transposition and implementation of the rules is also essential to unleash their transformative potential*".

### **Next steps**

After the co-legislators finalise the technical details of the text, it will be formally adopted the European Parliament and Council of the EU.

These rules will apply starting 2027 for the largest EU companies (more than 500 employees and a net worldwide turnover of more than € 150 million) and will also cover companies with more than 250 employees active in high-risk sectors and non-EU companies exceeding certain turnover thresholds in the single market.

-Ends-

## Notes for Editors

The Corporate Sustainability Due Diligence Directive (CSDDD), on which EU co-legislators reached a political agreement in the early hours of 14 December 2023, sets an EU-wide framework for responsible business conduct. It will require large companies to identify, report, mitigate, prevent, and bring to an end the adverse impact of their operations and those of their business relationships on human rights and the environment. Large companies will also have to adopt plans to align their business model and strategy with the goal of limiting global warming to 1.5°C and, where they are not in scope of the EU Accounting Directive, publish an annual report on their sustainability due diligence activities.

### About Eurosif

Eurosif is the leading pan-European association promoting sustainable finance at the European level - encompassing the European Union (EU), the wider European Economic Area (EEA) and the United Kingdom (UK). Eurosif is a membership organisation of European based national Sustainable Investment Fora (SIFs). Most of the SIFs has a broad and diverse membership including asset managers, institutional investors, index providers and ESG research & analytics providers. Eurosif and its members are committed to the growth and development of sustainable finance and support the ambition of global and European policymakers in enabling a fully transparent and high-quality sustainable investment market through appropriate and well-designed regulation and industry best practice.

SIFs applying for Eurosif membership are first invited to join as observers. After a period of maximum one year, observers are expected to apply for full membership of Eurosif.

Eurosif's activities involve contributing substantively to public policy development and conducting research that enables a better understanding of ESG implementation, the sustainable finance market, and the obstacles encountered by sustainability-oriented investors.

Further information and a list of current members can be found at [www.eurosif.org](http://www.eurosif.org).

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