PRINCIPLES FOR RESPONSIBLE INVESTMENT

PRI CONSULTATION RESPONSE

European Commission: Consultation on Corporate Sustainability Due Diligence Directive (CSDDD) guidance

July 2026

An investor initiative in partnership with
UNEP Finance Initiative and UN Global Compact

UN environment programme | finance initiative

United Nations Global Compact

About this consultation

The Corporate Sustainability Due Diligence Directive (CSDDD, Directive 2024/1760) requires large EU companies and non-EU companies with a significant market presence in the EU to identify, prevent, mitigate and bring to an end adverse impacts on human rights (including labour rights) and the environment in their own operations, those of their subsidiaries and in their value chains.

This consultation by the European Commission will inform the development of guidelines to support the effective implementation of the CSDDD. The European Commission will issue guidelines that provide practical orientation to companies on how to fulfil their due diligence obligations, to Member State authorities on how to implement and enforce the Directive, and to stakeholders on how to pursue their rights. The guidelines will also be relevant for companies and other stakeholders in non-EU countries that are linked to the supply chains of companies with obligations under the Directive.

PRI's response is based on previous recommendations on CSDDD and human rights due diligence.

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Response

The PRI welcomes the opportunity to contribute to the development of the CSDDD guidelines. We support guidance that helps companies implement due diligence in an effective, proportionate and practical manner, while remaining aligned with the Directive and internationally recognised standards.

Clarity on application for institutional investors

The guidelines should provide greater legal certainty for institutional investors. While certain investors remain within the scope of the CSDDD, the practical application of due diligence obligations to investment activities remains unclear, in part due to the definition of ‘chain of activities’. The guidelines should clarify how in-scope investors are expected to conduct due diligence on their own operations, those of their subsidiaries and, regarding the financial services or products they develop or provide, their upstream business partners. This should build on the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and OECD guidance for institutional investors.

Promoting risk-based due diligence

Cost-effectiveness is an important objective. However, the most effective way to achieve it in the context of due diligence is through a risk-based approach that allows companies to focus resources on the most severe adverse impacts across their chain of activities, rather than adopting a broad, compliance-oriented exercise. This approach is well established in the OECD Guidelines and UN Guiding Principles on Business and Human Rights (UNGPs).

Consistency with EU corporate sustainability policies and international due diligence standards

The CSDDD guidance should ensure coherence and interoperability with the broader EU sustainable finance framework, particularly the CSRD/ESRS and SFDR, while recognising that these frameworks serve different purposes. It should clarify how due diligence processes, assessments and information can be used across frameworks to avoid duplication, while making clear where distinct requirements continue to apply. In particular, the guidance should explain the relationship between CSDDD risk-based due diligence and CSRD double materiality, clarify the interaction between CSDDD obligations and the CSRD value chain cap, and cross-reference specific ESRS indicators that could provide relevant information. This would reduce regulatory burden, improve legal certainty and support more consistent implementation by companies and investors.

PRI responses to the Commission's consultation questionnaire

Consultation questions		Comments
2	Do you think that the guidelines should seek to offer examples on adverse human rights (including labour rights) or environmental impact, and which are the most relevant types of impacts for which you see this need? Please explain.	Yes. Practical, sector-specific examples of adverse human rights, labour rights and environmental impacts would help companies implement effective, risk-based due diligence rather than a compliance exercise. Guidance should focus on the most likely and severe impacts in high-risk sectors and value chains (e.g. mining, apparel, agriculture/food, electronics), including examples of how companies can identify, prioritise and address such impacts in line with the OECD Guidelines and UNGPs.
4	In your experience, what tools proved particularly helpful to carry out a scoping of risk areas across your company's activities, those of your subsidiaries and those of your business partners? What approaches or solutions could help in performing these requirements in the cost-effective way?	Guidance should advise companies against sending generic questionnaires to suppliers to gather information for the initial scoping exercise. Practical examples for what constitutes "reasonably available information", building on Article 8(4) and Omnibus Recital 42, and the key sources for such information. Existing tools and practical guidance for assessing supply chain risks should be referenced.
8	In your experience what data currently collected by public administrations may be particularly useful for the purposes of effective due diligence? Do you believe there is a need for access to such data to be facilitated?	The guidance should indicate how companies can gain access to information gathered by OECD National Contact Points for responsible business conduct. The contact points act as non-judicial mechanisms for individuals and organizations to report issues concerning companies operating in or from those countries – and are therefore a key bottom-up source of information on potential and actual human rights impacts. It would also be helpful to advise on how companies can access data from supervisors around the world on companies not meeting standards and/or laws from a certain jurisdiction.
15	Are there situations where in your view the severity or likelihood of a specific adverse impact is (or might be) particularly difficult to assess? How could such difficulties be overcome?	Guidance should explicitly align with UNGP 17 and OECD prioritisation logic, focusing on severity (scale, scope, irremediability) and likelihood as a secondary factor. Severity depends on the scale of the outcome (on an individual right(s)), the scope (number of individuals affected) and the irremediable character (any limits on the ability to restore those affected to a situation at least equivalent to their previous situation). Situations where it is difficult to assess the severity or likelihood of an adverse impact are typically linked to the unavailability of data. The guidance should set out how such information can be requested during the in-depth

Consultation questions		Comments
		assessment in a proportionate way, in line with the CSDDD and international standards.
23	In your experience, what are the most effective, including cost-effective, practices related to remediation? Please explain pros and cons.	Access to remedy remains underexplored in the area of business and human rights and is an often neglected pillar of the UN Guiding Principles on Business and Human Rights (UNGPs) amongst businesses and investors alike. However, there is a strong business case for effective grievance mechanisms and access to and provision of remedy that goes beyond compliance with international human rights norms. The Investor Expectations on Grievance[1] and Remedy sets out some principles for effective remediation practices.
6	32. What cooperation should the model contract clauses recommend between the in-scope company and its business partners as regards: - the adoption and implementation of any prevention/correction action plan - the cost of addressing adverse impacts - stakeholder engagement - the notification and complains mechanisms with a view to ensure that due diligence is efficient and cost effective while compliance burden is not shifted to the business partners?	Model contractual clauses should promote a cooperative, risk-based approach to due diligence that reflects the CSDDD, OECD Guidelines and UN Guiding Principles. Clauses should support joint implementation of prevention and corrective action plans by clearly allocating responsibilities, timelines, information-sharing arrangements and escalation procedures, while recognising the different levels of leverage and resources of each party. Contracts should avoid shifting compliance obligations or costs onto business partners, particularly SMEs. Instead, where adverse impacts are identified, parties should cooperate on proportionate risk-mitigation measures, including capacity-building, technical assistance, targeted financial support where appropriate, and continuous improvement approaches. Consistent with the Responsible Contracting Project's guidance, contractual clauses should focus on collaboration, shared problem-solving and responsible business conduct outcomes, rather than relying solely on warranties, audits or termination rights. Suspension or termination should remain measures of last resort where engagement and corrective actions have failed.
36	In your view, for which due diligence measures do industry or multi-stakeholder initiatives offer the biggest added value?	Increasing leverage through collaboration (e.g. to mitigate risks or bring to an end actual impacts) Collaborative industry initiates, such as the PRI Advance investor initiative, are particularly helpful in increasing leverage, especially where risks are common across an industry, are harder to resolve fully at an individual company level or require government intervention.

[1] Authored by Luda Svystunova, Amundi and Mary Beth Gallagher, Domini Impact Investments – with support from PRI.

Consultation questions		Comments
43	Taking into account the requirements of the CSDDD, in your experience what are the most cost-effective means to engage with stakeholders in the performance of due diligence? What are the pros and cons?	Meaningful stakeholder engagement is most effective when it starts early, before risks escalate, and continues throughout the due diligence process. Cost-effective approaches include working through existing local channels, trade unions, civil society organisations and multi-stakeholder initiatives. Early engagement improves risk identification, prioritisation and remediation. Superficial or performative engagement may appear cheaper initially but can increase legal, operational and reputational costs over the medium to long term.

The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the European Commission further to improve sustainability disclosure.

Please send any questions or comments to policy@unpri.org.

More information on www.unpri.org.