

Mazars contribution to the European Commission consultation on the Corporate Sustainability Due Diligence Directive (CS3D) proposal

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Mazars welcomes the proposal for a Corporate Sustainability Due Diligence Directive (CS3D), which usefully completes the Governance pillar of the Corporate Sustainability Reporting Directive (CSRD) proposal.

There is a need of coordination between both proposals on definitions and subsidiarity principles, for the consistency and practicality of the level 2 standards i) to allow Member States to adjust their corporate governance and sustainability national frameworks and ii) to ensure an effective implementation mechanism.

The following points deserve further consideration to achieve the purpose of the draft CS3D:

1) Accountability of the due diligence verification process

Due diligence verification by independent third parties (statutory auditor or another service provider) is key to strengthen stakeholders' confidence in the process and reporting.

Mazars contributed to the Accountancy Europe paper on Supply Chain Sustainability Assessment, which provides examples of supply chain assurance practices by professional accountancy firms. The different assurance requirements should be of high-quality, consistent, and provided by competent professionals, following transparent procedures.

Due diligence should not be limited to the first tier of supply chain but encompass those posing major risks. We also support the inclusion of third countries corporations (around 1% of European companies).

An in substance progressing extension in scope should be considered - via level 2 standards and/or level 3 guidance, encouraging the main contractors and banks to embed recommendation of application in the supply chain tendering/financing processes, as it is the case in the OECD and UN guidelines.

Along with the EFRAG standards, the CSRD and the CS3D build up the bricks and the design of an internal control system on sustainability reporting (including the governance pillar). Hence, it is important to extend the mandate of the audit committee (or equivalent body for small and medium undertakings), from financial reporting to sustainability reporting and other types of assurance providing, including the independence of the assurance providers.

2) Due Diligence process and definitions

'Contractual cascading' (article 7)

Due Diligence process is the cornerstone of CS3D: large companies should aim at identifying potential adverse impacts within their supply chain and not offload the risk via contracts, especially with SMEs that may lack resources to comply. In conjunction with accompanying measures, we support the use of contractual provisions as additional comfort, but not as the main solution.

The business partner should comply with the company's code of conduct, provided it follows a transparent procedure as well.

Internal Controls (article 10)

We believe that the obligation for companies to carry out periodic assessments of their operations and processes (article 10) is not sufficient to ensure compliance. Instead, we suggest that companies should establish appropriate internal controls, which ensure allocation of duties, completeness, and

the necessary safeguards. Ahead of publishing the delegated acts on the obligation for companies to publish an annual statement (article 11), the Commission should interact with stakeholders on implementation options.

Directors' duty of care and overseeing due diligence (Articles 25, 26)

While we support the provisions included in Articles 25 and 26, the 'board's collective responsibility' needs to be further clarified. To help transposition and secure proper implementation, special attention should be paid to the different existing national regimes on board responsibility (collective and individual).

[Read the contribution on the European Commission's website.](#)