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**CS3D Legal
Requirements:
Impacts and
Opportunities for
Baltic Businesses**

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Corporate Sustainability Due Diligence Directive (CS3D) aka “Supply chain directive”

Adopted in July 2024, shall be transposed into Member States' legislation by **July 2026**. Application to companies from July 2027 with transitional periods until July 2029.

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CS3D transposition status in the Baltic States

- **Estonia:** transposition not started
- **Latvia:** transposition started, paused after Omnibus
- **Lithuania:** transposition not started

CS3D key facts



- ✓ Establishes a corporate due diligence duty in **value** chains
- ✓ Directly applicable to large entities
- ✓ Indirectly applicable to medium and small companies

Definition of a **value chain**:

activities related to, and entities involved in, the production, design, sourcing, extraction, manufacture, transport, storage and supply of raw materials, products or parts of a company's product and the development of a company's product or the development or provision of a service,

and

activities related to, and entities involved in, the sale, distribution, transport, storage, and waste management of a company's products or the provision of services, and excluding the waste management of the product by individual consumers.

Scope of direct applicability: large companies

Group 1

EU Company

>450mEUR
turnover

>1000 employees

Group 2

EU company

Franchise &
licensing business

>22.5mEUR
worldwide royalties
received

>80mEUR worldwide -
turnover (net,
consolidated)
generated

Group 3

Non-EU company

>450mEUR
turnover in the EU

Group 4

Non-EU company

Franchise &
licensing business

>22.5mEUR
royalties received
in the EU

>80mEUR turnover
(net, consolidated)
generated in the
EU

What does the CS3D require?

To comply with due diligence requirements companies must:

1. Undertake appropriate risk management by **integrating** due diligence **into internal policies**.
2. Carry out risk analyses to identify actual or potential **adverse impacts**.
3. **Prevent and mitigate** potential adverse impacts and bring actual adverse impacts to an end and/or minimising their extent.
4. Establish and maintain a **complaints procedure**.
5. Monitor the effectiveness of their due diligence policy and measures.
6. Publicly communicate the due diligence undertaken.
7. Create mandatory **climate transition plans** aligned with the goals of the Paris Agreement.



CS3D: enforcement tools

Sanctions for non-compliance:

Penalties: sanctions from national administrative authorities – including fines of **up to 5%** of global turnover

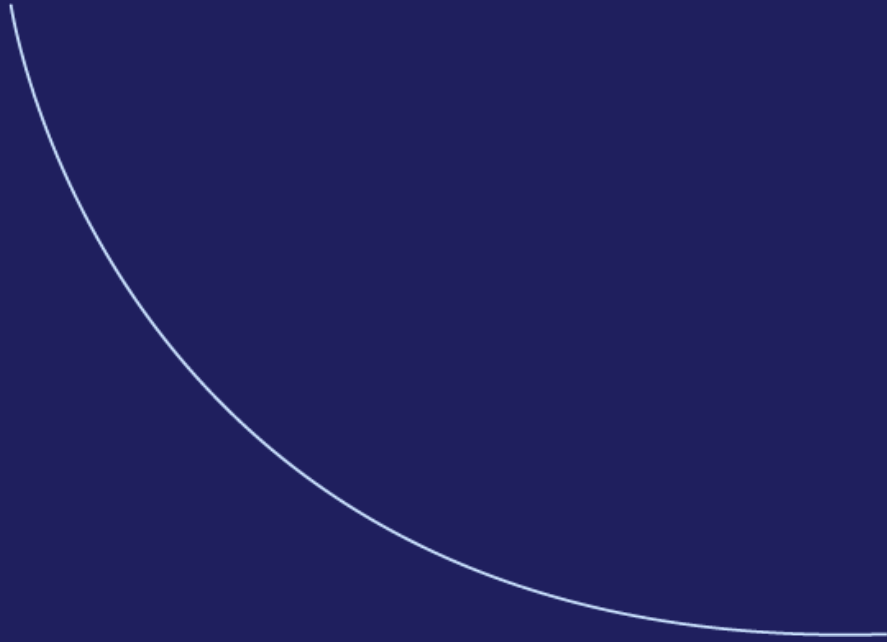
Civil liability: affected persons right to receive compensation for damages. **5-year** limitation period. Trade unions and civil society organisations also entitled to bring claims.

Omnibus I and Omnibus II *(proposal)*

- Delay the application (wave 1 2028, wave 2 – 2029)
- Focus on direct suppliers, but ongoing vigilance needed
- Penalties no longer tied to global turnover
- Compliance monitoring now has to be done every 5 years, not annually
- No longer obligation to terminate the business relationship where adverse impact is detected and could not be corrected.
- Certain access to justice facilitations, e.g. by NGOs and trade unions are deleted. Stakeholder engagement limited.



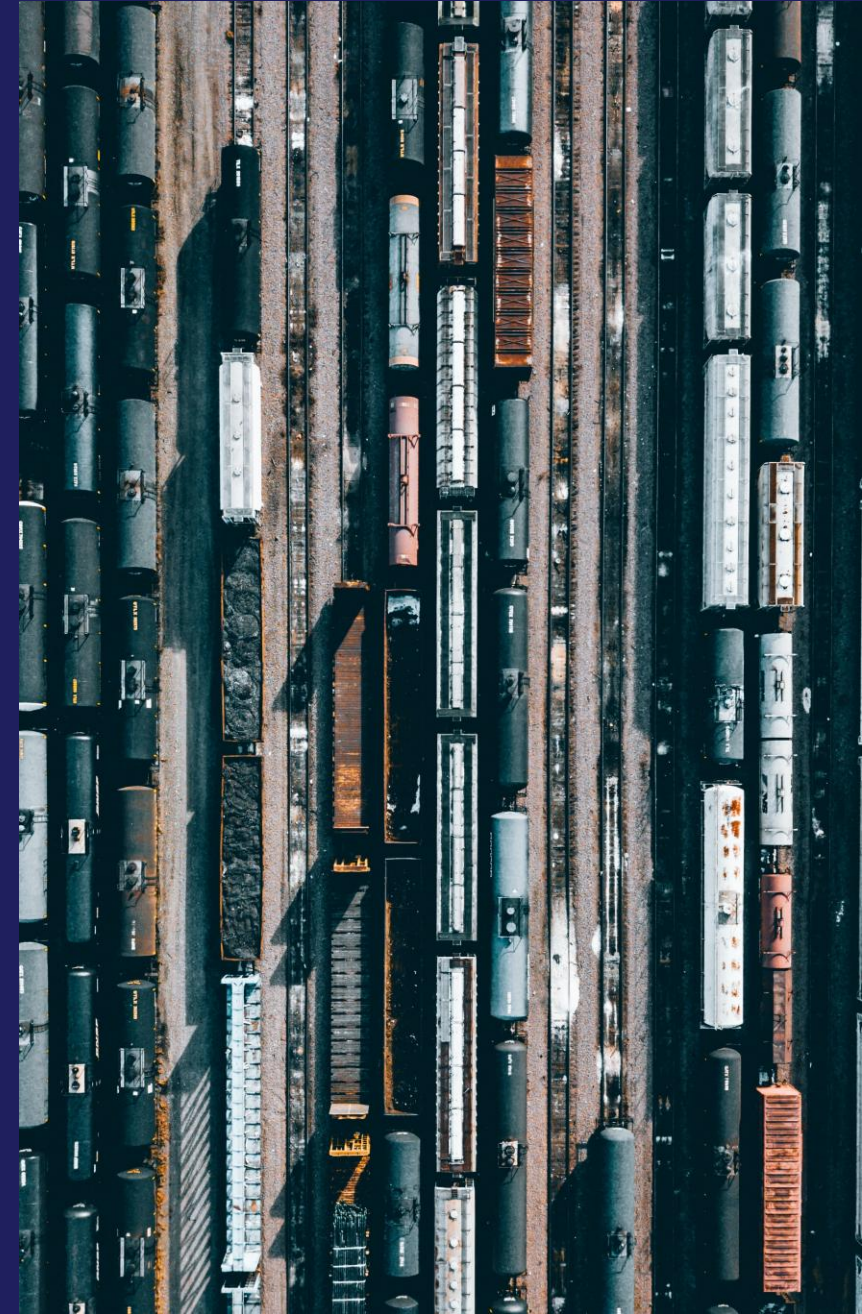
How **Baltic** businesses are concerned?



- Few “directly concerned” companies
- Most SMEs – in the middle of value chains
- Quality data is key to success
- Quality data can be obtained through proper internal processes and controls

Key elements on how to prepare for CS3D

- Risk assessment
- Information collection: what kind of suppliers and cooperation partners you have
- Decision: what kind of inspections to do or not to do for each cooperation partner, what data to collect (are there any industry certifications?)
- Create system for inspections, result identification, decision making
- Should contracts with cooperation partners be adjusted? Liability clauses? Data collection? Inspections?
- Employee trainings & internal processes
- Internal audit for system supervision & regular review



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