

The Fujitsu Group conducted a discussion with external experts, attended also by relevant internal departments, aimed at addressing the EU Corporate Sustainability Due Diligence Directive (CSDDD).

- **Title :** Internal seminar on compliance with the Corporate Sustainability Due Diligence Directive
- **Date :** March 25, 2025 (Tue)
- **External experts :**
 - Nishimura & Asahi: Junko Watanabe
 - Nishimura & Asahi: Takanori Mizuno

The seminar commenced with attorney Junko Watanabe, an external expert, giving an overview of the EU's CSDDD. She also suggested necessary future actions, a draft roadmap for this, and a framework for collaboration to take place among Fujitsu Group departments. Specific points of uncertainty and issues were raised for discussion with participants during the Q&A session. After deliberating on the way forward, the dialogue wrapped up. The following are excerpts from the Q&A session.

Relationship between Corporate Sustainability Reporting Directive (CSRD) and CSDDD

Q: What is meant by 'companies in scope of the CSRD will be outside the scope of the CSDDD duty of disclosure'?

A: Companies in scope of both the CSRD and the CSDDD are not required to make separate disclosures under the CSDDD if they have already made disclosures under the CSRD. The CSRD is a piece of disclosure legislation, while the CSDDD is a law that primarily regulates the due diligence process that is a prerequisite for disclosure. If a company conducts due diligence under the CSDDD, then uses the results to fulfill CSRD disclosure requirements, it is safe to say that the company has, to all intents and purposes, made disclosures under the CSDDD as well. This is regarded as an arrangement that avoids overlap with the disclosure obligations imposed by the CSDDD.

Definition of Group Company

Q: How are group companies, subsidiary entities, and affiliated companies defined under the CSDDD?

A: The CSDDD defines a subsidiary as an entity that is "controlled" directly or indirectly by a parent entity. Basically, you can regard them as existing subsidiaries.

Complying with CSDDD when making an acquisition

Q: Is it correct to assume that the status of CSDDD compliance is verified at the time of acquisition? Is there a checklist for verifying items?

A: There is growing recognition among large Japanese companies of the need to conduct ESG due diligence following an acquisition. In some cases, it is necessary to verify the target company's CSDDD compliance at the time of acquisition. We provide tailored advice based on the need to assess a company's materiality, including the minimum requirements that need to be verified.

Due diligence based on AI ethics and CSDDD

Q: I gather that AI ethics also comes under the purview of the Directive's due diligence requirements, making it necessary to investigate not only the potential adverse impacts arising from our company's operations and those of its subsidiaries, but also the circumstances under which vendors creating generative AI models developed them. What do we have to be mindful of in this respect?

A: The CSDDD is directed at risks arising from the operations of your company and its subsidiary entities, but because the Directive is also directed to a certain extent at risks from the company's business partners, it is important to pay attention to the kind of human rights and environmental risks caused by business partners, including vendors developing generative AI models.

Scope of reporting

Q: I understand that the Directive is applied to companies based on their net EU turnover, but does this mean that, in practice, the transactions to be reported are not limited to those involving the EU, and that priority is not given to those transactions?

A: Basically, the Directive is applied based on net EU turnover, but once the Directive applies to a company with that criterion, assessment therefore has to begin with the areas of highest priority (those that pose the most severe human rights and environmental risks) throughout the global value chain, not just Europe.