

Sustainability due diligence

In today's global business environment, the need for sustainability due diligence has become increasingly critical. Regulations, such as the Corporate Sustainability Due Diligence Directive (CS3D), are driving companies to adopt comprehensive measures to foster responsible and sustainable practices across their value chains. These regulations aim to protect human rights, mitigate environmental impacts, and promote transparency and accountability in corporate operations.

Sustainability due diligence involves a systematic approach to identifying, preventing, and mitigating adverse impacts on human rights and the environment within a company's operations, subsidiaries, and business partners. Beyond regulatory compliance, organizations must proactively strengthen their current frameworks to address potential future inherent risks, building resilience in the face of evolving challenges. This process is essential for complying with evolving regulations like CS3D, which mandates rigorous due diligence requirements for companies operating in the European Union.

A framework for sustainability due diligence

Risk identification

Identify inherent risks automatically using ESG scores, adverse media, carbon footprint, and physical risk data to flag vulnerabilities with high risk and strategic suppliers.

Risk assessment

Conduct deep-dive reviews and ESG audits for high-risk suppliers, integrating findings into internal scoring to prioritize by risk severity, likelihood, and strategic relevance.

Risk mitigation

Develop supplier engagement plans with clear targets and KPIs, assign responsibilities, and quantify residual risks to reduce physical and transition risk and ESG exposure.

Monitor and report

Embed ESG compliance in dashboards, verify mitigation execution, maintain audit logs, and monitor supplier contract adherence to track progress over time.

By adhering to a consistent framework, companies can benefit from improved risk management, increased competitiveness, and greater trust among customers and employees across the EU. The directive will also directly and indirectly impact non-EU companies with ties to the European market, requiring them to align with its standards to sustain market access and partnerships.

Challenges in implementing sustainability due diligence

 **Complex and opaque supply chains:** Extensive, multi-tiered supply chains often lack transparency, making it difficult to track sustainability practices, especially beyond Tier 1 suppliers, where the most significant ESG risks may reside.

 **Documentation and reporting burdens:** Increasing documentation and reporting requirements, particularly for SMEs, often exceed existing systems and expertise, adding complexity to compliance with transparency standards.

 **Resource and data constraints:** Limited human and financial resources, combined with significant data gaps—such as incomplete Scope 3 carbon emissions data—pose challenges in implementing and monitoring effective due diligence processes.

 **Supplier engagement and fatigue:** Repeated requests for ESG disclosures and compliance documentation create challenges for both suppliers and companies, underscoring the need for scalable solutions that minimize this burden.

 **Risk management challenges:** Addressing material risks in alignment with an organization's risk appetite requires efficient systems to mitigate reputational and regulatory risks across the supply chain.

How Moody's can help

Moody's solutions help organisations meet the due diligence obligations contained in The German Supply Chain Act and the UK Modern Slavery Act. Our data insights and integrated platform help companies navigate and align their processes with evolving sustainability regulations, such as CS3D.

Risk automation for scaling due diligence

Our data and analytics help companies to form an automated, integrated view of inherent risks across their operations and complex supply chains. This automation helps organisations to efficiently scale their sustainability due diligence efforts while addressing regulatory requirements and material risks. By leveraging Moody's risk automation capabilities, companies can enhance their ability to manage adverse impacts, improve risk oversight, and bolster operational resilience.

Our Data



Company data:

Orbis is a comprehensive resource for comparable data on private companies, with extensive coverage of listed companies and other entities. It provides detailed information on over 590 million companies worldwide, including corporate ownership structures, beneficial ownership, and subsidiary relationships. Orbis also features data on sanctions, adverse media, and risk indicators, supporting organisations in identifying, mapping, and assessing their business networks to meet sustainability due diligence and compliance requirements.



ESG risk:

Gain access to a comprehensive database of millions of quantitative ESG Scores and Sub-scores, including our market-leading ESG Indicative Scores, developed in partnership with MSCI. These scores provide insight into ESG risks for private and listed companies globally, making them a critical tool for environmental due diligence.



Human rights risk:

Our solutions assist companies in conducting human rights risk assessment within their operations and supply chains. These include entity-level screening that surface events that relate to human rights violations. Built in partnership with the Rights Lab at the University of Nottingham, our Forced Labour Risk Assessment to quantify an organisation's risk exposure to extreme labour forms, and adverse media screening and monitoring to uncover whether a supplier is connected to human rights violations in the news. Additionally, we offer off-the-shelf questionnaires designed to support compliance with regulations like the German Supply Chain Act and CS3D.



Physical and transition risk:

Our data, models, and analytics translate physical and transition risk into metrics of potential financial impacts from damage and business interruption. The insights are delivered at the scale and location level for understanding potential impacts on supply chain and operational resilience. We integrate science, modelling methodologies, and insight on financial markets to uncover opportunities despite the uncertainties of physical and transition risks.

Our platform

Moody's Maxsight™ unified risk platform integrates data and analytics to provide a comprehensive view of your sustainability performance. It consolidates various data points, helping companies to streamline their due diligence processes, facilitate transparency, and report effectively on their sustainability efforts.

By leveraging Moody's data solutions and the Maxsight™ platform, companies can effectively manage risks, align compliance-related activities with CS3D, and build stakeholder trust. Our solutions support businesses in leading in sustainability and corporate responsibility, turning regulatory compliance efforts into a strategic advantage.

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