

Corporate Sustainability Due Diligence Directive – Adopted text published in the EU Official Journal

Europe Newsletter

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On 5 July 2024, the EU's formally adopted Corporate Sustainability Due Diligence Directive (“**CSDDD**”) was published in the Official Journal of the European Union.¹ The CSDDD will enter into force on the twentieth day following that of its publication (i.e. 25 July 2024) and introduce mandatory human rights and environmental due diligence and disclosure requirements for in-scope EU and non-EU companies active in the EU.

I Background

On 23 February 2022, the European Commission submitted a proposal for the CSDDD to the European Parliament and to the Council. On 24 April 2024, after more than two years of controversial discussions and a series of amendments to the original proposal, the EU Parliament adopted the final CSDDD text which, on 24 May 2024, was approved by the Council. It was signed by the President of the European Parliament and the President of the Council on 13 June 2024, and finally published in the Official Journal on 5 July 2024.

The CSDDD will enter into force on 25 July 2024, and the EU member states must transpose the CSDDD into national law by 26 July 2026.

II Key elements

1. Scope

The CSDDD's scope of application will expand over time depending on the size and nationality of the companies.

Application	EU Companies	Non-EU Companies
July 2027	<ul style="list-style-type: none">Net turnover: EUR 1,500 million (global); andNumber of employees: above 5,000	<ul style="list-style-type: none">Net turnover: EUR 1,500 million (in EU)
July 2028	<ul style="list-style-type: none">Net turnover: EUR 900 million (global); andNumber of employees: above 3,000	<ul style="list-style-type: none">Net turnover: EUR 900 million (in EU)
July 2029	<ul style="list-style-type: none">Net turnover: EUR 450 million (global); andNumber of employees: above 1,000	<ul style="list-style-type: none">Net turnover: EUR 450 million (in EU)

¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401760

2. Obligation

Companies in scope must manage actual and potential human rights and environmental adverse impacts² with respect to their own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies. This includes risk based human rights and environmental due diligence,³ integration of due diligence into company policies and risk management systems,⁴ identifying and assessing actual and potential adverse impacts,⁵ prioritizing those impacts,⁶ preventing potential adverse impacts,⁷ bringing actual adverse impacts to an end,⁸ remediation of actual adverse impacts,⁹ meaningful engagement with stakeholders,¹⁰ notification mechanisms and complaint procedures,¹¹ monitoring and information disclosure,¹² and designation of an authorized representative. The companies in scope also must set a transition plan for climate mitigation.¹³

3. Penalties

Each EU member state will designate a supervisory authority to monitor companies' compliance with the national law implementing the CSDDD, launch inspections and investigations, and impose penalties on non-compliant companies. Fines of up to 5% of the violators' net worldwide turnover¹⁴ are possible.

4. Relation with existing national laws

The CSDDD imposes minimum requirements for all EU member states. For EU member states that have already introduced national laws requiring human rights and environmental due diligence, such as France's Duty of Vigilance Act¹⁵ and Germany's Supply Chain Due Diligence Act,¹⁶ this means that such national laws may require certain amendments if the current national standards are lower than those of the CSDDD.

² CSDDD Article 1, Clause 1, Article 5 to Article 16

³ CSDDD Article 5

⁴ CSDDD Article 7

⁵ CSDDD Article 8

⁶ CSDDD Article 9

⁷ CSDDD Article 10

⁸ CSDDD Article 11

⁹ CSDDD Article 12

¹⁰ CSDDD Article 13

¹¹ CSDDD Article 14

¹² CSDDD Article 15, Article 16

¹³ CSDDD Article 1, Clause 1, Article 22

¹⁴ CSDDD Article 27

¹⁵ <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000034290626/>

¹⁶ https://www.csr-in-deutschland.de/SharedDocs/Downloads/EN/act-corporate-due-diligence-obligations-supply-chains.pdf?__blob=publicationFile

III Next Step

The CSDDD will enter into force on 25 July 2024, and EU member states must transpose the CSDDD into national law by 26 July 2026. While the CSDDD is technically limited to large companies, it also will have significant impact on smaller or otherwise out-of-scope companies which have direct or indirect business relationships with the in-scope companies.

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