

Corporate Sustainability Due Diligence Directive

LEGISLATION FACTSHEET

The Corporate Sustainability Due Diligence Directive (CSDDD) has evolved significantly since its initial proposal by the European Commission 2022. Several iterations and compromises were made to reflect stakeholders' feedback and national interests: some of these included removing waste disposal from the original list of 'in-scope' activities and avoiding the identification of high risk sectors.

As a result, understanding whether a company is legally bound by CSDDD can be challenging, particularly as various thresholds need to be considered such as number of employees, net annual turnover, and geographical areas of operations. ETI's legislation factsheets break down complex legislation into accessible information to help you get to grips with legal developments impacting your approach to human rights and environmental due diligence.

Objective

The Corporate Sustainability Due Diligence Directive (CSDDD) aims to foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains. CSDDD requires companies to identify, mitigate, prevent, address, and report on the impact their operations and business relationships have on human rights and the environment.

Which companies are in scope?

EU companies

- Companies with at least 1,000 employees and annual turnover of at least 450m euro globally
- Companies with a turnover from franchises or licensing agreements of at least 22.5m euro and annual turnover of at least 80m euro globally
- Ultimate parent companies if the employee and turnover thresholds are met in the group

Non-EU companies

- Companies with an annual turnover of at least 450m euro in the EU (no employee threshold)
- Companies with a turnover from franchises or licensing agreements of at least 22.5m euro and annual turnover of at least 80m euro in the EU
- Ultimate parent companies if the employee and turnover thresholds are met in the group
- SMEs may also be impacted if they are in the supply chains of larger businesses.

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Which aspects of the value chain are covered?

In-scope companies' operations include activities arising from (a) their own operations, (b) the operations of their subsidiaries, and (c) the operations of their business partners. The following are included in the list of in-scope activities:

- The activities of a company's upstream business partners related to the manufacture of a product and the provision of services.
- The activities of a company's downstream business partners related to the distribution, transport and storage of goods – where the partners are acting for the company or on behalf of it.

CSDDD and climate change

- Companies must establish and implement a transition plan for climate change mitigation aligned with the 2050 climate neutrality objective of the Paris Agreement, as well as intermediate targets under the European Climate Law. These plans should detail how companies intend to reduce their greenhouse gas emissions, promote energy efficiency, and adopt sustainable practices throughout their value chains.

Enforcement

- Member states will need to designate a supervisory authority in charge of investigating and imposing penalties which can include fines of up to 5% of companies' net worldwide turnover.
- Member States will be required to lay down rules governing the civil liability of companies for damages caused to a natural or legal person.

What's next?

EU member States are required to translate the Directive into their national laws and submit the relevant legal texts to the European Commission by July 26, 2026. The Directive's provisions will begin to apply to the biggest companies one year later, with a phased implementation schedule leading to full enforcement by 26 July 2029.

Further resources

- [European Commission FAQs](#)
- [Human rights due diligence at ETI](#)

ETI cannot determine an individual company's legal liability. ETI encourages companies to consult their legal teams, who should have full knowledge of the company's contractual relationships across the value chain and are best placed to determine the applicability of relevant laws to their operations. In navigating human rights due diligence legislation, ETI's advice is to continue to act in line with the UNGPs, the OECD guidelines, and the ETI Base Code.