



Great news for corporate sustainability and ESG: European Parliament has adopted proposal for EU Corporate Sustainability Due Diligence Directive (CSDDD)



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European Parliament has adopted proposal for EU Corporate Sustainability Due Diligence Directive (CSDDD)

An important milestone in the further development of corporate sustainability and Environmental, Social and Governance (ESG) activities of businesses was reached on 24 April 2024. The European Parliament had its final plenary vote on the proposal for the EU Corporate Sustainability Due Diligence Directive (CSDDD). The proposal was adopted with 374 votes in favour, 235 against and 19 abstentions.

See the official EU press release [here](#).

EU Counsel must adopt proposal for CSDDD

The proposal for the directive must also be formally endorsed by the Council of the European Union.

It will vote on the proposal for the directive in its Committee of Permanent Representatives in the European Union (COREPER) (ambassadors) on 15 May 2024 and in its Council of Ministers in its configuration as Competitiveness Council (COMPET) on 23 May 2024.

The adopted directive will then be published in the Official Journal of the European Union and enter into force 20 days later, around 12 June 2024.

Application of directive to companies

The directive will apply to companies in a staged process based on their size:

EU companies:

2027: Companies with more than 5000 employees and EUR 1500 million in annual net worldwide turnover.

2028: Companies with more than 3000 employees and EUR 900 million in annual net worldwide turnover.

2029: Companies with more than 1000 employees and EUR 450 million in annual net worldwide turnover.

Non-EU companies:

2027: Companies with more than EUR 1500 million in annual net turnover in the EU.

2028: Companies with more than EUR 900 million in annual net turnover in the EU.

2029: Companies with more than EUR 450 million in annual turnover in the EU.

Effect of directive

The directive will have some major effects in relation to corporate sustainability due diligence within its scope of application and in relation to covered companies and their business partners.

It may not have as many and substantive effects as wanted by some and not wanted by others.

But the directive will provide a good basis and framework for the future work with this in covered companies and their business partners.

Main obligations of companies

Companies must integrate sustainability due diligence into their policies, procedures and activities, make related investments, seek contractual assurances from their business partners, and provide support to small and medium-sized business partners to support them in their work in relation to sustainability.

Companies must seek to avoid and mitigate actual and potential human rights adverse impacts and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the operations performed by their business partners in the companies' chains of activities.

Companies must adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, compatibility of their business model and strategy with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C.

Companies may be held liability for non-performance of their obligations under the directive.

More comments on directive

We have provided a more comprehensive overview of the proposed directive and its effects in this news update:

[EU Corporate Sustainability Due Diligence Directive \(CSDDD\) proposal has been adopted | DLA Piper](#)

We will provide more comments on the directive and its application and effects in practice in other news updates and newsletters.

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