

European Parliament Adopts Corporate Sustainability Due Diligence Directive

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On 24 April 2024, the European Parliament (Parliament) formally adopted at first reading the final text of the Corporate Sustainability Due Diligence Directive (CSDDD). This marks the end of the key legislative process in respect of the landmark CSDDD, after four years.

Adoption of the CSDDD

The Parliament did not make any further changes to the text of the CSDDD so the adopted text is the same text proposed by the Council of the European Union (Council) in March 2024, which significantly reduces the in-scope companies and extends the timeframe for compliance.

The Directive now needs to be formally endorsed by the Council and published in the Official Journal of the European Union (EU). It will enter into force 20 days later.

Once the CSDDD enters into force, there is a two-year timeframe for EU member states to transpose the CSDDD into national law. Transition periods will then apply on a staggered basis, with actual entry into application of the CSDDD obligations starting in 2027 for the largest in-scope companies.

In-scope companies

In summary, in-scope companies under the CSDDD include:

- EU companies (on a standalone or consolidated basis) with more than 1,000 employees on average and a net worldwide turnover of more than EUR 450 million; and
- non-EU companies (on a standalone or consolidated basis) generating a net turnover in the EU of more than EUR 450 million.

CSDDD requirements

The CSDDD establishes far-reaching mandatory human rights and environmental obligations on both EU and non-EU companies meeting certain turnover thresholds, starting in 2027.

In particular, the CSDDD establishes an obligation on in-scope companies to:

- identify and assess adverse human rights and environmental impacts;
- prevent, mitigate and bring to an end/minimise such adverse impacts; and
- adopt and implement a climate change mitigation transition plan.

The obligations under the CSDDD apply with respect to a company's own operations and those of its subsidiaries but also extend to a company's "*business partners*" throughout its "*chain of activities*".

The CSDDD also sets out minimum requirements of a liability regime to be implemented by EU member states for violation of the obligation to prevent, mitigate and bring to an end/minimise adverse impacts. This includes the ability for claims to be made by trade unions or civil society organisations.

The CSDDD is available [here](#).

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