

# Corporate Sustainability Due Diligence

2022/0051(COD) - 05/07/2024 - Final act

**PURPOSE:** to better exploit the potential of the single market to contribute to the transition to a sustainable economy and contributing to sustainable development through the prevention and mitigation of actual or potential human rights and environmental adverse impacts in companies' chains of activities.

**LEGISLATIVE ACT:** Directive (EU) 2024/1760 of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023 /2859.

**CONTENT:** the directive introduces obligations for large companies regarding **adverse impacts of their activities on human rights and environmental protection**. It also lays down the liabilities linked to these obligations. The rules concern not only the companies' operations, but also the activities of their subsidiaries, and those of their business partners along the companies' chain of activities.

## *Scope*

The directive will affect **companies of more than 1 000 employees with a turnover of more than EUR 450 million**, and their activities ranging from the upstream production of goods or the provision of services, to the downstream distribution, transport, or storage of products.

It will also apply to non-EU companies that had a net turnover of more than EUR 450 million in the EU during the financial year preceding the last financial year and to companies that have not reached this threshold but are the ultimate parent company of a group that, on a consolidated basis, reached this threshold during the financial year preceding the last financial year.

## *Due diligence*

Member States will ensure that companies conduct risk-based human rights and environmental due diligence by carrying out the following actions:

- integrating due diligence into their policies and risk management systems;
- identifying and assessing actual or potential adverse impacts;
- preventing and mitigating potential adverse impacts, and bringing actual adverse impacts to an end and minimising their extent;
- providing remediation for actual adverse impacts;
- carrying out meaningful engagement with stakeholders;
- establishing and maintaining a notification mechanism and a complaints procedure;
- monitoring the effectiveness of their due diligence policy and measures;
- publicly communicating on due diligence.

The directive requires companies to ensure that human rights and environmental obligations are respected **along their chain of activities**. If a violation of these obligations is identified, companies will have to take the appropriate measures to prevent, mitigate, bring to an end or minimise the adverse impacts arising from their own operations, those of their subsidiaries and those of their business partners in their chain of activities. Member States should be required to lay down rules governing the civil liability of companies for damage caused to a natural or legal person.

### ***Combating climate change***

The directive obliges companies to adopt a **transition plan** for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 oC in line with the Paris Agreement.

The design of the transition plan for climate change mitigation referred to in the first subparagraph shall contain: (i) time-bound targets related to climate change for 2030 and in five-year steps up to 2050 based on conclusive scientific evidence and, where appropriate, absolute emission reduction targets for greenhouse gas; (ii) a description of decarbonisation levers identified and key actions planned to reach the targets.

### ***European Network of Supervisory Authorities***

The Commission will set up a European Network of Supervisory Authorities, composed of representatives of the supervisory authorities. The European Network of Supervisory Authorities will facilitate the cooperation of the supervisory authorities and the coordination and alignment of regulatory, investigative, sanctioning and supervisory practices of the supervisory authorities and, as appropriate, the sharing of information among them.

### ***Penalties***

Member States will lay down the rules on penalties, including pecuniary penalties, applicable to infringements of the provisions of national law adopted pursuant to this Directive, and will take all measures necessary to ensure that they are implemented. The penalties provided for shall be effective, proportionate and dissuasive.

When pecuniary penalties are imposed, they will be based on the company's net worldwide turnover. The maximum limit of pecuniary penalties shall be not less than **5 %** of the net worldwide turnover of the company in the financial year preceding that of the decision to impose the fine.

ENTRY INTO FORCE: 25.7.2024.

TRANSPOSITION: no later than 26.7.2026.

The directive will apply according to the size of the companies according to the following timetable:

- from 26 July 2027 for companies with more than 5 000 employees and a turnover of more than EUR 1 500 million,
- from 26 July 2028 for companies with more than 3000 employees and a turnover in excess of EUR 900 million,

- from 26 July 2029 for companies with more than 1 000 employees and a turnover in excess of EUR 450 million.