

BRIEFING — AUGUST 2024

The EU's Corporate Sustainability Due Diligence Directive Explained



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Introduction

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In May 2024, the EU and its member states put their final stamp on a landmark law called the Corporate Sustainability Due Diligence Directive (CSDDD). Rather than a full stop, the end of the EU legislative process is a comma in an already long and winding journey towards corporate accountability and justice.

In this briefing, we document the work done to bring this legislation over the finish line and what is at stake in the coming years with this promising page-turner for environmental and human rights due diligence.

What is CSDDD?

2019

2020



The CSDDD is a new EU law that imposes binding obligations on corporate giants to check their global value chains for human rights and environmental risks and harms. It also enables victims and EU member states to hold non-compliant companies accountable.

CSDDD rejects voluntary industry initiatives and translates international standards in the [UN Guiding Principles](#)[1] on Business and Human Rights (UNGPs), UN Global Compact, and [OECD Guidelines](#)[2] for Multinational Enterprises on Responsible Business Conduct (2011, 2023) into mandatory and enforceable due diligence rules for big business.

This law has been five years in the making, with the last two taken up by a turbulent EU legislative process. In December 2023, EU triilogue negotiations concluded with a political agreement. In January 2024, a final text was published ahead of approval votes by the Council and European Parliament. However, **after an aggressive pushback campaign by a few member states and the corporate lobby, the text was drastically revised to narrow the law's scope and weaken some provisions. An overview of the provisions and gaps is provided in the sections below. For analysis of flaws and loopholes, check out explainers by our partners.**[3]

2022



2023

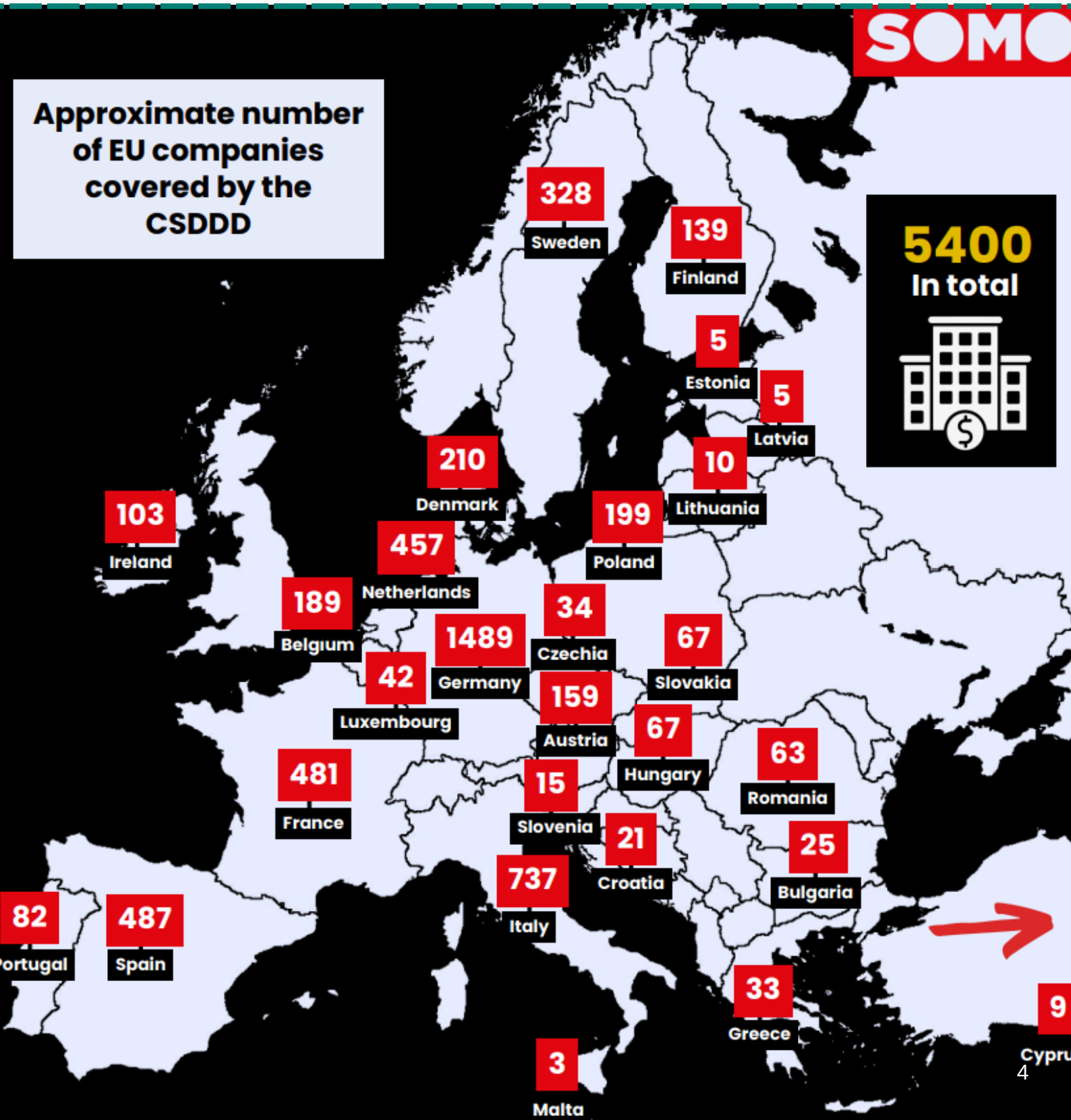


2024



Research non-profit SOMO, using some data from Orbis and Eurostat, estimates that the final CSDDD would apply to roughly 5,400 companies as opposed to the original 16,000 companies. This means about 70% of eligible companies have been gutted from the legislation. According to the European Coalition for Corporate Justice (ECCJ), the 5,400 represents less than 1% of all companies in Europe.[4]

INFOGRAPHIC BY CENTRE FOR RESEARCH ON MULTINATIONAL CORPORATIONS (SOMO) USING SOME DATA FROM ORBIS AND EUROSTAT.

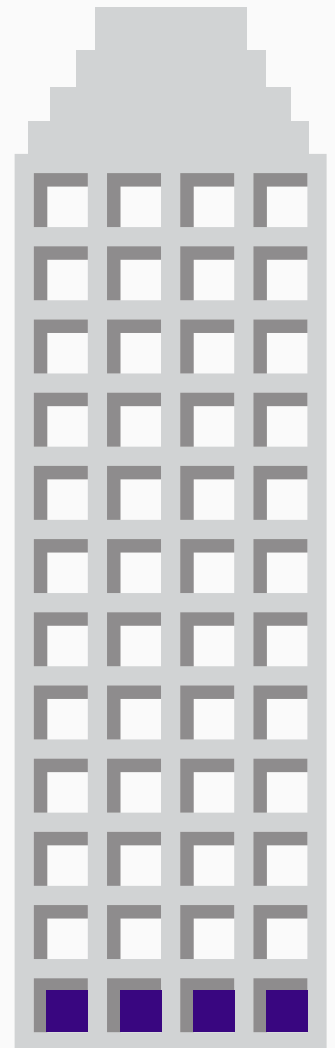


Why does the CSDDD matter?

Too many companies across the globe have been profiting from exploiting people and the planet. Their activities have caused or contributed to climate breakdown, biodiversity collapse, the erosion of workers' and trade union rights, forced and child labour, and the killings of environmental and human rights defenders. Voluntary guidelines, codes and charters by companies did not deliver. That's why it's high time for mandatory and effective due diligence mechanisms that hold companies accountable.

In recent years, campaigners have exposed several egregious corporate abuse cases involving EU companies, including the [Rana Plaza factory collapse](#)[5] in Bangladesh, [pollution of the Niger Delta](#)[6] by Shell in Nigeria, and [abuses linked to cobalt mining](#)[7] in the DRC's Cobalt Belt. Besides highlighting the need for stronger corporate rules, these cases have demonstrated the long and difficult battle for justice that victims of corporate abuse face. This is a huge gap that has yet to be bridged.

Meanwhile, companies have, for decades, resisted regulations designed to make their operations respect human rights and the planet. For decades, companies have [pushed](#)[8] non-binding and self-regulatory schemes and certifications as the best option for cleaning up supply chains, despite their well-documented ineffectiveness[9]. According to the [World Benchmarking Alliance](#), **corporate giants are not even halfway to meeting human rights expectations and rarely implement human rights due diligence in full and least of all environmental due diligence**, while just 9% can prove they engage with groups affected by their activities[10]. Moreover, companies often claimed "we didn't know" in cases of misconduct which has allowed them to reject liability and keep their social license for operating. Binding due diligence was therefore the most credible option to address these gaps and end corporate impunity.

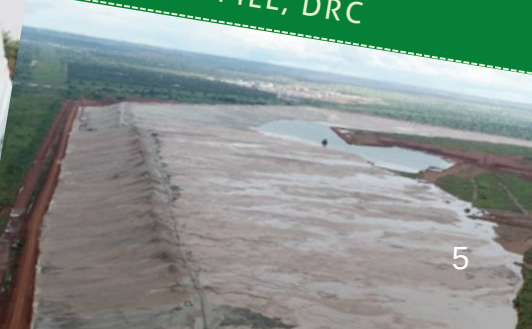


NIGER DELTA, NIGERIA

RANA PLAZA FACTORY,
BANGLADESH



COPPER-COBALT MINE
WASTE SPILL, DRC

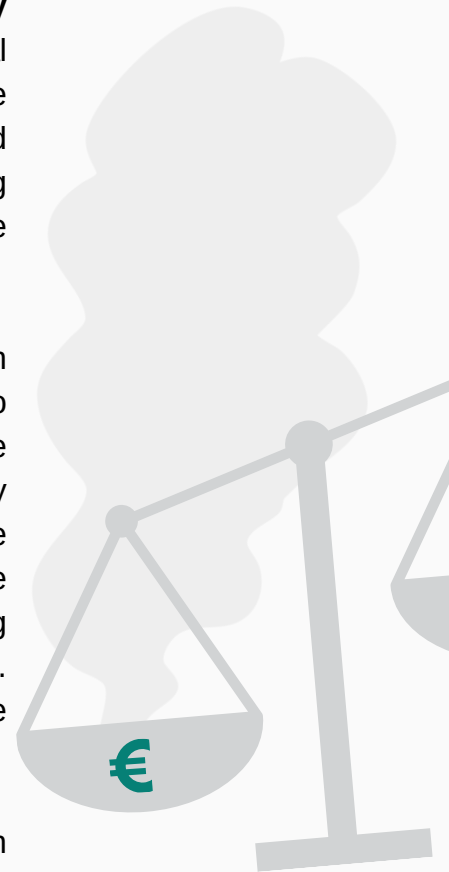


What's more, the climate crisis is accelerating and has brought the role companies play into sharp focus. **Our Diffusing Carbon Bombs report[11] revealed that EU companies continue to expand and finance large-scale fossil fuel projects, known as “carbon bombs”, globally.** Another global analysis[12] shows that investment in new fossil fuel extractive projects is growing. Notably, **the largest fossil fuel companies have not adopted credible transition plans and some have notoriously abandoned their weak commitments**[13]. Yet the current international climate policies and the EU's own Green Deal continue to absolve companies of climate action in the name of maintaining growth and competitiveness. The CSDDD is therefore an opportunity to place binding climate action obligations on polluting companies and ensure they contribute to the goal of limiting global warming to 1.5 degrees.

In 2011 the OECD and UN set the international standard for binding human rights and environmental due diligence. Since then, the EU has been slow to catch up. Some of its member states (notably France and Germany) have enacted national due diligence laws while the majority follow voluntary standards. This approach by the EU has created a fragmented legislative framework for due diligence implementation and enforcement. For the corporate lobby, this is an ideal context for escaping scrutiny and promoting voluntary initiatives as the best option, and ultimately protecting their profits. With CSDDD, the EU and its member states can rectify these flaws while reigning in corporate interests.

The EU is already making strides in this direction with new legislations on forced labour, waste export etc. These developments make CSDDD a natural and coherent step in the bloc's green and social ambitions.

CSDDD is also widely supported by companies[14], citizens[15], and civil society[16]. The people have campaigned for this law for years and remained a bulwark for justice during the EU's legislative process.



What is and isn't covered by CSDDD?

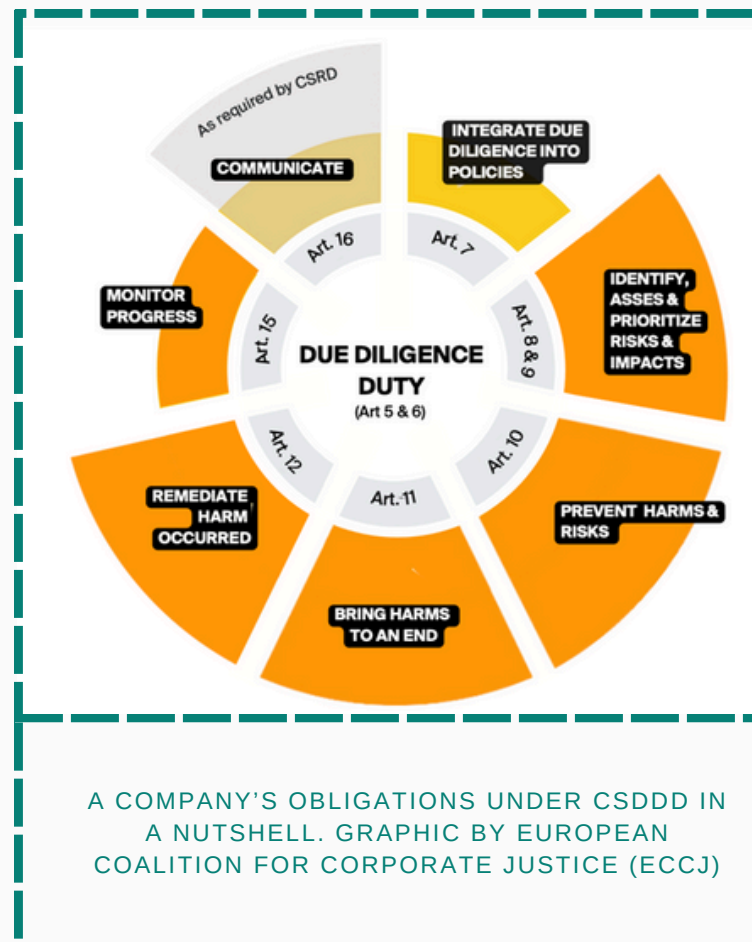
As a directive, the CSDDD sets new rules for all member states to incorporate into national laws on human rights and environmental due diligence. **It asks corporate giants in the EU to investigate and respond to human rights and environmental risks and impacts in their value chains or face punitive action.**

The law requires companies to investigate human rights and environmental risks and harms in their upstream activities (i.e. design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of the products and development of the product or the service) and downstream activities (i.e. storage, transport, distribution), and respond to serious risks they uncover.

Corporate giants will then be required to prevent, mitigate, or remediate risks or harms they uncover.

The directive outlines how companies could lawfully conduct due diligence as well as options for preventing and mitigating harm. **Companies must develop a due diligence policy** and be prepared to implement changes in their operations to alleviate harm. For example, upon discovering an oil spill caused by its subsidiary in another member state or a third country, a fossil giant could be expected to clean up the spill and take the necessary measures to bring the spill to an end.

CSDDD applies a **risk-based approach to due diligence**. This means it mandates companies to prioritise and focus their investigations on areas in their chain of activities where impacts are most likely to occur or be most severe.



OUT OF SCOPE

- The internal operations (e.g. kitchen, coffee at the office) of companies aren't covered by CSDDD; only the products or services they provide are covered by the law.
- The use and disposal of products are not covered in CSDDD.
- Companies cannot be held liable for harms solely caused by business partners e.g. their suppliers.

The CSDDD incorporates, with limitations, several international and EU conventions and laws. A company's human rights obligations in CSDDD encompass protecting the right to life, non-discrimination, voluntary labour, rights of a child, fair and living wage, freedom of thought and religion. Companies must also respect indigenous rights including the right to land and natural resources. The rights regime under CSDDD deserves specific analysis.

Their environmental protection obligations include protecting biodiversity and wetlands, marine ecosystems, and no use or trade of hazardous and toxic chemicals and waste. Companies must also respect environmental rights such as the right to clean drinking water.

READ OUR [MYTH BUSTER](#) WHERE WE ADDRESS SOME OF THE MAIN MYTHS AROUND THE CSDDD AND LAY OUT THE IMPORTANCE OF THIS LAW IN FINALLY HOLDING EUROPEAN CORPORATIONS ACCOUNTABLE[17].



Importantly, civil liability provisions give victims the right to bring lawsuits before European courts against companies that cause harm in their chain of activities. The law allows civil society actors to represent victims in lawsuits and grants several procedural rights to plaintiffs.

CSDDD also sets a high standard for stakeholder engagement in due diligence processes. It mandates companies to establish a meaningful consultation process to involve stakeholders at different stages of their due diligence efforts. This rule will oblige companies to share key information about their projects with affected communities and give them a say on how companies operate. Companies must also institute grievance mechanisms and remediation measures for key stakeholders in their value chains and ensure whistleblowers and defenders are protected from retaliation.

→ Environmental harm alone by a company will not trigger civil liability. Environmental civil liability could be possible if the harm violates "protected legal interests" – a vague concept that narrows the scope of protection. This could mean that water pollution by a company would not be sufficient grounds for a lawsuit unless a community's right to clean water as defined by law has been impacted.

→ Harmful companies cannot be sued indefinitely by victims. The law sets the statute of limitation at a minimum of 5 years.

CSDDD requires companies and financial institutions to adopt a transition plan for climate change mitigation and bring their business model and strategy in line with the EU's 2050 target and the Paris Agreement goal of limiting global warming to 1.5 degrees. The final version of the text asks companies to “put into effect” their transition plans to their “best effort”. Experts argue this language is weak[18] and bars sanctions against companies that fail to meet their emissions targets.

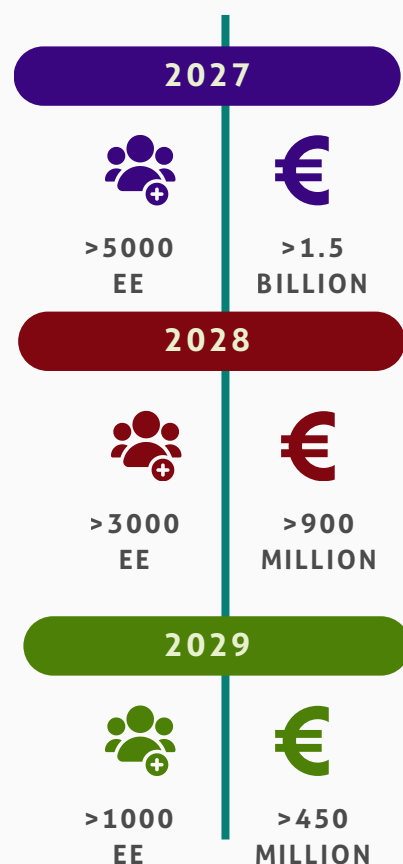
Importantly, most in-scope companies will be expected to document and prove implementation via their reporting obligations under the Corporate Sustainability Reporting Directive.

Which companies are covered?

The CSDDD applies to EU companies with at least 1000 employees and a global turnover of 450 million euros. For foreign companies in the EU, the main criteria is turnover. Its application will be staggered, applying to the largest EU companies with 5000 employees and €1.5 billion in turnover in 2027 first, followed by companies with 3000 employees and €900 million in turnover in 2028. By 2029, companies with at least 1000 employees and €450 million in turnover must comply with the law.

Under this scope, corporate giants will be responsible for conducting due diligence on operations around the world, including for their smaller subsidiaries.

- The law no longer asks companies to provide their directors and managers with financial incentives to implement transition plans.
- Companies won't have to double report or produce continuous reports on their due diligence efforts.



- With the focus on corporate giants, the law neglects the majority of companies which fall within the small and medium-size category. These companies do not have any legal obligations under CSDDD.
- The law no longer has tailored requirements for high-risk sectors like fossil, textile, and construction industries.
- The financial sector is largely excluded from the scope of this law. The core business of financial institutions, i.e. their services and investments are not covered by the CSDDD. This means financial institutions will not have to ensure that the wide array of services they provide does not have an impact on human rights or the environment.



How will CSDDD be enforced?

Enforcement will be carried out by national supervisory authorities. The supervisory authority will be granted powers to impose penalties such as fines of 5% of a company's global net turnover and publishing the names of sanctioned companies.

The European Commission is also mandated to adopt delegated acts, for example, to specify rules on reporting or amend the annex listing applicable international law. They are also mandated to publish various guidelines on the law.

What were the big fights?

Ever since a draft law was tabled in February 2022, campaigners worked to move neglected climate and corporate accountability aspects of due diligence up the negotiation agenda. However, this mission turned out to be an uphill battle.

CAN Europe alongside several civil society organisations[19] (including environmental groups, trade unions, human rights groups, and consumer associations) campaigned hard for meaningful and effective due diligence. From our perspective, exemplary due diligence would cover the entire value chain of all companies, take a risk-based approach, respond to adverse risks and impacts, and engage key stakeholders. We have demanded an exhaustive definition of environmental and human rights impacts, and specific climate due diligence obligations. On the latter, a strong push for clear, science-based and time-bound targets for climate transition plans, implementation of said plans by companies, and the possibility of climate liability came from our coalitions. A key goal for campaigners was securing victims unconditional and full access to justice. This shaped our demands to shift the burden of proof for civil liability cases onto companies rather than victims and lower barriers victims face to accessing justice. Notably, civil society campaigned for the full inclusion of the financial sector in the law.

However, we met fierce opposition from some member states (particularly France, Germany, Austria) and corporate interest groups on all these demands. **The corporate lobby launched an aggressive lobbying campaign[20] as soon as the idea of binding rules on due diligence was floated in 2019 and they fought till the last minute for business interests.** Realising it couldn't secure a weak law that relied heavily on discredited voluntary business standards and was no more than a box-ticking exercise, the corporate lobby switched tact to kill the law. Their relentless campaign, aimed at the European Commission, ministries across European capitals, and member states' representations in Brussels, pushed false arguments about competitiveness, SMEs burdening to the centre of EU debate on the due diligence law. But as CSO myth-busting efforts have shown, none of these claims have merits[21].

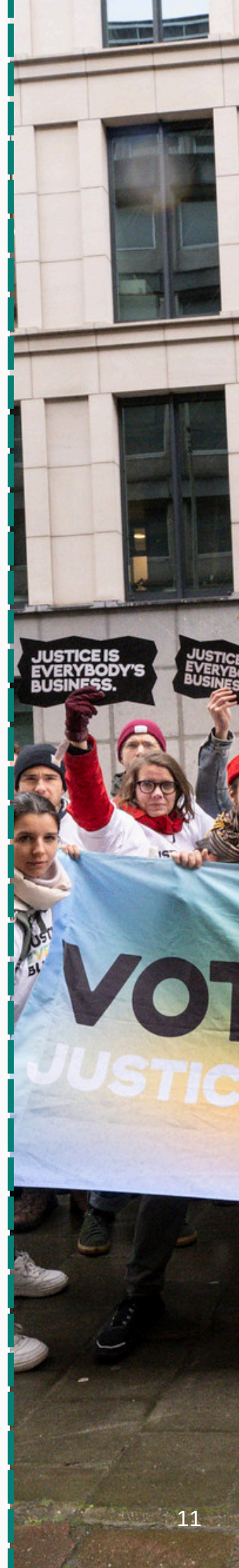
As the business lobby's complex efforts kicked off, **people power strengthened.** **A YouGov poll in 2021 revealed that more than 80% of citizens in nine surveyed EU countries wanted stronger corporate accountability laws.** In the same year, over half a million people and 700 civil society organisations across the globe demanded a strong EU law to hold companies accountable. In 2022, the global campaign Justice is Everybody's Business (JIEB) kicked off to bring people's demands to the EU's doorsteps[22].

From 2022 to 2023, the inclusion of the financial sector eclipsed the debate[23]. It was in this period that the EU's financial capitals and the finance lobby campaigned for full exclusion of the financial sector despite support[24] for the proposal from firms in the industry. With support from the French government, they eventually succeeded in limiting due diligence obligations to financial sector operations rather than services.

Meanwhile, debates on climate due diligence sharpened with member states campaigning for weaker language and omission of the Paris Agreement. This pushback is behind the limited way the CSDDD deals with climate due diligence.

With elections looming, the final stretch of the legislative process became the most troublesome. After the December 13 trilogue agreement, a vote by the diplomats on 9 February 2024 on the final text was going to be a formality. However, **the German Free Democrats (FDP) pulled a last-minute hat trick which derailed the decision-making process**; FDP launched an aggressive campaign, which went as far as spreading unfounded claims about the CSDDD and sidestepping the normal diplomatic channels, to derail a positive vote on the law. With the circus created by the FDP, several member states began expressing doubt and outright opposition to the law: Sweden, Austria, Estonia, Finland, Denmark, France, and Italy.

The Belgian Presidency pulled CSDDD from the Council agenda three times – a delay that spanned several weeks and bought the presidency time to broker a new consensus among member states, particularly voting heavyweights Germany, Italy, and France.



At the last hour, before another vote attempt, **France requested a narrower scope that doubled the employee threshold (from 500 to 1000) and more than doubled the turnover threshold (from 150 to 450 million euros)**. Meanwhile, key countries proved non-committal to the trilogue agreement and tabled revisions that would water it down further, including gutting high-risk sector provisions, director's duties, some downstream activities and prolonging the phase-in period. This last-minute turnaround has been attributed to the FDP-led campaign, election mania, and the undue corporate influence[25] on EU capitals. On 28 February 2024, when the text was officially tabled for sign-off by diplomats after weeks of delay, it failed to be adopted. At this point, media reporting of the final death of CSDDD kicked in, bolstering the cynical narrative of the corporate lobby.

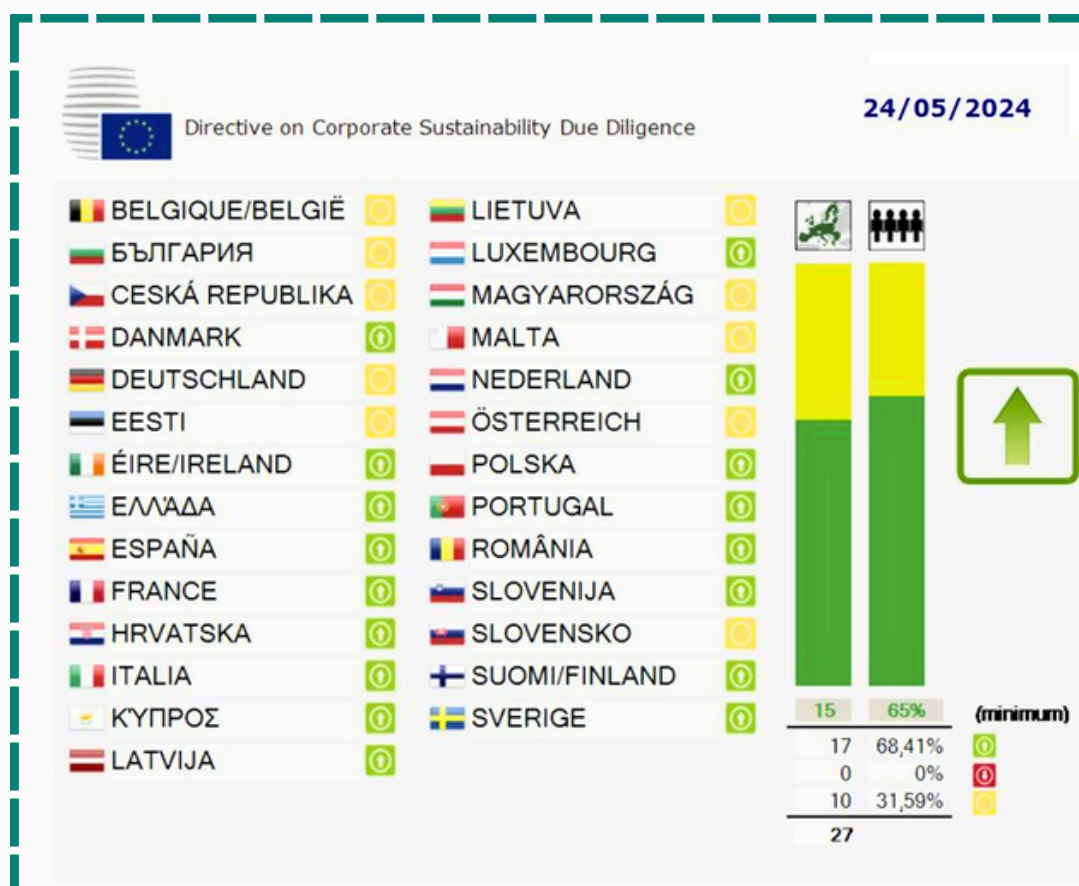
Civil society sprung into action to protect the hard-won compromise text and sound the alarm about the damage being done to the integrity of the EU's decision-making and democratic process. Within 24 hours, ECCJ and the JIEB campaign organised a webinar[26] that was attended by 100 journalists from significant national and international news channels and published a mini myth buster[27]. Some have opted for social media storms, blogs, media commentary and pitches, and petitions, while others lobbied national governments. Stunts like the Traffic Jam and the Embassy Tour brought the people's demands to the doorsteps of blocking countries. **These initiatives have kept up the pressure on key decision-makers to finalise the CSDDD and ensure the file does not die in darkness.**

These collective efforts combined with the diplomacy of the Belgian Presidency ensured that when a new compromised version of CSDDD was put up for a vote on 15 March 2024, it was adopted with no votes against it. **Notably, Germany, Sweden, Bulgaria, Czech Republic, Lithuania, Slovakia and Malta abstained.** The European Parliament Legal Affairs Committee also rubber-stamped the watered-down text in a vote[28] the following week.

The final stages of the adoption process proceeded without a hitch. On 24 April 2024, the CSDDD cleared the final plenary vote with 374 votes in favour, 235 against mainly from members of EPP and the far-right, and 19 abstentions. A big sigh of relief could be heard across our networks which had been working tirelessly for weeks to keep the light on CSDDD.

Our collective action escalated pressure on the EU while foregrounding victims of corporate abuse from the Niger Delta in Nigeria to Rana Plaza in Bangladesh. Another COREPER vote on 15 May green-lighted the law.

A final vote on 24 May 2024 by the Competitiveness Council brought the law over the finish line with 17 member states in favour and 10 abstentions from countries such as Belgium, Germany, Austria, and Hungary.



What next?

On 5 July 2024 entered into force after publication in the EU's official journal, bringing the transposition deadline to 26 July 2026.

EU member states have two years to transpose the directive into national law. This is an opportunity for them to go beyond the minimum requirements and enact an ambitious due diligence law. Member states must embrace a higher level of ambition that is more aligned with the UN and OECD guidelines, for example, by bringing in scope companies' full value chain, including downstream business relationships. Thereafter, implementation of the law will be phased in, starting in 2027.

The intervening three years will be crucial for turning this law into an impactful tool for people and the planet. The corporate lobbies have shown their commitment to derailing this legislation and any similar attempts to regulate corporate conduct. Some of the big fossil fuel companies they represent continue to demonstrate a knack for evading accountability[29]. This context serves as a reminder not only of the critical juncture we stand at but also of the need to continue pushing for corporate accountability and justice.



In the face of corporate power, impunity, and greenwashing civil society has proven an essential counterbalance. In the coming years, civil society will have a crucial role in monitoring and holding complacent countries responsible for a swift and proper transposition of CSDDD. Monitoring and recording company compliance could help civil society actors play a key role in the auditing and sanctioning of company conduct. CSOs will also be key to the EU's review of CSDDD which is due in 2030.



Member states can also seize the opportunity to prepare for implementation by, for example, strengthening the enforcement capabilities of authorities by allocating resources.



This law is a long-awaited tool for vulnerable communities, and they must be supported in the coming years to use it to the fullest extent to assert their rights.



The work on the EU level must continue with attention to any efforts to roll back gains on corporate accountability. One key question for the new European Parliament and European Commission to take up is due diligence for financial and investment services. The earliest date the CSDDD sets for this question to be considered is 2024. Here, civil society will be crucial in keeping decision-makers' focus on the powerful financial backing behind corporate abuse and pollution.

Endnotes

- [1] UNHCHR (2011). [Guiding Principles on Business and Human Rights](#).
- [2] OECD (2023). [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#), OECD Publishing.
- [3] See [ClientEarth](#), [ECCJ](#), [Human Rights Watch](#), and [Global Witness](#).
- [4] European Coalition for Corporate Justice (2024). [REACTION CSDDD endorsement brings us 0.05% closer to corporate justice](#).
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- [6] Svetlana Onye and Walker Gawande (2024). [Imagining a clear vision of justice for the Niger Delta](#). Shado.
- [7] Raid (2024). [The Environmental and Human Costs of DRC's Cobalt Boom](#).
- [8] Friends of the Earth France et al. (2018). [The EU and the Corporate Impunity Nexus](#).
- [9] Greenpeace International (2021). ["Destruction Certified"](#).
- [10] World Benchmarking Alliance (2024). [2024 Social Benchmark](#).
- [11] CAN Europe (2023). [Diffusing Carbon Bombs](#).
- [12] Max Bearak (2023). [It's Not Just Willow: Oil and Gas Projects Are Back in a Big Way](#). New York Times.
- [13] World Benchmarking Alliance (2023). [2023 Oil and Gas Benchmark Insights Report](#).
- [14] Business & Human Rights Centre (2024). [Companies & Investors in Support of mHREDD](#).
- [15] AK Europa, European Coalition for Corporate Justice, et al. (2021). [Overwhelming public support for EU law to hold companies liable for human rights violations and environmental harms](#).

- [16] European Coalition for Corporate Justice (2021). [Over half a million people across the globe tell the EU to hold business accountable](#).
- [17] CAN Europe, Frank Bold, Reclaim Finance, et. al (2024). [Debunking 7 Myths on the EU's Due Diligence Law](#).
- [18] See webinars: [1](#) & [2](#)
- [19] 2022. [Civil society statement on the proposed Eu Corporate Sustainability Due Diligence Directive](#).
- [20] Friends of the Earth Europe and Corporate Europe Observatory (2022). [INSIDE JOB: How business lobbyists used the Commission's scrutiny procedures to weaken human rights and environmental legislation](#).
- [21] See [CAN Europe](#) and [ECCJ](#) mythbusters.
- [22] [Justice is Everybody's Business](#)
- [23] Richard Gardiner (2023). [Déjà vu: Financial sector and corporate sustainability due diligence, in or out? Euractiv](#).
- [24] Business and Human Rights Resource Centre (2023). [Statements show widespread support for inclusion of financial activities in the Corporate Sustainability Due Diligence Directive](#).
- [25] [Lara Wolters reacts to Council Vote](#), February 2024.
- [26] ECCJ (2024). Event: [Confronting the Disinformation on the CSDDD](#).
- [27] ECCJ (2024). Briefing: [Addressing Disinformation on CSDDD. Separating Fact from Fiction](#).
- [28] Committee on Legal Affairs (2024). [Results of roll call votes](#).
- [29] SOMO (2024). [Selling Out the Niger Delta](#).

Resources

CAN Press Release

- [Weakened corporate sustainability law crosses finish line](#), 24 April 2024
- [EU Council's failure to endorse CSDDD is a major setback on corporate accountability](#), 28 February 2024

Commentary

- [Rapid reactions and commentary online \[2023 - 2024\]](#)

Joint press release

- [We say YES to the CSDDD](#), 28 February 2024

Mythbuster:

- [Debunking 7 Myths on the EU's Due Diligence Law](#)

Report

- [Defusing Carbon Bombs, 2023](#)

From Our Members

Webinars

- [ActionAid International & WIDE+, May 2024, Corporate Responsibility in the EU - What's the feminist way forward?](#)

Press Releases

- [Client Earth \[EU | EN\]](#)
- [CNCD 11.11.11 \[Belgium | FR\]](#)
- [Friends of the Earth Germany \[Germany | DE\]](#)
- [Global Witness \[EU | EN\]](#)
- [WWF Sweden \[Sweden | SWE\]](#)

