

European Parliament adopts position on Corporate Sustainability Due Diligence Directive (CSDDD)

What will the CSDDD regulate?

- The proposed Corporate Sustainability Due Diligence Directive (CSDDD) provides for holding companies accountable for **human rights and environmental violations** along their value chain.

What has been decided?

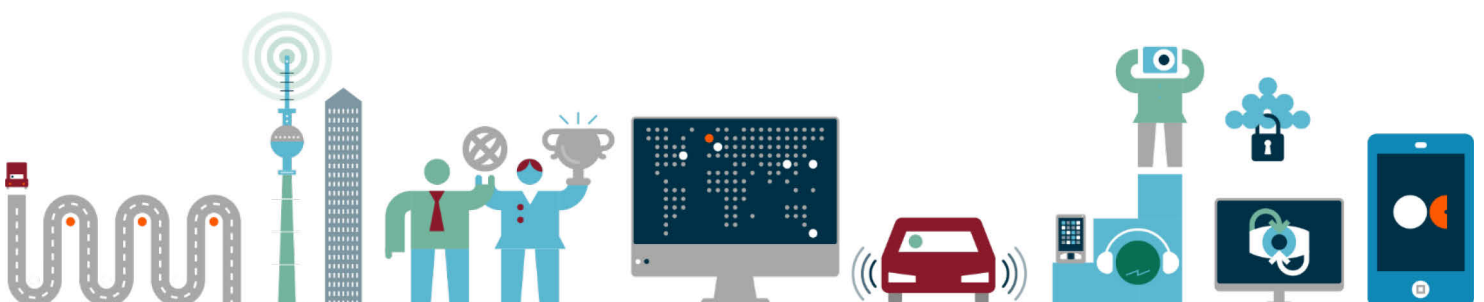
- On **1 June 2023**, the EU Parliament adopted the negotiating position on the draft CSDDD submitted by the European Commission in 2022.
- The proposal was adopted by the European Parliament with a majority of 366 votes to 225 and provides for a tightening and extension of the original legislative proposal of the EU Commission.

Who will be affected by the CSDDD under the Parliament's proposal?

- Companies based in the EU with:
 - More than 250 employees.
 - More than EUR 40 million annual turnover.
- Companies based outside the EU with
 - More than EUR 150 million annual turnover, of which at least 40 million generated in the EU.

What are the fundamental changes compared to the Commission's proposal?

- **Extension of the scope** to a larger number of enterprises:
 - In the original draft, the limits are 500 employees and EUR150 million in annual turnover.
- Commitment by companies to **develop a plan** that ensures that both corporate strategy and business model are consistent with the transition to a sustainable economy and the limitation of global warming to **1.5 degrees Celsius** in accordance with the Paris Agreement.
- **Sanctions and monitoring mechanisms** for companies:
 - Penalties that can amount to up to 5% of the company's worldwide turnover.
- Article 26 (which would have required company managers to monitor compliance with due diligence obligations) was deleted.



Where do we go from here?

- Now the next step is the **trilogue talks** in which the European Parliament, the Council and the Commission will finally negotiate the directive.
- An agreement is expected by the end of this year.
- Then, by the end of 2025 at the latest, the EU directive is expected to be transposed into national law and the German Supply Chain Sourcing Obligations Act is expected to be amended.

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What are the main points of contention in the development of the CSDDD?

- Scope of the directive and the scope of the value chain.
- Civil liability of companies (previously included in both drafts).
- Mandatory inclusion of the financial sector.
- Concretisation of environmental and human rights standards.



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