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EU's Corporate Sustainability Due Diligence Directive: A Bold Step Towards Responsible Business Practices



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On 1 June 2023, the European Parliament adopted the European Commission's final proposal (COM/2022/71 final) on the [Corporate Sustainability Due Diligence Directive](#) (the CSDDD). The CSDDD is part of the [European Green Deal](#) and, together with other regulatory initiatives such as the [Corporate Sustainability Reporting Directive](#) (CSRD) and the [EU Taxonomy Regulation](#), aims at harvesting sustainable and responsible corporate behavior.

The CSDDD require companies operating in the EU to adopt due diligence procedures, imposing a "duty of care", to identify, prevent and mitigate adverse impacts of their actions [on human rights and the environment](#), including the operations of their subsidiaries and all entities in their value chains with which they have direct and indirect business relationships.

Entities covered by the CSDDD are divided into groups according to their revenue and total number of employees. Companies with a turnover of more than 150 million Euro (group 1 & 3) will additionally have to develop a plan to ensure that their business strategy is compatible with limiting global warming to 1.5 °C in line with the Paris Agreement.

However, the CSDDD raises practical challenges, particularly for small and medium-sized enterprises (SMEs) with limited resources. Compliance may require significant investments in monitoring systems, supplier audits, and capacity building.

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The CSDDD will be enforced at Member State-level and must be implemented by 2025 for larger entities (group 1 & 3) and by 2027 for all the other groups. Overall, its success will hinge on collaborative efforts between policymakers, businesses, legal professionals, and stakeholders to strike the right balance between ambitious environmental and social goals and practical implementation realities.

