Corporate Sustainability Due Diligence Directive

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Large companies obliged to pay greater attention to impact of businesses on human rights and the environment

Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859

Directive 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives 2022/2464 and 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements

Directive (EU) 2026/470 of the European Parliament and of the Council of 24 February 2026 amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting requirements and certain corporate sustainability due diligence requirements

Update

The Corporate Sustainability Due Diligence Directive (CS3D) establishes stricter due diligence obligations for large companies active in the European Union (EU). These companies must identify, prevent, and bring to an end any adverse impacts on human rights and the environment that arise from their operations. Most non-EU producers and suppliers will not be directly addressed by these obligations, but they will be required to provide more information on production and processing that will help large companies demonstrate that they meet new due diligence obligations.

In April 2025, the EU agreed to the one-year implementation delay proposed by the European Commission (Directive 2025/794). As a consequence, large companies must comply with these new requirements from 26 July 2029, with reports expected to be published in 2030.

In February 2026, the scope of companies that must comply with these rules has been reduced by about 70% to only include:

- EU companies with more than 5,000 employees and a net worldwide turnover above €1.5 billion
- non-EU companies with a net turnover above €1.5 billion within the EU.

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Large companies can only request information from their business partners that is necessary to meet due diligence requirements. Business partners of the large companies with fewer than 5,000 employees can only be asked to disclose information that cannot be obtained by other means.

Impacted products

All products

What is changing?

The aim of due diligence

This Directive sets out rules obliging large companies to identify any potential adverse impacts their business operations may have on human rights or the environment, and to take steps to prevent or mitigate and remedy those impacts. This process of managing human rights and environmental adverse impacts is termed “due diligence”. This exercise covers the company’s own operations, and those of its subsidiaries and business partners.

Companies that must perform due diligence

The Directive is aimed at larger companies that must comply directly with due diligence obligations. These companies are defined as:

- EU companies with more than 5,000 employees and a turnover above €1.5 billion (or the parent company of a group whose royalties are above of €75 million and with a net worldwide turnover of more than €275 million)
- non-EU companies with a net turnover above €1.5 billion within the EU (or the parent company of a group whose royalties in the EU are above €75 million and with a net turnover of more than €275 million in the EU).

Operators who supply large companies might be indirectly affected, as they could be requested to provide information and data to help those companies demonstrate due diligence.

Which rights and obligations?

Companies’ due diligence obligations cover the following.

- Rights listed in human rights instruments (including civil, political, social, and economic rights), provided they can be abused by a company (rather than a state), and provided that the company could have reasonably foreseen them in specific circumstances. These include the right to a fair wage/ adequate living wage, rights around child labour and forced labour,

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rights to freedom of association and collective bargaining, and rights to equal treatment (in line with International Labour Organization conventions). A detailed list can be found in Part I of the Annex to the Directive.

- Environmental prohibitions and obligations set out in conventions. Companies must not cause any environmental degradation, such as harmful soil change, water or air pollution, harmful emissions, excessive water consumption, or degradation of land or other natural resources. A detailed list can be found in Part II of the Annex to the Directive.

Key due diligence obligations

Companies that need to perform due diligence must take the following measures.

- Integrate risk-based due diligence into all corporate policies and develop:
  - a long-term approach to due diligence
  - a code of conduct
  - processes for implementing due diligence/ verifying compliance with their code of conduct (Art. 7).
- Identify areas across their own and their partners' operations where adverse impacts on human rights or the environment are most likely to occur and be most severe. Companies must not systematically identify adverse impacts but rather scope areas of activity based on generally available information, without requesting information from business partners. This information includes facts, situations, or circumstances (geography and context) in which business partners operate, and impacts should be prioritised based on their severity and likelihood (Arts. 8 and 9).
- Prevent potential adverse impacts, and end actual adverse impacts (Arts. 10 and 11).
- Measures will depend on whether the impact is caused by the company and/or its business partners, and on the company's ability to influence its partners. Measures can include:
  - implementing an action plan (possibly through an industry/ multi-stakeholder initiative)
  - demanding contractual assurances from a direct business partner, or from their partners, to meet the company's code of conduct
  - upgrading facilities
  - modifying business plans/ purchasing practices
  - providing support to small and medium-sized enterprise (SME) business partners
  - temporarily suspending relations with suppliers who do not comply with the obligations, until the adverse impact is addressed.
- Engage with stakeholders (employees of subsidiary companies, trade unions, consumers, local communities) to gather information on adverse impacts and formulate action plans (Art. 13).

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- Establish a complaints procedure to allow stakeholders to submit complaints about adverse impacts (Art. 14).
- Monitor implementation of due diligence at least every 5 years, or when the measures are no longer adequate or effective (Art. 15).
- Publish on the company's website a statement (detail to be defined in later legislation). Companies already reporting on sustainability under Directive 2013/34/EU (see New sustainability reporting obligations) do not need to publish this statement (Art. 16).

Information that can be required from business partners

Large companies must request information from business partners where the adverse impacts are most likely to occur. They can only request information from business partners with fewer than 5,000 employees when they cannot reasonably access this information by other means.

Managing due diligence

By 26 July 2027, the European Commission will develop due diligence guidelines and best practice on how to manage due diligence, particularly for identifying and prioritising adverse impacts, adapting purchasing practices, responsible disengagement, remediation, and engaging with stakeholders.

Penalties for companies that fail to respect due diligence obligations

Member States must establish "effective, proportionate and dissuasive" penalties for due diligence infringements, with any fines based on the company's net worldwide turnover (Art. 27). Fines cannot exceed 3% of the company's worldwide turnover. If a company intentionally or negligently fails to end and/or remediate an adverse impact, it will be liable for any such failure that directly leads to damage to individuals (civil liability) (Art. 29).

Why?

The Directive is a response to:

- growing demand from EU citizens to address the impacts of business on human rights and the environment
- the introduction of national laws on corporate due diligence in EU Member States (e.g. France, Germany; planned initiatives in Belgium, Luxembourg, Sweden) – different national approaches create different trading conditions for companies across the EU, potentially increasing costs and distorting competition among EU companies
- doubts about the ability of individual initiatives, particularly private voluntary standards, to make significant improvements to the supply chain.

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Timeline

The due diligence obligations will apply from **26 July 2029**.

What are the major implications for exporting countries?

Impacts on non-EU producers and suppliers

Large companies with due diligence obligations will have to identify general areas across their own operations, and those of their subsidiaries and business partners, where adverse impacts are most likely to occur and to be most severe. Where companies identify a higher risk of adverse impact, they will have to provide detailed information. This can come from public sources or from business partners. Companies must prioritise collection of information directly from their business partners where adverse impacts are most likely to occur. In practice, operators who supply large companies might therefore be indirectly affected by these rules, as they might be asked to provide information and data to help these companies demonstrate due diligence.

Companies are expected to engage with non-EU stakeholders (exporters, processors, producers) in order to assess adverse impacts. They should do this whenever they believe risks may arise, such as when sourcing from a new geographical region. There are limits on the information that can be requested but suppliers are advised to be prepared to provide information on human rights and environmental impacts to help reassure business partners of the absence of adverse impacts.

Large companies with due diligence obligations must develop their own codes of conduct, and they may include clauses in their contracts with suppliers requiring compliance with these codes. However, contractual assurances alone are not enough to demonstrate that a buyer has met due diligence requirements, and stakeholder engagement will still be required. The Commission must adopt guidance on voluntary model contract clauses by 26 January 2027.

Participation in third-party voluntary schemes

Voluntary third-party assurance schemes that aim to support social and environmental standards – implemented by governments, industry, or non-governmental organisations – can be used by large companies to demonstrate that they are taking appropriate measures to identify and manage adverse impacts, provided the scheme is objective and independent of the company. Participating in such schemes is not a guarantee that they meet due diligence requirements, but can be used as evidence of good practice.

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Can due diligence bring improvements for smallholders?

Among the human rights that must be respected is the right "to enjoy just and favourable conditions of work, including a fair wage and an adequate living wage for employed workers and an adequate living income for self-employed workers and smallholders". The recognition of this right has been welcomed by those advocating for fair trade (Fairtrade International and FTAO 2024).

Recommended Actions

Exporting agri-food sectors will need to work together to ensure they can respond to the demands of the Directive. The precise information required by large companies will become clearer over time (clarified by future Commission guidance), but the following actions will probably be needed (European Commission 2022).

- Engaging with large EU companies to ensure that each human right and labour/ environmental standard has clearly defined and agreed actions for implementation, metrics for measurement and reporting, and the means to meet due diligence requirements. Producers and suppliers need to be proactive to control social and environmental priorities and to develop and manage action plans.
- Establishing definitions and systems for the collection, verification, and publication of relevant data. International standards such as the Organisation for Economic Co-operation and Development's (OECD) Due Diligence Guidance for Responsible Business Conduct and Guidelines for Multinational Enterprises on Responsible Business Conduct are important reference points.
- Upgrading voluntary standards initiatives. Existing initiatives may not cover the range of economic, social, and environmental issues covered by the new Directive, and users of standards will have to adapt to changing requirements.

Background

In February 2025, the European Commission published a proposal to change certain parts of the initial Corporate Sustainability Due Diligence Directive 2024/1760 (CS3D) to reduce the regulatory burden and potential negative economic impacts on companies. This is one of a series of proposals ("Simplification Omnibus Packages") aimed at stimulating EU growth and competitiveness, while reducing administrative burdens.

The proposed changes are in response to the following concerns.

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- Such regulatory burdens could reduce the EU's competitiveness (Draghi 2024) and indirectly its capacity to meet its Green Deal objectives (European Commission 2025b).
- SMEs have reported concerns about unrealistic and disproportionate demands for information from their business partners (European Commission 2025a).
- Having different obligations for companies under different rules – such as the CS3D and the Corporate Sustainability Reporting Directive (CSRD) – creates additional burdens for companies and may also deter sustainable finance (European Commission 2025a). Aligning legislation helps to reduce the assessment and reporting duties that companies face.

The CS3D directive is a legal act adopted by the EU that sets goals or obligations for all EU countries to achieve. Each EU country must incorporate the directive into its respective national law (a process known as *transposition*), meaning that they individually decide the form of the rules and methods to use.

Resources

Draghi, M. (2024) The future of European competitiveness. European Union.

European Commission (2022) Making mandatory human rights and environmental due diligence work for all.

European Commission (2025a) Commission Staff Working Document Accompanying the documents […] COM(2025)80 and COM(2025)81

European Commission (2025b) Questions and Answers on Simplification Omnibus I and II

Fairtrade International and FTAO (2024) A diluted EU due diligence law is still better than none. Fair Trade International and Fair Trade Advocacy Office, News, 15 March.

OECD (2018) OECD Due Diligence Guidance for Responsible Business Conduct. Organisation for Economic Co-operation and Development.

OECD (2023) OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Organisation for Economic Co-operation and Development.

OHCHR (2012) Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework. United Nations Office of the High Commissioner for Human Rights.

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Sources

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Directive (EU) 2025/794 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements

Directive (EU) 2024/1760 on corporate sustainability due diligence

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