Procedure file

Basic information

COD - Ordinary legislative procedure (ex-codecision procedure) Directive	2022/0051(COD)	Procedure completed
Corporate Sustainability Due Diligence Amending Directive 2019/1937 2018/0106(COD) Subject 3.45.01 Company law 3.70.20 Sustainable development Legislative priorities Joint Declaration 2023-24 Joint Declaration 2022		

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
JURI Legal Affairs		28/02/2022
	S&D WOLTERS Lara	
	Shadow rapporteur	
	epp VOSS Axel	
	renew europe. VÁZQUEZ LÁZARA Adrián	
	HAUTALA Heidi	
	ECR BUXADÉ VILLALBA Jorge	
	LEBRETON Gilles	
	AUBRY Manon	

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs (Associated committee)		11/05/2022
	S&D GLUCKSMANN Raphaël	
DEVE Development		22/03/2022
	S&D MAJORINO Pierfrancesco	
INTA International Trade (Associated committee)		14/07/2022

		renew europe. ANDREWS Barry	
	CONT Budgetary Control	The committee decided not to give an opinion.	
	ECON Economic and Monetary Affairs (Associated committee)	S&D REPASI René	03/03/2022
	EMPL Employment and Social Affairs (Associated committee)	renew europe. RAFAELA Samira	05/09/2022
	ENVI Environment, Public Health and Food Safety (Associated committee)	S&D WÖLKEN Tiemo	10/05/2022
	ITRE Industry, Research and Energy	renew europe. DLABAJOVÁ Martina	19/04/2022
	IMCO Internal Market and Consumer Protection	epp CLUNE Deirdre	21/04/2022
	CULT Culture and Education	The committee decided not to give an opinion.	
	LIBE Civil Liberties, Justice and Home Affairs	The committee decided not to give an opinion.	
	AFCO Constitutional Affairs	The committee decided not to give an opinion.	
	FEMM Women?s Rights and Gender Equality	The committee decided not to give an opinion.	
Council of the European Union			
European Commission	Commission DG	Commissioner	
	Justice and Consumers	REYNDERS Didier	
European Economic and Social Committee			

Key events

23/02/2022	Legislative proposal published	COM(2022)0071	Summary
04/04/2022	Committee referral announced in Parliament, 1st reading		
15/09/2022	Referral to associated committees announced in Parliament		
25/04/2023	Vote in committee, 1st reading		
08/05/2023	Committee report tabled for plenary, 1st reading	A9-0184/2023	
31/05/2023	Debate in Parliament		

01/06/2023	Decision by Parliament, 1st reading	T9-0209/2023	Summary
01/06/2023	Matter referred back to the committee responsible		
19/03/2024	Approval in committee of the text agreed at 1st reading interinstitutional negotiations		
24/04/2024	Results of vote in Parliament		
24/04/2024	Decision by Parliament, 1st reading	T9-0329/2024	Summary
24/05/2024	Act adopted by Council after Parliament's 1st reading		
13/06/2024	Final act signed		
05/07/2024	Final act published in Official Journal		

Technical information

Procedure reference	2022/0051(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2019/1937 2018/0106(COD)
Legal basis	Rules of Procedure EP 57_o; Treaty on the Functioning of the EU TFEU 050-p1; Treaty on the Functioning of the EU TFEU 114-p1
Mandatory consultation of other institutions	European Economic and Social Committee
Stage reached in procedure	Procedure completed
Committee dossier	JURI/9/08434

Documentation gateway

Legislative proposal		COM(2022)0071	23/02/2022	EC	Summary
Document attached to the procedure		SEC(2022)0095	24/02/2022	EC	
Document attached to the procedure		SWD(2022)0038	24/02/2022	EC	
Document attached to the procedure		SWD(2022)0039	24/02/2022	EC	
Document attached to the procedure		SWD(2022)0042	24/02/2022	EC	
Document attached to the procedure		SWD(2022)0043	24/02/2022	EC	
Economic and Social Committee: opinion, report		CES1327/2022	13/07/2022	ESC	
Committee draft report		PE738.450	07/11/2022	EP	
Amendments tabled in committee		PE739.674	06/12/2022	EP	
Amendments tabled in committee		PE739.675	07/12/2022	EP	
Amendments tabled in committee		PE739.676	07/12/2022	EP	
Amendments tabled in committee		PE739.677	08/12/2022	EP	

Amendments tabled in committee		PE739.717	08/12/2022	EP	
Committee opinion	ITRE	PE736.458	25/01/2023	EP	
Committee opinion	INTA	PE737.332	26/01/2023	EP	
Committee opinion	AFET	PE736.653	31/01/2023	EP	
Committee opinion	DEVE	PE736.709	01/02/2023	EP	
Committee opinion	ENVI	PE734.465	10/02/2023	EP	
Committee opinion	IMCO	PE736.656	03/03/2023	EP	
Committee opinion	ECON	PE736.711	06/03/2023	EP	
Committee opinion	EMPL	PE735.813	09/03/2023	EP	
Committee report tabled for plenary, 1st reading/single reading		A9-0184/2023	08/05/2023	EP	
Text adopted by Parliament, partial vote at 1st reading/single reading		T9-0209/2023	01/06/2023	EP	Summary
European Central Bank: opinion, guideline, report		CON/2023/0015 OJ C 249 14.07.2023, p. 0003	06/06/2023	ECB	
Text adopted by Parliament, 1st reading/single reading		T9-0329/2024	24/04/2024	EP	Summary
Draft final act		00009/2024/LEX	13/06/2024	CSL	
Commission response to text adopted in plenary		SP(2024)394	08/08/2024	EC	

Additional information

Research document	Briefing	16/05/2022

Final act

Directive 2024/1760
OJ OJ L 05.07.2024 Summary

Corporate Sustainability Due Diligence

PURPOSE: to lay down an EU legal framework on sustainable corporate governance, including cross-sector corporate due diligence along global value chains.

PROPOSED ACT: Directive of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: EU companies operate in complex surroundings and, especially large ones, rely on global value chains. Given the significant number of their suppliers in the Union and in third countries and the overall complexity of value chains, EU companies, including the large ones, may encounter difficulties to identify and mitigate risks in their value chains linked to respect of human rights or environmental impacts.

Identifying these adverse impacts in value chains will become easier if more companies exercise due diligence and thus more data is available on human rights and environmental adverse impacts.

A number of Member States have already introduced national rules on due diligence and some companies have taken measures at their own initiative. However, there is need for a larger scale improvement that is difficult to achieve with voluntary action.

CONTENT: the proposed Directive will set out a horizontal framework to foster the contribution of businesses operating in the single market to the respect of the human rights and environment in their own operations and through their value chains, by identifying, preventing, mitigating and accounting for their adverse human rights, and environmental impacts, and having adequate governance, management systems and measures in place to this end.

Subject matter

The proposal lays down rules on obligations for companies regarding actual and potential human rights adverse impacts and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the value chain operations carried out by entities with whom the company has an established business relationship and on liability for violations of the obligations mentioned above.

In order to comply with the corporate due diligence duty, companies need to:

- integrate due diligence into policies;

- identify actual or potential adverse human rights and environmental impacts;

- prevent or mitigate potential impacts;

- bring to an end or minimise actual impacts;

- establish and maintain a complaints procedure;

- monitor the effectiveness of the due diligence policy and measures;

- and publicly communicate on due diligence.

Scope

The proposed Directive shall apply to companies which are formed in accordance with the legislation of a Member State and which fulfil one of the following conditions:

EU companies:

Group 1: all EU limited liability companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide).

Group 2: Other limited liability companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide and more. For these companies, rules will start to apply 2 years later than for group 1.

Non-EU companies active in the EU with turnover threshold aligned with Group 1 and 2, generated in the EU.

SMEs are not directly in the scope of this proposal however they could be impacted by its provisions as contractors or subcontractors to the companies which are in the scope. Therefore, the proposal includes, accompanying measures, which will support all companies, including SMEs, that may be indirectly affected. Measures include the development of individually or jointly dedicated websites, platforms or portals and potential financial support for SMEs.

Monitoring

Companies should monitor the implementation and effectiveness of their due diligence measures. They should carry out periodic assessments of their own operations, those of their subsidiaries and, where related to the value chains of the company, those of their established business relationships, to monitor the effectiveness of the identification, prevention, minimisation, bringing to an end and mitigation of human rights and environmental adverse impacts. Such assessments should verify that adverse impacts are properly identified, due diligence measures are implemented and adverse impacts have actually been prevented or brought to an end. In order to ensure that such assessments are up-to-date, they should be carried out at least every 12 months and be revised in-between if there are reasonable grounds to believe that significant new risks of adverse impact could have arisen.

Directors duty of care

Member States should ensure that, when fulfilling their duty to act in the best interest of the company, directors of companies take into account the consequences of their decisions for sustainability matters, including, where applicable, human rights, climate change and environmental consequences, including in the short, medium and long term.

European Network of Supervisory Authorities

The Commission should set up a European Network of Supervisory Authorities that will bring together representatives of the national bodies, in order to ensure a coordinated approach and enable knowledge and experience sharing.

Fines

Member States should supervise that companies comply with their due diligence obligations. They could impose fines to companies, or issue orders requiring the company to comply with the due diligence obligation.

It is particularly important to enable victims to obtain compensation for damage. Therefore, the proposal will also give those affected by harm the opportunity to hold companies to account. This means that victims will have the possibility to bring a civil liability claim before the competent national courts.

Corporate Sustainability Due Diligence

The European Parliament adopted by 366 votes to 225, with 38 abstentions, amendments to the proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending Directive (EU) 2019/1937.

The matter was referred back to the committee responsible for inter-institutional negotiations.

Companies obligations

Parliament specified that the directive should lay down rules on companies' obligations regarding actual and potential negative impacts on

human rights and the environment that they have caused, contributed to or are directly involved in, with regard to their own activities, and those of their subsidiaries.

Companies would be required to identify and, where appropriate, prevent, bring to an end or mitigate the negative impact of their activities on human rights and the environment, such as child labour, slavery, labour exploitation, pollution, environmental degradation and loss of biodiversity. They should also monitor and assess the impact of their business partners, not only suppliers, but also sales, distribution, transport, storage, waste management and other areas.

Scope of application

The new rules will apply to EU-based companies, regardless of their sector, including financial services, with more than 250 employees and a worldwide turnover over EUR 40 million as well as to parent companies with over 500 employees and a worldwide turnover of more than EUR 150 million. Non-EU companies with a turnover higher than EUR 150 million, if at least EUR 40 million was generated in the EU, will also be included.

Integration of due diligence

Companies covered by the Directive should:

- integrate due diligence into their corporate policies, identify and, where necessary, prioritise, prevent, mitigate, remedy, eliminate and minimise potential and actual adverse impacts on human rights, the environment and good governance;

- establish or participate in a mechanism for the notification and out-of-court handling of complaints,

- monitor and verify the effectiveness of actions taken in accordance with the requirements set out in the Directive,

- communicate publicly on their due diligence and consult relevant stakeholders throughout this process.

Member States should ensure that parent undertakings can take action to help ensure that their subsidiaries falling within the scope of the Directive comply with their obligations.

Companies should apply a due diligence policy that is proportionate and commensurate to the degree of severity and the likelihood of the adverse impact and commensurate to the size, resources and capacities of the company, taking into account the circumstances of the specific case, including the nature of the adverse impact, characteristics of the economic sector, the nature of the companys specific activities, products, services, the specific business relationship.

In conflict-affected and high-risk regions, companies should uphold their obligations under international humanitarian law and demonstrate heightened, conflict-sensitive due diligence in their operations and business relationships.

Prevention of potential negative impacts

Companies would be required to take the following steps, as appropriate:

- consider establishing contractual arrangements with partners with whom the company has a business relationship, obliging them to comply with the company's code of conduct and, where appropriate, a prevention action plan;

- take necessary modifications, improvements to, withdrawals of or investments in, the companys own operations, such as into management, production or other operational processes, facilities, products and product traceability, projects, services and skills;

- adapt business models and strategies, including purchasing practices, including those which contribute to living wages and incomes for their suppliers, in order to prevent potential adverse impacts, and develop and use purchase policies that do not encourage potential adverse impacts on human rights or the environment;

- take appropriate measures to ensure that the composition, design and commercialisation of a product or service is in line with Union law and does not lead to adverse impacts, be it individual or collective. In this regard, particular attention shall be paid to potential adverse impact on children.

Mitigating actual negative impacts

Where a company has caused or contributed to an actual adverse impact, it should take steps to remedy or contribute to the remedy of that adverse impact and any harm it has caused to people or the environment. Remedial measures would aim to restore the affected individuals, groups, communities and/or the environment to a situation equivalent to, or as close as possible to, that which existed prior to the adverse impact.

Exchanges with stakeholders

The new rules would also require companies to engage in dialogue with those affected by their actions, including human rights and environmental defenders. Companies would also be required to regularly monitor the effectiveness of their due diligence policies. To facilitate investor access, information on a company's due diligence policy should also be available on the European Single Access Point (ESAP).

Employees and their representatives should be informed by their company of its due diligence policy and its implementation.

Guidelines

To provide support to companies or to Member State authorities, the Commission, in consultation with Member States, the European cross-industry and sectoral social partners and other relevant stakeholders, should issue clear and easily understandable guidelines, including general and sector- specific guidance, in order to facilitate compliance in a practical manner. Each Member State should designate one or more national helpdesks for corporate sustainability due diligence.

Combating climate change

Companies should implement a transition plan to limit global warming to 1.5°C. Companies with more than 1 000 employees on average should have an effective policy in place to ensure that part of any variable remuneration for directors is linked to the companys transition plan.

Sanctions

Non-compliant companies will be liable for damages and can be sanctioned by national supervisory authorities. Sanctions include measures such as naming and shaming, taking a companys goods off the market, or fines of at least 5% of the net worldwide turnover. Non-EU companies that fail to comply with the rules will be banned from public procurement in the EU

Corporate Sustainability Due Diligence

The European Parliament adopted by 374 votes to 235, with 19 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937.

The European Parliaments position adopted at first reading under the ordinary legislative procedure amends the proposal as follows:

Subject matter and scope

The proposed Directive lays down rules on obligations for companies regarding actual and potential human rights adverse impacts and environmental adverse impacts, with respect to their own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies.

This Directive should apply to companies established in the Union with more than 1 000 employees on average and a net worldwide turnover exceeding EUR 450 million. It should also apply to companies with franchising or licensing agreements in the EU ensuring a common corporate identity with worldwide turnover higher than EUR 80 million if at least EUR 22.5 million was generated by royalties. Non-EU companies, parent companies and companies with franchising or licensing agreements in the EU reaching the same turnover thresholds in the EU should also be covered.

Due diligence

Companies should integrate due diligence into all their relevant policies and risk management systems and have in place a due diligence policy that ensures risk-based due diligence.

The due diligence policy should be developed in prior consultation with the companys employees and their representatives, and contain all of the following: (a) a description of the companys approach, including in the long term, to due diligence; (b) a code of conduct describing rules and principles to be followed throughout the company and its subsidiaries, and the companys direct or indirect business partners; (c) a description of the processes put in place to integrate due diligence into the companys relevant policies and to implement due diligence.

Member States should require companies to retain documentation regarding the actions carried out to fulfil their due diligence obligations for the purpose of demonstrating compliance, including supporting evidence, for at least 5 years from the moment when such documentation was produced or obtained.

Companies should adopt and put into effect 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 °C in line with the Paris Agreement.

Bringing actual adverse impacts to an end

Member States should ensure that companies take appropriate measures to bring actual adverse impacts that have been, or should have been, identified to an end. They should:

- neutralise the adverse impact or minimise its extent;

- seek contractual assurances from a direct business partner that it will ensure compliance with the companys code of conduct and, as necessary, a prevention action plan;

- make necessary financial or non-financial investments in, adjustments or upgrades of, for example, facilities, production or other operational processes and infrastructures;

- make necessary modifications of, or improvements to, the companys own business plan, overall strategies and operations, including purchasing practices, design and distribution practices;

- provide targeted and proportionate support for a small and medium-sized enterprise (SME) which is a business partner of the company, where necessary in light of the resources, knowledge and constraints of the SME, including by providing or enabling access to capacity-building, training or upgrading management systems.

Remediation

Where a company has caused or jointly caused an actual adverse impact, the company should provide remediation. Where the actual adverse impact is caused only by the companys business partner, voluntary remediation may be provided by the company. The company may also use its ability to influence the business partner causing or jointly causing the adverse impact to enable remediation.

Member States should ensure that a company can be held liable for damage caused to a natural or legal person, provided that the company intentionally or negligently failed to comply with the obligations. Where a company is held liable, a natural or legal person should have the right to full compensation for the damage, in accordance with national law.

Monitoring and penalties

The Commission should set up a European network of supervisory authorities to support cooperation and the exchange of best practice. Member States should provide companies with detailed online information on their duty of care obligations via practical portals containing the Commission's guidance. They should also set up or designate a supervisory authority responsible for investigating and imposing sanctions on companies that fail to comply with their obligations.

When pecuniary penalties are imposed, they should be based on the companys net worldwide turnover. The maximum limit of pecuniary penalties should 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.

Corporate Sustainability Due Diligence

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 companys 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.

Transparency

HAUTALA Heidi	Shadow rapporteur	JURI	23/04/2024	DHL Group International Organisation of Employers International Labour Organization BDA Die Arbeitgeber
HAUTALA Heidi	Shadow rapporteur	JURI	18/04/2024	Cisco Systems Inc. European Coalition for Corporate Justice FERRERO International Responsible Business Alliance Shift Project Limited amfori - Trade with Purpose International Trade Centre
HAUTALA Heidi	Shadow rapporteur	JURI	16/04/2024	The Shift Project
HAUTALA Heidi	Shadow rapporteur	JURI	10/04/2024	UN Human Rights
HAUTALA Heidi	Shadow rapporteur	JURI	05/04/2024	HOK-Elanto
CAVAZZINI Anna	Shadow rapporteur for opinion	INTA	02/04/2024	adidas AG
HAUTALA Heidi	Shadow rapporteur	JURI	20/03/2024	Paulig Group Hannes Snellman Attorneys Impaktly
ANDREWS Barry	Rapporteur for opinion	INTA	20/03/2024	Ernst & Young Core Business Services BV (Conference)
CAVAZZINI Anna	Shadow rapporteur for opinion	INTA	19/03/2024	Mars Incorporated
CAVAZZINI Anna	Shadow rapporteur for opinion	INTA	15/03/2024	Richter& Hess Verpackungen, Max Knobloch Gmbh IHK Chemnitz
DIDIER Geoffroy	Member	03/04/2024	France Industrie	
TOUSSAINT Marie	Member	07/03/2024	Notre Affaire à Tous	
TOUSSAINT Marie	Member	31/01/2024	European Coalition for Corporate Justice	
ECKE	Member	27/10/2023	Elbe Flugzeugwerke GmbH	

Matthias				
COVASSI Beatrice	Member	05/07/2023	Accountancy Europe ShareAction Europe Stichting World Benchmarking Alliance Foundation Eurosif	
TOUSSAINT Marie	Member	21/06/2023	ECCJ	
TOUSSAINT Marie	Member	05/06/2023	ECCJ	
MACMANUS Chris	Member	31/05/2023	Irish Coalition for Business and Human Rights Christian Aid Ireland	
HAHN Svenja	Member	30/05/2023	Dachverband Entwicklungspolitik Baden-Württemberg e.V. (DEAB)	
TOUSSAINT Marie	Member	25/05/2023	ECCJ	