

EXPLORING THE CSDDD

DELVING INTO THE SUSTAINABILITY DUE DILIGENCE
DIRECTIVE & COMPLIANCE

White paper

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Deep dive into the directive

What is the CSDDD?

The European Union's (EU) Corporate Sustainability Due Diligence Directive, also known as CS Triple D, CS3D and CSDDD, requires in-scope EU and non-EU organizations to conduct human rights and environmental due diligence across their operations, subsidiaries and value chains.

An EU first

The directive is the first EU legislation to mandate organizations to adopt a climate transition plan and fits with the EU's [Corporate Sustainability Reporting Directive \(CSRD\)](#) and associated standards.

Large companies within the scope must have a plan to ensure that their business strategies are compatible with limiting global warming to 1.5°C, in line with the Paris Agreement and other targets.

Why is the CSDDD important?

The CSDDD establishes a corporate due diligence duty. The core elements concern identifying, ending, preventing, mitigating and accounting for negative human rights and environmental impacts in the company's operations, subsidiaries and value chains.

The goal is to foster sustainable and responsible corporate behavior while anchoring human rights and environmental considerations in organizations' operations and corporate governance.

The requirements aim to ensure that businesses address the adverse impacts of their actions, including those in their value chains inside and outside of Europe. This will reduce the risk of such adverse impacts within global value chains.

Also known as

The EU's Corporate Sustainability Due Diligence Directive is also known as the CSDDD, CS Triple D and CS3D.

When does the CSDDD apply?

Published in the Official Journal of the EU in July 2024, member states have until July 26, 2026, to transpose the directive into national legislation.

When it will apply depends on the organization's size:

Company category	Compliance deadline	Disclosures start
Large companies		
EU companies with: <ul style="list-style-type: none">• 5,000+ employees• EUR 1,500m+ net turnover worldwide	July 26, 2027	Financial year beginning on or after Jan 1, 2028
Non-EU companies with: <ul style="list-style-type: none">• EUR 1,500m+ turnover in the EU		
Medium-sized companies		
EU companies with: <ul style="list-style-type: none">• 3,000+ employees• EUR 900m+ net turnover worldwide	July 26, 2028	Financial year beginning on or after Jan 1, 2029
Non-EU companies with: <ul style="list-style-type: none">• EUR 900m+ turnover in the EU		
Other in-scope companies		
EU companies with: <ul style="list-style-type: none">• 1,000+ employees• EUR 450m+ net turnover worldwide	July 26, 2029	Financial year beginning on or after Jan 1, 2029
Non-EU companies with: <ul style="list-style-type: none">• ≥EUR 450m turnover in the EU		

Organizations based outside the EU may also need to comply if they do significant business in the EU.

The proposed rules do not concern micro companies and small and medium-sized enterprises (SMEs). However, the directive provides supporting and protective measures for SMEs that could be indirectly affected as value chain business partners.



How do I comply?

To comply, organizations must identify, prevent, mitigate and account for negative human rights and environmental impacts. Organizations must act to prevent or mitigate any potential impacts they identify and end or minimize any real impacts. If an organization fails to comply and damages occur, it might be liable and face financial penalties.

Directors are incentivized to contribute to sustainability and climate change mitigation goals. The directive also introduces duties for the directors of the EU companies covered. These include setting up and overseeing the implementation of due diligence processes and integrating due diligence into the corporate strategy.

In addition, when fulfilling their duty of acting in the company's best interests, directors must consider the human rights, climate change and environmental consequences of their decisions.

What are the due diligence steps?

There are six steps mirroring those in the Organisation for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Business Conduct:

1. Adopt a due diligence policy that outlines the organization's approach to due diligence and a code of conduct. Update these annually and integrate them into corporate policies

2. Identify potential and real adverse human rights and environmental impacts from its operations, subsidiaries and value chain's direct and indirect business relationships

3. Prevent or mitigate potential and/or minimize real adverse impacts. Develop and implement a preventative action plan, gain contractual assurances from business partners, make necessary investments and support SMEs. Terminate business ties, if needed

4. Create a complaints procedure that enables affected people and organizations to submit complaints concerning real or potential adverse impacts

5. Periodically assess the implementation and effectiveness of due diligence measures. This should be at least every 12 months or after a significant change

6. Organizations in the CSRD's scope must communicate relevant due diligence information through their annual reports. Companies not subject to the CSRD must publish an annual statement on their websites

For step 3, businesses must verify that their direct and indirect business partners comply with the steps and actions in their contractual assurances. Organizations can utilize an independent third party or industry initiative for this verification.

If organizations see potential and/or real adverse impacts in their value chains, they are encouraged to engage with their value chains to prevent and mitigate potential adverse impacts and/or minimize and end real adverse impacts.

Organizations are discouraged from terminating business relationships when adverse impacts materialize unless it is only temporary or a last resort.

What are the benefits of compliance?

We can help you realize the business benefits of the directive, including:

- A harmonized legal framework in the EU, creating legal certainty and a level playing field
- Enhanced customer trust and employee commitment
- Greater awareness of organizations' negative environmental and human rights impacts
- Better risk management and adaptability
- Increased attractiveness for talent, sustainability-oriented investors and public procedures
- More attention to innovation
- Better access to finance

Besides these, the directive will support citizens and developing countries.

Citizens:

- Greater protection of human rights, including labor rights
- A healthier environment for current and future generations
- Increased trust in business
- Greater transparency that enables informed choices
- Better access to justice for victims

Developing countries:

- Better protection of human rights and the environment
- Enhanced stakeholder awareness of key sustainability issues

- Sustainable investment
- Improved sustainability-related practices
- Greater uptake of international standards
- Improved living conditions for people

How will the CSDDD be enforced?

The CSDDD will be enforced through administrative and civil liability. EU member states will designate authorities to supervise and impose sanctions, including fines of at least 5% of global net turnover.

Administrative supervision:

- Member states must designate national supervisors to ensure enforcement and monitor correct implementation. They can investigate and sanction infringing companies, if required. Sanctions will be effective, proportionate and dissuasive, and based on an organization's turnover
- At the European level, the European Commission will set up a European Network of Supervisory Authorities to unite representatives from national bodies to ensure a coordinated approach

Civil liability:

- Member states will ensure victims receive compensation for damages caused by intentional and negligent failure to conduct due diligence





What are the penalties for breaching?

Organizations are liable for damages if they fail to prevent potential and/or actual adverse impacts, or adverse impacts that occurred as a result, which led to damages. Affected persons can bring forward action and claim compensation.

At the European level, supervisory authorities will ensure coordinated enforcement. They can initiate investigations and inspections if there is sufficient indication of company breaches. Administrative sanctions could be enforced, with fines of at least 5% of the company's global net turnover in the last financial year.

Why did the EU pursue the directive?

Many stakeholder groups, including civil society representatives, EU citizens, businesses and business associations, have been calling for mandatory due diligence rules. 70% of the businesses who responded to a public consultation sent a clear message – EU action on corporate sustainability due diligence is needed.

Businesses play a key role in creating a sustainable and fair economy and society. A third of companies recognize the need to address the adverse effects of their actions on human rights or the environment, but progress is slow and uneven.

Increasingly complex and global supply chains make it challenging for companies to get reliable information on suppliers' operations. Fragmented national rules on corporate, sustainability-related due diligence obligations further slow the uptake of good practices. Stand-alone measures by some member states are not enough to help companies exploit their full potential and act sustainably.

What is the history of the CSDDD?

- February 23, 2022: the European Commission submitted a proposal for the directive to the European Parliament
- December 1, 2022: the European Council adopted its general approach to the directive
- December 14, 2023: The Council and Parliament reached a provisional agreement
- May 24, 2024: The Council gave its final approval to the CSDDD
- July 5, 2024: The CSDDD was published in the Official Journal of the EU. Member states have until July 26, 2026, to transpose the directive

What are the estimated costs to companies?

Businesses will have to bear:

- The costs of establishing and operating the due diligence procedures
- Transition costs, including the expenditure and investments to change the company's operations and value chains to comply with the due diligence obligation, if needed

Comprehensive CSDDD compliance support

Combining over 30 years of sustainability leadership with decades of supply chain assurance expertise, we provide in-depth CSDDD support and verification, whether you are taking your first steps or closer to your end goals.

Our sustainability, environmental and human rights experts worldwide offer detailed mapping, on-site verification and report assurance, including:

- Reviewing your CSDDD compliance, pinpointing strengths and weaknesses
- Objectively assessing your compliance with all relevant human rights and environmental practices
- Evaluating key parts of your chain of activities to help you prevent and eradicate key issues
- Supporting you to avoid costly penalties and sanctions

Whatever your CSDDD maturity level, we will consider the timeline and resources needed to achieve your goals.

[Contact us](#) to start or enhance your CSDDD compliance journey.

Discover our range of CSRD and ESG services

Our new [IMPACT NOW on ESG Assurance](#) services support your entire CSRD and ESG missions. Our services include:

- [CSRD](#) and [CSDDD](#) solutions
- [ESG Training](#) – expertise and guidance from ESG experts
- [ESG Health Check](#) – an efficient snapshot of your ESG status
- [ESG Gap Analysis](#) – full findings, recommendations and a road map for action
- [ESG Disclosures and Sustainability Report Assurance](#) – accurately demonstrate your ESG accountability
- [ESG KPI Verification and Assurance](#) – validate your ESG metrics and targets, and get a third-party statement
- [ESG Certification](#) – a cornerstone for committing and demonstrating your ESG credentials
- Social and due diligence auditing



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