DUTY OF SUSTAINABILITY DUE DILIGENCE: THE DIRECTIVE APPROVED IN THE EUROPEAN PARLIAMENT

On 24 April 2024, in the plenary session, the European Parliament approved the text of the Corporate Sustainability Due Diligence Directive (CSDD). This is a significant step towards the now certain application of the directive, which imposes compliance burdens on companies regarding environmental and social sustainability.

Purpose
The purpose of the directive is to prevent, stop or mitigate negative impacts arising from businesses' activities on human rights and the environment, including issues relating to working conditions, health and well-being of people and animals and the protection of ecosystem. Therefore, the companies due diligence is regulated with respect to the aforementioned negative externalities, whether actual or potential, not only in the context of the activities they carry out, but also in the activities of their suppliers along the entire global supply chain, including direct and indirect commercial relationships. Consequently, although - as will be seen below - the direct subjects are large companies, small and medium-sized companies will also be involved in the compliance process, induced by the former to comply with the due diligence requirements in the ESG area.

Subject
The approved text provides for a gradual application of the obligations; the landing point will be in 2029, with the inclusion of companies with more than 1,000 employees and a turnover exceeding Euro 450 million. Furthermore, the holding company companies of a group that has reached these minimum limits, franchises in the Union with a turnover greater than Euro 80 million of which at least 22.5 coming from licensing fees, and holding companies, businesses and third country franchises reaching the same turnover thresholds in the EU.

Duties
Companies will have to adopt policies aimed at pursuing the above-mentioned objectives, making *ad hoc* investments, obtaining contractual guarantees from partners, improving their business plan and providing support to small and medium-sized partners to ensure compliance with obligations. They will also have to adopt and implement a transition plan for climate change mitigation aimed at ensuring that global warming is limited to 1.5 ºC.

For their part, the Member States will have to provide information systems for companies, establish control and supervisory authorities as well as provide an adequate sanctioning regime in case of non-compliance with the obligations.

Conclusions
The proposal was the object of long debates and several revisions to reach

the necessary political compromises for its approval; it will therefore be very interesting to monitor the actual impact of these rules on company practices and the concrete implications on the market and on the law. After the expected formal approval of the Council for the definitive entry into force of the new European rules, the Member States will have two years to transpose them into their respective national regulations.

The firm will carefully follow the implications of this decisive moment of transition, ready to provide any necessary assistance on the matter, in a complete and transversal manner.

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