

# Proposal for Directive on Corporate Sustainability Due Diligence



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European Law Forum: Prevention • Investigation • Prosecution

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**News**

On 23 February 2022, the European Commission adopted a [proposal for a Directive on corporate sustainability due diligence](#). With this proposal, the Commission aims to foster sustainable and responsible corporate behaviour throughout global value chains. The proposal is the response of the Commission to a call from the European Parliament in March 2021, and from the Council on 3 December 2020, to submit a legislative proposal on mandatory value chain due diligence.

According to the proposal, companies will be required to identify and prevent, end, or mitigate the adverse impacts of their activities on human rights and on the environment. The following EU companies and sectors will be subject to the new due diligence rules:

- Group 1: All EU limited liability companies of substantial size and economic power (500+ employees and €150 million+ in net turnover worldwide).
- Group 2: Other limited liability companies operating in defined high-impact sectors (>250 employees and a net turnover of €40 million or more worldwide).

The rules will start to apply 2 years later for companies from group 2 than for group 1. The companies from both groups will need to demonstrate compliance with the new proposal as follows :

- Integrate due diligence into corporate strategies;
- 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 due diligence policy and measures;
- Publicly communicate on due diligence.

Regarding corporate sustainability due diligence, the proposal provides for two tracks of enforcement: First, Member States will be obliged to designate an administrative authority which will supervise and impose effective, proportionate and dissuasive sanctions, including fines and compliance orders. At European level, the Commission will set up a European Network of Supervisory Authorities that will bring together representatives of the national bodies to ensure a coordinated approach. Second, Member States must ensure civil liability, so that victims get compensation for damages resulting from the failure to comply with the obligations of the new rules.

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ISSN: 1862-6947

<https://euclid.eu>



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**Co-funded by  
the European Union**