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INFORMATION

From:	General Secretariat of the Council
To:	Middle East/Gulf Working Party (Attachés) Middle East/Gulf Working Party
Subject:	Corporate Sustainability Due Diligence Directive (CSDDD) – LTT from the Commission

LTT - Corporate Sustainable Due Dilligence Directive (CSDD)

15 January 2026

General

- The CSDDD is part of the EU's efforts to enhance the protection of the environment and human rights. It is based on the principle that **large companies with substantial activities in the EU** should also make reasonable efforts to contribute to reaching these goals.
- It builds on and aligns with **international due diligence standards developed by the UN** (UN Guiding Principles on Business and Human Rights) and the ILO (Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy) that has existed for decades.
- As regards the adverse human rights and environmental impacts to be addressed, it is based **standards that have been internationally** agreed through multilateral agreements. It does not establish any new norms or standards.
- The CSDDD applies to EU companies and non-EU companies with activities in the EU alike. Non-EU companies are subject to CSDDD only if they have an **EU-wide turnover of minimum EUR 1,5 billion**.
- It requires large companies to identify and address – prevent, mitigate or bring to an end – **adverse human rights and environmental impacts** in their operations, those of their subsidiaries, and in their value chains.
- Under the directive, due diligence is an **obligation of means** (best endeavours), not an obligation of result. It requires taking **measures that are reasonably available** to the companies concerned and **proportionate** to the severity and likelihood of the impacts to be addressed.
- Economic evidence (including from the implementation of the French and Norwegian due diligence laws) shows that the cost of sustainable due diligence is not excessive and that compliance rules are not expected to result in any major impact on prices.

- In any event, the CSDDD has now undergone **simplification** (Omnibus I package), leading to a **significant reduction of any administrative burden**, whilst upholding the Green Deal's key objectives (*see more details below*).
- Complying with the Directive actually presents **opportunities to companies**, including:
 - Greater customer trust and employees' commitment.
 - Better access to finance.
 - Better awareness of companies' human rights and environmental impacts; less liability risks.
 - Better risk management, more resilience and increased competitiveness.
 - Increased attractiveness for talent, sustainability-oriented investors and public procurers.
 - Increased incentives for innovation, esp. through sustainable production processes.

This is why **most large companies already do apply some form of sustainability due diligence**.

- In addition, the Directive will establish a harmonized legal framework in the EU. To note that the EU's two largest Member States, France and Germany already have CSDDD-type sustainable due diligence legislation in place.
- Companies will have ample time to comply with the new measures (i.e. until **July 2029**).

Line on simplification

- Following a Commission proposal to simplify CSDDD ("Omnibus proposal"), **the European Parliament and the EU Council of Ministers reached a political agreement on 8 December 2025 on the final shape of the CSDDD**.
- It resulted in a substantial **simplification and streamlining** of the Directive.
- It is therefore important to assess the text as it stands, and not on the basis of maximalist or lopsided interpretations.
- **Due diligence**: the requirements for companies to identify and address adverse **human rights and environmental impacts** in their operations have been slimmed down and made more flexible:
 - In terms of assessing possible adverse impacts, companies can now **focus on the general areas of their chains of activities where actual**

and potential adverse impacts are most likely to occur and be most severe.

- Companies should no longer be required to carry out a comprehensive mapping exercise throughout their supply chains but instead conduct a more general scoping exercise.
 - When a company has identified adverse impacts equally likely and equally severe in several areas, it may prioritise assessing adverse impacts which involve direct business partners.
 - Also, companies no longer need to address all possible impacts but **can prioritize based on severity and likelihood**. When they take such prioritization decisions, the mere fact of not having addressed a less significant adverse impact must not expose them to penalties.
 - Companies are supposed to base their scoping efforts on **reasonably available information**, which will reduce the trickle-down effect of information requests on smaller business partners. Information requests for any further assessment must be necessary (last resort).
 - Finally, due diligence remains a **best endeavours** requirement. It is an **obligation of means**, not an obligation of result.
- Only very large companies with an **EU-wide turnover of at minimum EUR 1,5 billion** (instead of originally EUR 450 mio) are covered. This reduced the original scope of non-EU companies covered by 75%.
 - The obligation for companies to adopt a **transition plan** for climate change mitigation has been **entirely removed**.
 - **Administrative penalties:**
 - Possible penalties **will no longer be based on the turnover of the companies concerned**. The Commission will issue further guidelines on how to determine the level of penalties, which always must be proportionate.
 - **The maximum cap for penalties has been reduced to 3%** of global turnover (and this ceiling could, if at all, only be reached in the most serious cases of non-compliance).
 - The **harmonised EU liability** regime allowing individuals to sue companies for non-respect of the Directive has been **removed**.
 - Companies will have to comply with the new measures by **July 2029** only.
