

ICI Summary

EU Directive on Corporate Sustainability Due Diligence

February 27th 2026

On 24th February, the Council of the European Union adopted the Directive on Corporate Sustainability Reporting requirements and certain Corporate Sustainability Due Diligence Directive requirements. This text amends the Corporate Sustainability Reporting Directive (CSRD) adopted in 2023 and the Corporate Sustainability Due Diligence Directive (CS3D) adopted in 2024, following an Omnibus simplification process introduced by the European Commission one year ago. The final adopted text has been published in the EU's Official Journal on 26th February 2026 and will come into force on the 20th day following this publication.

This document provides an overview of the main elements of the text, focusing on the CS3D only.

Main elements of the CS3D

Scope	<ul style="list-style-type: none"> • EU companies which fulfil one of the following conditions: <ul style="list-style-type: none"> - > 5000 employees - > € 1.5 billion worldwide turnover • Non-EU companies which fulfil one of the following conditions: <ul style="list-style-type: none"> - > € 1.5 billion turnover generated in the EU • In both cases, the company entered into or is the ultimate parent company of a group that entered into franchising or licensing agreement in the EU in return of royalties of > € 75 million
Reach	<ul style="list-style-type: none"> • Own operations and their subsidiaries • Business partners and chain of activities
Obligation	<p>Conduct HRDD:</p> <p><u>Integrating due diligence into company policies and risk management processes</u></p> <ul style="list-style-type: none"> • Have a due diligence policy in place that ensures a risk-based approach, including: <ul style="list-style-type: none"> - A description of the company's approach - A code of conduct describing rules and principles to be followed throughout the company, its subsidiaries and its direct and indirect business partners - Shall be updated at least every 2 years, and without due delay after a significant change occurs <p><u>Identifying and assessing actual and potential adverse impacts</u></p> <ul style="list-style-type: none"> • Carry out a scoping exercise, based solely on reasonably available information, to identify general areas where adverse impacts are most likely to occur and most severe. • Based on the results of the above, carry out an in-depth assessment in the areas where adverse impacts were identified. <ul style="list-style-type: none"> - In doing so, companies may request information from business partners only where that information is necessary, and only when the information cannot reasonably be obtained by other means in the case of companies with < 5000 employees.

- Where the necessary information can be obtained from different business partners, companies should prioritise requesting information from those business partners where the adverse impacts are most likely to occur.
- Identify and assess the adverse impacts based on, where appropriate, quantitative and qualitative information.
 - In doing so, companies can make use of appropriate resources, incl. independent reports, industry and multi-stakeholder initiatives and information gathered through notification systems/complaints procedures.

Prioritising identified *actual and potential* adverse impacts

- Where it is not feasible to prevent, mitigate, bring to an end or minimised all identified adverse impacts at the same time and to their full extent, companies prioritise those that are most likely to occur and are most severe.
- Once the most severe and most likely impacts are addressed within a reasonable time, the company shall address less severe and less likely adverse impacts.
- Where prioritisation decisions are made, the mere fact of not having addressed less significant adverse impacts shall not expose the company to penalties.

Preventing *potential* adverse impacts

- Take appropriate measures to prevent, or where prevention is not (immediately) possible, adequately mitigate potential adverse impacts that have been or should have been identified.
- To determine the appropriate measures, due account shall be taken of:
 - Whether the potential adverse impact may be caused only by the company; or caused jointly by the company and a subsidiary or business partners; through acts or omissions, or whether it may be caused only by a company's business partner in the chain of activities
 - Whether the potential adverse impact may occur in the operations of a subsidiary, direct business partner or indirect business partner
 - The ability of the company to influence the business partner that may cause or jointly cause the potential adverse impact
- Implement a prevention action plan, with reasonable and clearly defined timelines and qualitative and quantitative indicators for measuring improvements.
 - Can be developed in cooperation with industry or multi-stakeholder initiatives.
- Seek contractual assurances from direct business partners it will ensure compliance with the company's code of conduct and a prevention action plan.
- Make necessary financial and non-financial investments (e.g in adjustments or upgrades of facilities, production and other operational processes / infrastructures)
- Provide targeted and proportionate support to SMEs which is a business partner of the company (incl. by providing access to capacity building, upgrading management systems, etc).
- For potential adverse impacts that could not be prevented or adequately mitigated, the company shall, at last resort and until the impact is addressed:
 - Refrain from entering into new or extending existing relationships with a business partner in connection with the impact
 - Suspend the business relationship with respect to the activities concerned, where the law governing the relationship entitles it
 - Adopt and implement an enhanced prevention action plan for the specific adverse impact without due delay, provide that there is a reasonable expectation that such efforts will succeed. In this case, continuing to engage with the business partner shall not expose the company to penalties

- Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the impact that could not be prevented

Brining *actual* adverse impacts to an end

- Take appropriate measures to bring actual adverse impacts, that have been/should have been identified, to an end.
- To determine appropriate measures, due account shall be taken of:
 - Whether the actual adverse impact may be caused only by the company; or caused jointly by the company and a subsidiary or business partners; through acts or omissions, or whether it may be caused only by a company's business partner in the chain of activities
 - Whether the potential adverse impact may occur in the operations of a subsidiary, direct business partner or indirect business partner
 - The ability of the company to influence the business partner that may cause or jointly cause the potential adverse impact
- Where the adverse impact cannot be immediately brought to an end, companies shall minimise the extent of that impact, through taking the following measures:
 - Neutralise the adverse impact or minimise its extent. Shall be proportionate to the severity of the adverse impact and to the company's implication in it
 - Develop and implement a corrective action plan, with reasonable and clearly defined timelines and qualitative and quantitative indicators for measuring improvement. Can be developed in cooperation with industry or multi-stakeholder initiatives
 - Seek contractual assurances from a direct business partner
 - Make the necessary financial and non-financial investments
 - Make necessary modifications/improvements to the company's own business plan/strategy/operations
 - Provide targeted and proportionate support to SMEs
 - Collaborate with other entities
- For adverse impacts that could not be brought to an end or minimised, the company shall, at last resort and until the impact is addressed:
 - Refrain from entering into new/extending existing relations with a business partner in connection with the impact
 - Suspend the business relationship with respect to the activities concerned, where the law governing the relationship allows it
 - Adopt and implement an enhanced corrective action plan for the specific impact without due delay, provide that there is reasonable expectation that such effort will succeed.
 - Prior to suspending a business relationship, the company shall assess whether the adverse impacts from doing so can be reasonably expected to be manifestly more severe than the impact that could not be brought to an end or minimised.
 - Where the company decides not to suspend the business relationship, it shall monitor the actual adverse impact and periodically assess its decision

Remediation of *actual* adverse impacts

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

Meaningful engagement with stakeholders

	<ul style="list-style-type: none"> • Consultation of relevant stakeholders shall take place when gathering the necessary information on actual or potential adverse impacts, in order to identify, assess and prioritise adverse impacts. • Stakeholders are defined as “company’s employees, the employees of its subsidiaries and of its business partners, and their trade unions and workers’ representatives, and individuals or communities whose rights or interests are or could be directly affected by the products, services and operations of the company, its subsidiaries and its business partners and the legitimate representatives of those individuals or communities.” <p><u>Notification mechanisms and complaints procedures</u></p> <ul style="list-style-type: none"> • Enable persons and entities to submit complaints where they have legitimate concerns regarding actual or potential adverse impacts. <ul style="list-style-type: none"> - Complaints may be submitted by natural or legal persons who are affected or might be affected; trade unions other workers’ representatives; civil society organisations. • Establish a fair, publicly available, accessible, predictable and transparent procedure for dealing with complaints. • Take reasonable available measures to prevent any forms or retaliation. • Take appropriate measure to address a complaint where it is well-founded. <p><u>Monitoring</u></p> <ul style="list-style-type: none"> • Carry out period assessments of operations and measures, to assess the implementation and to monitor the adequacy and effectiveness of the identification, prevention, bringing to an end and minimisation of the extent of the adverse impacts. <ul style="list-style-type: none"> - Shall be based, where appropriate, on qualitative and quantitative indicators. - Shall be carried at least every 5 years, and without due delay after a significant change occurs. <p><u>Communicating</u></p> <ul style="list-style-type: none"> • Report on the due diligence process by publishing an annual statement on the website, maximum 12 months after the balance sheet date of the financial year for which the statement is drawn • The content and criteria for the reporting will be laid down in delegated acts to be published by the Commission by 31st March 2029.
<p>Sanctions / Penalties</p>	<ul style="list-style-type: none"> • Pecuniary penalties (Guidelines will be published to determine their level) • Taking into account: <ul style="list-style-type: none"> - The nature, gravity and duration of the infringement, and the severity of the impacts - Any investments made and any targeted support provided - Any collaboration with other entities to address the impacts concerned - The extent to which prioritisation decisions were made - Any prevent previous infringements - The extent to which remedial actions where conducted - The financial befits and losses avoided by the company • Where a company is held liable for damage caused to a natural or legal person by failure to comply with the due diligence requirements, those persons should have a fight to full compensation. • Companies that have participated in industry or multi-stakeholder initiatives, or used independent third-party verification or contractual clauses, can nevertheless be held liable.

<p>Guidelines & accompanying measures</p>	<p><u>Guidelines</u></p> <ul style="list-style-type: none"> • The Commission, in consultation with Member States and stakeholders, shall issue guidelines including : <ul style="list-style-type: none"> - Guidance on best practices on how to conduct due diligence (by 26 July 2027) - Sector-specific guidance (by 26 July 2027) - Guidance on the assessment of company-level, business operations, geographic and contextual, etc, high-risk areas (by 26 July 2027) - References to the data and information sources available (by 26 July 2028) - Information on how to share resources among companies and other legal entities (by 26 July 2028) - Information for stakeholders and their representatives on how to engage throughout the due diligence process (by 26 July 2028) <p><u>Accompanying measures</u></p> <ul style="list-style-type: none"> • Member States shall set up and operate dedicated websites, platforms or portals. Specific consideration shall be given to SMEs • Member States may financially support SMEs and may also provide support to stakeholders. • The Commission may complement Member States support measures. <p><u>Single help desk</u></p> <ul style="list-style-type: none"> • The Commission shall establish a single helpdesk throughout which companies may seek information, guidance and support.
<p>Transposition</p>	<ul style="list-style-type: none"> • Member States shall adopt and publish by 26 July 2028 the laws, regulations and administrative provisions necessary to comply with this Directive. • Applies to all companies as of 26 July 2029
<p>Revisions</p>	<ul style="list-style-type: none"> • By 26th July 2031, and every 5 years, the effectiveness and efficiency of the Directive shall be revised. • The scope of the Directive in terms of companies covered will be revised by 26th July 2031, and whether a sector-specific approach needs to be introduced in high-risk sectors.