

## Environmental and human rights due diligence

### At last, CS3D – New rules on environmental and human rights due diligence

5 JULY 2024

**Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June on corporate sustainability due diligence** (hereinafter Directive, CS3D or CSDDD), also amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859, was published today in the Official Journal of the European Union.

CSDDD establishes rules on:

- i. obligations for companies regarding **actual and potential human rights adverse impacts and environmental adverse impacts**, with respect to their own operations, the operations of their subsidiaries, and the operations carried out by their business partners in the chains of activities of those companies;
- ii. **liability** for violations of the obligations referred above;
- iii. the obligation for companies to adopt and implement a **transition plan for climate change mitigation** aimed at ensuring, through best efforts, compatibility of the company's business model and strategy with the transition to a sustainable economy and with the limiting of global warming to 1,5°C in line with the Paris Agreement.

The **scope** of CSDDD covers, in particular:

- **European Union companies** which fulfil one of the following conditions:
  - (i). have on average more than 1,000 (one thousand) employees and have generated a worldwide net turnover of more than EUR 450,000,000 (four hundred and fifty million euros) in the last financial year for which annual financial statements were or should have been adopted;
  - (ii). does not meet the thresholds referred to in the previous point, but is the parent company of a group that reached those thresholds in the last financial year for which consolidated annual financial statements were or should have been adopted;
  - (iii). having entered – or being the parent company of a group that has entered – franchising or licensing contracts in the European Union in exchange for royalties with independent third-party companies, subject to certain conditions.
  
- **Non-European Union companies** which fulfil one of the following conditions:
  - (i). have generated a net turnover of more than EUR 450,000,000 (four hundred and fifty million euros) in the European Union in the financial year preceding the last financial year;
  - (ii). not reaching the thresholds referred to in the previous point, but being the parent company of a group which, on a consolidated basis, reached those thresholds in the financial year preceding the last financial year;
  - (iii). having entered – or being the parent company of a group which has entered – franchising or licensing contracts in the European Union in exchange for royalties with independent third-party companies, subject to certain conditions.

As for the **main obligations and duties that emerge from the CSDDD for companies**, we highlight the following:

- i. integrate due diligence into **policies and risk management systems**;
- ii. **identify and assess the actual and potential adverse impacts** of their own operations or those of their subsidiaries and business partners;
- iii. prevent, mitigate, stop or minimise any **adverse impacts identified**;
- iv. **providing remediation** for any actual adverse impacts it causes, individually or jointly;
- v. **periodically assess** its own operations, those of its subsidiaries and its business partners;
- vi. draw up and publish an **annual statement** on its website;
- vii. have a **transition plan for climate change mitigation**.

The Directive enters into force on 26 July 2024 and **must be enacted by 25 July 2026**.

The CS3D will apply to the companies covered in stages depending on their number of employees and turnover, as shown below:



#### Comment:

1. CS3D will not only impact the large companies included in the scope of the Directive. All companies that are business partners and belong to the value chain of the companies covered, for example SMEs in the most varied sectors of activity, will feel the impact of CS3D.
2. The transition plan for climate change mitigation will necessarily have to take into account the rules of CSRD, ESRS and the Portuguese Climate Framework Law.

This News Flash was drafted by GPA Law Firm's [ESG](#) team.

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