

Sustainability in the EU

Global implications of the Corporate Sustainability Due Diligence Directive

Updated December 2025



The EU agrees to Omnibus changes that significantly reduce the number of companies in scope.

Source and applicability

- The [Corporate Sustainability Due Diligence Directive](#) (CSDDD) applies to companies worldwide that meet certain employee, revenue and/or royalty thresholds.
- The CSDDD has been amended by the [Stop-the-clock Directive](#) and [Content Directive](#).

CSDDD to apply only to the largest companies

The CSDDD established due diligence obligations related to adverse environmental and human rights impacts within value chains. To streamline requirements and reduce administrative burden, the European Commission (EC) introduced an Omnibus package of proposals in February 2025, which included significant amendments to the CSDDD. With key legislative components now agreed by the EU, these revisions provide a refined framework, offering companies sufficient clarity to confidently advance their CSDDD implementation programs.

Some of the significant amendments include:

- **Reduced scoping thresholds:** The directive now applies to a substantially smaller population of companies, with the employee threshold increased from 1,000 to 5,000 employees and the revenue threshold from €450M to €1.5B.
- **Delayed application:** The CSDDD's initial application date has been postponed to July 26, 2029, for all companies.
- **Risk-based approach:** Companies will use a simpler process to identify actual and potential adverse impacts with a scoping process focused on the areas in which impacts are most likely to occur.
- **Value chain protections:** Protections for smaller companies within the value chain have been introduced, limiting the extent of information they are required to provide.
- **No climate transition plan mandate:** The requirement for companies to adopt and implement a climate transition plan has been removed.

This Hot Topic has been updated to reflect the CSDDD as amended. Throughout this Hot Topic, we highlight key changes from the CSDDD as originally adopted, in January 2024, in boxes. For up-to-date news on the status of ongoing EU sustainability reporting developments, visit our webpage, [Sustainability reporting in the EU](#).

1. Background

In February 2025, the European Commission (EC) introduced an Omnibus package of proposals designed to streamline and reduce sustainability reporting and due diligence requirements. The package included significant amendments to the CSDDD aimed at simplifying the due diligence framework introduced while still achieving the overall ambition of the European Green Deal.

This comprehensive initiative comprised the following key legislative documents that amend the CSDDD.

- **Stop-the-clock Directive:** Adopted into EU law in April 2025, this directive postpones the CSDDD effective dates for the largest companies. It also extends the CSDDD transposition deadline for Member States. Member States are required to transpose this directive into national law by December 31, 2025.
- **Content Directive:** Agreed by EU co-legislators – i.e. the Council of the EU (Council) and the European Parliament (EP), this directive aims to reduce reporting burden in various ways – most notably by limiting the scope of the CSDDD to the largest companies. Following its adoption into EU law and publication in the Official Journal of the EU, Member States will have 12 months to transpose it into national law.

The Omnibus package also amends the CSRD and EU Taxonomy, which are discussed in our CSRD Hot Topic linked on our webpage, [Sustainability reporting in the EU](#); and the Carbon Border Adjustment Mechanism.

2. Scoping requirements

The CSDDD applies to EU and non-EU companies or groups (i.e. a company and all its subsidiaries, on a consolidated level) that meet the following criteria.

- **EU companies** (or groups) that had, in the last two consecutive financial years:
 - > €1.5B global net turnover (revenue), as defined by the [Accounting Directive](#), and > 5,000 average employees; or
 - > €275M global revenue and > €75M royalties from franchising or licensing agreements in the EU.
- **Non-EU companies** (or groups) with significant operations in the EU that had, in two consecutive financial years (the financial year preceding the last and the financial year prior to that):
 - > €1.5B revenue in the EU; or
 - > €275M revenue in the EU and > €75M royalties in the EU from franchising or licensing agreements in the EU.

Non-EU companies that meet the above thresholds are in scope irrespective of whether they have subsidiaries or branches in the EU. An indicative list of non-EU companies that meet the scoping criteria is expected to be published by the European Network of Supervisory Authorities, a supervisory body that will be set up by the EC, as directed by the CSDDD.

CSDDD requirements before Omnibus

The CSDDD as originally adopted applied to EU companies with > €450M revenue and > 1,000 employees, and non-EU companies generating > €450M revenue in the EU. Additionally, a royalty threshold of €22.5M was established for companies with revenues exceeding €80M.



Despite being a non-US directive, the CSDDD has implications for US (and other non-EU) companies. Reevaluate your exposure to CSDDD obligations as the scoping thresholds have significantly changed.

2.1. Provisions for certain types of companies

Micro, small or medium-sized enterprises (SMEs) are not included in the scope of the CSDDD but may be impacted by obligations as contractors or subcontractors to companies that are in scope.

Alternative investment funds and undertakings for collective investment in transferable securities, as defined by EU law, are exempt from CSDDD obligations.

A designated EU subsidiary may fulfill the CSDDD obligations on behalf of an ultimate parent company when certain conditions are met – e.g. the ultimate parent applies to the supervisory authority for an exemption on the basis that its main activity is the holding of shares in operational subsidiaries.

2.2. Value chain cap

To alleviate the trickle-down burden on smaller companies, the [Content Directive](#) introduced a ‘value chain cap’ that limits the information in-scope companies can request for the purposes of identifying and assessing impacts.

When *identifying* actual and potential adverse impacts, this cap requires companies to rely on information that is reasonably available to them, which is generally expected to preclude requesting information from business partners.

When *assessing* areas where adverse impacts were identified, this cap restricts in-scope companies from requesting information from their value chain partners unless that information is necessary. Where a business partner has ≤ 5,000 employees, requests can only be made when the information cannot reasonably be obtained by other means, such as from information the in-scope company already has. Any request needs to be targeted, reasonable and proportionate. Companies are not required to request information from business partners where no likely and severe risks were identified.

CSDDD requirements before Omnibus

This cap was not included in the CSDDD as originally adopted, which could have resulted in smaller companies facing extensive information requests from CSDDD-in-scope companies.

3. Effective dates

The non-reporting due diligence obligations will apply from July 26, 2029 and the due diligence reporting obligations will apply for financial years starting on or after January 1, 2030.

CSDDD requirements before Omnibus

The CSDDD as originally adopted followed a phased introduction, with the largest companies implementing CSDDD obligations first. Through the [Stop-the-clock Directive](#) and the [Content Directive](#), compliance dates for the largest companies were deferred by two years, effectively resulting in all in-scope companies first applying the CSDDD at the same time.

3.1. Transposition

Transposition refers to the process by which EU Member States integrate EU directives into their national law. Unlike regulations which are directly applicable, directives necessitate national legislation to become effective. Each directive specifies a deadline for transposition. The CSDDD sets out the minimum requirements to be transposed into national law, to guarantee a minimum level of harmonization across the EU. However, Member States could impose stricter requirements.

Member States have until July 26, 2028 to transpose the CSDDD into their respective national laws.

CSDDD requirements before Omnibus

Before the [Stop-the-clock Directive](#) and the [Content Directive](#), the transposition deadline was two years earlier – July 26, 2026 – and the harmonization principle applied to fewer of the due diligence obligations within the CSDDD.

4. Due diligence obligations

The CSDDD introduces due diligence obligations for companies related to actual and potential adverse human rights and environmental impacts, with respect to their own operations, the operations of their subsidiaries, and, where related to their value chain (i.e. chain of activities), those of their business partners where adverse impacts are most likely to occur.

The value chain includes upstream activities related to the production of goods or the provision of services (e.g. the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of products and the development of the product or service) and downstream activities related to products only (e.g. the distribution, transport and storage of a product) – excluding the disposal of products. The exclusion of activities of a company's downstream business partners related to the provision of services by that company is particularly relevant for regulated financial undertakings (e.g. credit institutions, insurance companies) in scope of the CSDDD.

Companies are required to conduct risk-based human rights and environmental due diligence by complying with the following obligations.

Identify and assess ♦

- Take appropriate measures to identify areas where adverse impacts are most likely to occur and to be most severe – and further assess identified areas where adverse impacts were identified to be most likely to occur and most severe.
- Where adverse impacts are identified that are equally likely or equally severe in several areas, a company can prioritize assessing the impacts associated with direct business partners.
- Where it is not feasible to prevent, mitigate, end or minimize all identified adverse impacts at the same time, prioritize the prevention and ending of actual and potential adverse impacts based on severity and likelihood.

CSDDD requirements before Omnibus

Under the CSDDD as originally adopted, the identification and assessment of adverse impacts was not limited to impacts of direct business partners and could, in many cases, extend the assessment to indirect business partners.

Prevent, cease or minimize ♦	<ul style="list-style-type: none"> • Prevent and mitigate potential adverse impacts with appropriate measures – e.g. prevention action plans, contractual assurances. • End or minimize the extent of actual adverse impacts by taking appropriate measures (e.g. corrective action plan when the adverse impact cannot be immediately ended) that are proportionate to the severity of the adverse impact and to the company's implication in the adverse impact. • If the efforts fail to end or minimize the extent of the adverse impact, refrain from entering into new relations with a business partner in connection with which the impact has arisen; and assess temporary suspension of the business relationship with respect to the activities concerned. <p>CSDDD requirements before Omnibus</p> <p>Under the CSDDD as originally adopted, companies would have a duty to terminate business relationships if efforts failed to end or minimize the extent of the adverse impact.</p>
Monitor	<ul style="list-style-type: none"> • Assess the adequacy and effectiveness of the above due diligence measures at least every five years. More frequent reviews are required if there are reasonable grounds to believe that measures are no longer adequate or effective; or that new risks of adverse impacts may arise. <p>CSDDD requirements before Omnibus</p> <p>Under the CSDDD as originally adopted, companies were required to assess the adequacy and effectiveness of the above due diligence measures at least every 12 months. When developing indicators for monitoring, companies were also required to engage with stakeholders.</p>
Remediate ♦	<ul style="list-style-type: none"> • Provide remediation for actual adverse impacts when the company has caused, or jointly caused, such impacts.
Policies, risk management systems	<ul style="list-style-type: none"> • Integrate due diligence into all relevant policies and risk management systems. • Have in place a due diligence policy that ensures risk-based due diligence. • Review and, where necessary, update the due diligence policy at least every 24 months.
Complaints procedure	<ul style="list-style-type: none"> • Establish and maintain a fair, publicly available, accessible, predictable and transparent procedure for dealing with complaints regarding actual or potential adverse impacts.
Transition plan	<ul style="list-style-type: none"> • No transition plan is required. <p>CSDDD requirements before Omnibus</p> <p>Under the CSDDD as originally adopted, a transition plan was required to be adopted and put into effect to ensure a company's business model is compatible with the shift to a sustainable economy.</p>

Report

- Publish on its website, an annual statement reporting on the above due diligence obligations. Reporting guidance is forthcoming – read more on our webpage, [Sustainability reporting in the EU](#).

- ◆ Indicates a requirement to consult with relevant stakeholders as part of meeting the obligation. Stakeholders include workers and their 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 business partners.

The above due diligence obligations are informed by the United Nations' Guiding Principles on Business and Human Rights (UNGPs) and the Organization for Economic Cooperation and Development's (OECD's) Guidelines for Multinational Enterprises.

5. Exemptions

The following exemptions are available.

- In-scope parent companies may fulfil certain due diligence obligations on behalf of their subsidiaries, as long as certain conditions are met – e.g. the subsidiary abides by its parent company's due diligence policy.
- Companies that prepare sustainability reporting in accordance with the CSRD are exempt from the reporting obligation within the CSDDD – i.e. companies are still required to comply with the non-reporting related obligations in the CSDDD.

6. Penalties

Member States will establish rules on the appropriate level of penalties, including maximum pecuniary penalties of 3% of global revenue (or, in the case of companies that belong to a group, the consolidated global revenue of the ultimate parent company).

In relation to civil liability, Member States are required to ensure through national law that a company can be held liable for damage caused to a natural or legal person due to the company's failure to comply with the CSDDD.

CSDDD requirements before Omnibus

The CSDDD as originally adopted established a uniform EU-level civil liability regime, allowing Member States to maintain or adapt their own liability regimes. Member States could also impose maximum pecuniary penalties of up to 5 % of global revenue.

Companies are only required to take appropriate measures to identify adverse impacts. They are not required to identify every adverse impact in their operations, those of their subsidiaries and those of their business partners. Even though applying the CSDDD could lead to an impact not being identified and assessed, a company will not be penalized for such an impact.

The CSDDD obligations are regulated by the relevant Member States.

- For EU-based companies, that is the Member State in which the company has its registered office.
- For non-EU based companies, that is the Member State in which the company has a branch. If a non-EU company does not have a branch in any Member State, or has branches located in different Member States, it is regulated by the Member State in which it generated the highest revenue in the EU in the financial year preceding the last.

7. Non-EU company impact

Non-EU companies are impacted by due diligence laws in the following ways.

- **Own compliance:** Non-EU companies directly subject to such laws face compliance obligations.
- **Subsidiaries:** Non-EU companies with subsidiaries that are directly subject to such laws may need to support their subsidiaries in establishing due diligence processes and managing reporting obligations.
- **Value chain:** Non-EU companies that do business with (i.e. fall into the value chain of) companies that are subject to such laws may be asked for data, including contractual assurances over that data. Even with the value-chain protections that the CSDDD provides, compliance with these laws can require extensive due diligence and risk management throughout a company's value chain. This may require embarking on new due diligence processes with business partners in the value chain.

8. Interactions with other EU legislation

The CSDDD is just one component of several sustainability-related regulations under the European Green Deal that include reporting obligations. The CSDDD complements EU legislation including, but not limited to, the following.

CSRD	EU Taxonomy	Carbon Border Adjustment Mechanism (CBAM)
<p>As discussed above, the CSDDD can be covered by reporting under the CSRD.</p> <p>Further, to meet the reporting requirements of the CSRD, companies will likely have to set up information collection processes, which is closely related to identifying adverse impacts under the CSDDD.</p> <p>Read more: Sustainability reporting in the EU</p>	<p>The detailed information required by the CSDDD is intended to complement the EU Taxonomy's common language for sustainable economic activities.</p> <p>For example, companies required to report taxonomy-aligned activities need to comply with the EU Taxonomy's minimum safeguards, which include reference to due diligence processes that companies should implement to ensure alignment with the OECD Guidelines and UNGP – i.e. the same guidelines that inform the CSDDD obligations.</p>	<p>The CSDDD complements the EU's 'Fit for 55' Package – specifically, by supporting the transformation of production processes needed to achieve climate neutrality by 2050.</p> <p>This transformation extends to non-EU value chains of EU companies through the CBAM, which imposes a carbon adjustment price for select imported products not subject to the carbon price from the EU Emissions Trading System.</p> <p>The Omnibus package also includes proposed amendments to the CBAM, which are not discussed in this Hot Topic.</p>

9. Due diligence legislation extends beyond the CSDDD

Although the CSDDD is one of the more commonly discussed due diligence acts expected to have an impact on US companies, it joins similar developments globally, including the [Uyghur Forced Labor Prevention Act](#) in the US, and the two examples highlighted below that have reporting obligations – [Canada's Fighting Against Forced Labor and Child Labor in Supply Chains Act \(S-211\)](#) and the [EU Deforestation Regulation \(EUDR\)](#).

The Omnibus package also includes proposed amendments to the EUDR that are now agreed by co-legislators and reflected below.

	Canada's S-211	EUDR
Objective	Prevent and reduce forced labor and child labor violations in corporate supply chains.	Prevent deforestation, forest degradation and biodiversity loss.
Scope	Businesses (Canadian and foreign owned) that (1) are either listed on a stock exchange in Canada or operate ¹ in Canada, and (2) import, produce, sell or distribute goods in Canada, or control an entity that engages in such activity.	Operators and traders ³ that place and make available on, or export from, the EU market, certain relevant products. ⁴
Effective	January 1, 2024 – for all entities in scope.	<ul style="list-style-type: none"> December 30, 2026 – for medium and large operators and traders. June 30, 2027 – for Micro and small operators.
Reporting	Annual public report to the government.	A due diligence statement must be submitted to the relevant authorities by the operators who first place the product on the market.
Obligations	Take steps to prevent and reduce the risk that forced labor or child labor is used at any step of the production of: <ul style="list-style-type: none"> goods in Canada or elsewhere by the entity; or goods imported into Canada by the entity. 	Exercise due diligence – including collecting relevant information, performing risk assessment measures, and adopting risk mitigation measures – to prove that relevant goods/products ⁴ do not originate from recently deforested areas or contribute to forest degradation.
Penalties	Fines up to CAD 250,000 for failure to submit a report or misrepresentation in reporting.	Fines up to 4% of EU revenue, to be determined by Member State transposition; confiscation of products and revenue; exclusion from public procurement process.

Notes:

1. Operating in Canada means (1) having a place of business in Canada, doing business² in Canada or having assets in Canada and (2) meeting at least two of the following conditions, based on consolidated financial statements, for at least one of the two most recent financial years: (a) having ≥ CAD 20M in assets; (b) having generated ≥ CAD 40M in revenue; and (c) employing an average of ≥ 250 employees.
2. When determining whether an entity does business in Canada, the Canadian government may consider various factors depending on the nature of the business – e.g. employee location, production location.
3. Operators and traders are those that, in the course of a commercial activity, place relevant products⁴ on the market, export them or otherwise make them available.

4. Relevant products are those listed in Annex I of EUDR that have been produced with relevant commodities listed in Annex I of EUDR: cattle, cocoa, coffee, oil palm, rubber, soya, wood.

These laws are signals for what may become more common around the world. As their impact is felt, other countries have already begun (and others likely will follow) to boost their due diligence laws.



US companies should look for efficient ways to implement due diligence operating models that address multiple jurisdictional requirements simultaneously. An overall risk management approach, supported by a cross-functional team, can allow a company to collect and manage relevant data and stay abreast of new laws.

KPMG resources

For the latest CSDDD and other EU sustainability reporting developments, visit our webpage on [Sustainability Reporting in the EU](#).

For other sustainability reporting news affecting US companies, visit our collection of resources at kpmg.com/us/sustainabilityreporting

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