



EU-Thailand Newsletter

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Council gets Italy on board to endorse watered-down CSDDD

EU Member States (15 March) **finally agreed on the text** of the Corporate Sustainability Due Diligence Directive (CSDDD) after weeks of knife-edge negotiations and several postponed votes because of buyers' remorse from a group of Member States led by Germany. The only way the CSDDD could muster this final approval was by a late watering down of its key provisions. After three failures to agree, **Belgian diplomats added new weaker language to the text initially agreed**. Belgium had to over-compensate to alleviate concerns from these Member States that SMEs would be adversely impacted. **A farmers' protection clause was also added**. But ultimately Italy's decisive vote was delivered by **concessions in the Packaging and Packaging Waste Regulation**.

The Belgian presidency **amended in the CSDDD the requirements for non-EU companies** (Article 2, paragraph 2) to be included. These new provisions are:

- a) If a company had a **net EU turnover of more than €450 million** in the financial year before the most recent one.
- b) If a company's net turnover is below the €450 million threshold, but it is **the main parent company of a group that, combined, exceed this threshold**.
- c) If a company is engaged – or is the ultimate parent company of a group that is engaged – in **EU franchising or licensing agreements** in return for **royalties with independent third-party companies exceeding €22.5 million** in the year before the last financial year, and had a **net turnover of over €80 million in the EU**.

On **civil liability**, the Council text confirmed that a company may **not be held liable** if damage was **caused only by its business partners**. The next step is for the **European Parliament (EP) to approve** the Council text in either of its last two plenary sessions. It is **not expected to encounter any serious opposition**. Following its approval, the legislation will enter into force during the **second half of 2024**, after which Member States are expected to introduce legislation to **transpose the Directive into national law**. The **new rules will be imposed in stages** depending on **company size and annual net turnover**.