

Business and Human Rights in the EU: Assessing the New Corporate Sustainability Due Diligence Directive (CSDDD)

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Skopje, March 2025

This policy brief examines the Corporate Sustainability Due Diligence Directive (CSDDD), which mandates that companies across the EU ensure their supply chains comply with human rights and environmental standards. It explores the directive's objectives, its potential impact on corporate governance, and its significance in advancing business responsibility. The brief also highlights the implications for EU candidate countries, particularly North Macedonia, and discusses the challenges and opportunities posed by the directive and its Omnibus proposal.

Introduction

On 25 July 2024, the Directive on Corporate Sustainability Due Diligence ([Directive 2024/1760](#)) entered into force. This directive, also known as the Mandatory Human Rights and Environmental Due Diligence Directive, includes an obligation for companies to develop and implement a transition plan for climate change mitigation, which aims to ensure, through best efforts, that the company's business model and strategy align with the transition to a sustainable economy and the goal of limiting global warming to 1.5°C in line with the Paris Agreement.¹

For the first time in the EU, companies across all sectors will be legally required to ensure that their supply chains comply with human rights and environmental protection under the CSDDD. The directive seeks to integrate sustainability considerations into corporate governance and risk management. To achieve this, it mandates that companies implement due diligence measures throughout their supply chains, addressing any adverse human rights and environmental impacts arising from their operations, both within and outside the EU.²

This policy brief aims to provide an overview of the directive, examining its potential impacts and shortcomings, as well as its significance within the broader business and human rights movement. As part of this evolving framework, the directive plays a crucial role in ensuring corporate accountability for human rights and environmental protection.

Section 1 introduces the concept of business and human rights, explaining its relevance in today's globalised economy—where a product manufactured in China, using raw materials from Zimbabwe, may be purchased by a Dutch national. This section will also discuss the principle of due diligence as a key mechanism for corporate responsibility. Section 2 provides an overview of the Corporate Sustainability Due Diligence Directive (CSDDD), outlining its core provisions, objectives, and expected impact. It critically examines its strengths and the concerns raised about its implementation and enforcement, including the Omnibus, and how the directive could impact candidate countries, specifically North Macedonia.

Finally, the conclusion will summarise the key insights, highlighting the directive's role in shaping corporate accountability and sustainability in the EU and beyond, especially with regard to candidate countries.

¹ Directive (EU) 2024/1760 of the European Parliament and of the Council on Corporate Sustainability Due Diligence, Article 1(1).

² Lois Elshof, 'Corporate Sustainability Due Diligence and EU Competition Law' (2024) 15(315) Journal of European Competition Law & Practice p.168.



Business and Human Rights & the Concept of Due Diligence

Over the last few decades, business and human rights have attracted widespread attention in academia and practice.³ This growing focus reflects the increasing recognition that corporations, as powerful global actors, play a significant role in shaping social, economic, and political landscapes. As multinational enterprises expand their operations across borders, their potential impact on human rights has become a subject of intense debate. It is therefore unsurprising that in the Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, John Ruggie observed:

“...[T]he root cause of the business and human rights predicament today lies in the governance gaps created by globalisation—between the scope and impact of economic forces and actors and the capacity of societies to manage their adverse consequences. These governance gaps provide the permissive environment for wrongful acts by companies of all kinds without adequate sanctioning or repairation...”⁴

Consequently, discussions have evolved beyond state-centric approaches, emphasising the need to define corporate responsibilities in this context. This shift has prompted inquiries into how businesses can effectively uphold human rights standards, particularly in environments where state protection mechanisms are weak or absent. With this in mind, in legal systems where states create and enforce laws to safeguard individuals from human rights abuses, corporations fulfil their responsibility to respect human rights by adhering to these laws. However, when states themselves violate human rights or fail to provide sufficient legal protection, questions arise regarding the existence, nature, scope, obligations, and implementation of corporate human rights duties.⁵ In such cases, companies may face a dilemma in determining the extent of their duty to prevent or address human rights violations, particularly when local laws are insufficient or when the state itself is involved in or tolerates abuses. This raises concerns about the effectiveness of voluntary corporate policies and their capacity to compensate for state failure.

The concept of due diligence has become an important element in defining and implementing human rights and environmental responsibilities. In the context of business and human rights, due diligence refers to the steps businesses must take to identify, prevent, and address any adverse human rights impacts resulting from their operations. This process is central to the United Nations’ Guiding Principles on Business and Human Rights, which emphasise that businesses must conduct ongoing assessments of their activities, identify risks to human rights, and take appropriate measures to mitigate or eliminate them.⁶

Due diligence is a proactive and continuous process that not only allows businesses to identify potential risks but also ensures they take effective measures to prevent harm to human rights. By integrating human rights considerations into their decision-making and operations, businesses can prevent violations and mitigate negative impacts. However, ensuring that businesses genuinely prioritise human rights within their due diligence processes presents challenges. The notion of due diligence in business is often viewed through a risk management lens, focusing on minimising financial or reputational risks. This perspective can sometimes clash with the moral obligation of respecting human rights, which demands a deeper commitment beyond economic or legal considerations.⁷

For due diligence to be truly effective, it must be rooted in a genuine commitment to upholding human rights as a fundamental moral responsibility. This means that businesses should not treat human rights merely as a compliance requirement but as intrinsic to their corporate values. As such, the requirement for businesses to respect human rights goes beyond adhering to national laws—it encompasses an ethical responsibility to avoid harm, even in contexts where state protection is absent or weak.⁸

3 Letnar Černič and Michalakea, as cited in Vesna Coric, Ana Knezevic Bojovic, and Milica V. Matijevic, Potential of the EU Draft Directive on Corporate Sustainability Due Diligence to Contribute to a Coherent Framework of Corporate Accountability for Human Rights Violations (2023).

4 John Ruggie, Protect, Respect and Remedy: a Framework for Business and Human Rights (Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, Human Rights Council, 8th session, Agenda item 3, 2008) UN Doc A/HRC/8/5.

5 Björn FASTERLING and Geert DEMUIJNCK, ‘Human Rights in the Void? Due Diligence in the UN Guiding Principles on Business and Human Rights’ (2013) 116 Journal of Business Ethics 799, 814.

6 Ibid.

7 Jonathan BONNITCHA and Robert MCCORQUODALE, ‘The Concept of “Due Diligence” in the UN Guiding Principles on Business and Human Rights’ (2017) 28 European Journal of International Law 899.

8 Ibid.

What is the Corporate Sustainability Due Diligence Directive?

The European Union's Corporate Sustainability Due Diligence Directive (CSDDD) is a pioneering regulatory effort designed to ensure that companies take comprehensive responsibility for human rights and environmental impacts throughout their operations and supply chains. This directive marks a significant step towards embedding sustainability into the fabric of corporate governance within the EU, and its adoption responds to increasing global concerns about the adverse effects of business activities on human rights and the environment.

The CSDDD, initially proposed by the European Commission on 23 February 2022 and formally approved in 2024, mandates that large companies operating within the EU—both inside and beyond its borders—integrate due diligence processes into their corporate governance structures. These processes are designed to identify, prevent, mitigate, and address any adverse human rights and environmental impacts arising from the companies' own activities, as well as those of their supply chains. The directive requires businesses to embed sustainability considerations at every level of decision-making, with an emphasis on preventing harm to human rights and combating environmental degradation.⁹

This legislative proposal builds on earlier international frameworks, such as the United Nations Guiding Principles on Business and Human Rights, and extends national regulatory efforts in countries like France, Germany, and the Netherlands.¹⁰ Its goal is to establish a harmonised framework for corporate responsibility that not only respects the EU's climate objectives but also aligns with global sustainability efforts.¹¹ The CSDDD was introduced in response to growing concerns about the negative societal and environmental impacts that large corporations—especially multinational corporations (MNCs)—impose on human rights and the environment. These concerns stem from the complexities of modern, multi-tiered supply chains that often extend beyond the jurisdictional reach of any single state. Globalisation has facilitated the spread of business practices that, in many instances, fail to respect international human rights or environmental standards. The EU recognised the need to address this regulatory gap, which has allowed businesses to exploit loopholes and avoid responsibility for actions that adversely affect vulnerable populations and ecosystems.¹²

Additionally, the adoption of the directive is positioned within the broader policy context of the EU Green Deal, which aims to achieve climate neutrality by 2050. By requiring companies to implement due diligence processes throughout their operations and supply chains, the directive is designed to promote corporate accountability and bridge the governance gaps created by the transnational nature of modern businesses.¹³

The CSDDD offers several key benefits that contribute to advancing the EU's sustainability agenda:

- **Harmonisation and Regulatory Clarity:** One of the most significant advantages of the directive is its ability to establish uniform corporate sustainability due diligence processes across the EU. By setting common standards, the directive ensures that businesses in different member states adhere to the same expectations, thus reducing regulatory fragmentation and promoting a level playing field. This harmonisation not only facilitates compliance for businesses operating in multiple EU jurisdictions but also prevents competitive distortions resulting from differing national regulations.¹⁴
- **Enhanced Risk Management:** The CSDDD's emphasis on due diligence provides companies with a structured approach to identifying and mitigating risks in their operations and supply chains. By proactively managing environmental and human rights risks, businesses can reduce their exposure to reputational damage, legal liabilities, and financial losses. The directive also encourages the adoption of progressive risk management practices that integrate sustainability considerations into corporate strategy.¹⁵

⁹ Vesna Coric, Ana Knezevic Bojovic and Milica V Matijevic, 'Potential of the EU Draft Directive on Corporate Sustainability Due Diligence to Contribute to a Coherent Framework of Corporate Accountability for Human Rights Violations' (2023).

¹⁰ Maria Giovannone, 'The European Directive on 'Corporate Sustainability Due Diligence': The Potential for Social Dialogue, Workers' Information, and Participation Rights' (2024) *Italian Labour Law e-Journal*, Issue 1, Vol 17.

¹¹ *Supra* note 3.

¹² Alessio M Paces, 'Civil Liability in the EU Corporate Sustainability Due Diligence Directive Proposal: A Law & Economics Analysis' (2023) *Law Working Paper N° 691/2023*.

¹³ Juan Dempere, Eseroghene Udjo and Paulo Mattos, 'The Entrepreneurial Impact of the European Directive on Corporate Sustainability Due Diligence' (2024) *Administrative Sciences* 266.

¹⁴ *Ibid.*

¹⁵ *Ibid.*

- **Corporate Accountability:** The directive strengthens the accountability of businesses for their human rights and environmental impacts. By making it mandatory for companies to take responsibility for ensuring that their supply chains comply with human rights and environmental standards, the CSDDD fosters a culture of transparency and ethical business practices. This regulatory approach is expected to enhance the EU's leadership role in advancing global sustainability standards.¹⁶
- **Innovation and Market Differentiation:** The directive's focus on sustainability may also drive innovation in green technologies and sustainable business practices. By aligning business strategies with sustainability goals, companies can gain a competitive advantage in markets that increasingly prioritise Environmental, Social, and Governance (ESG) criteria. Additionally, companies that demonstrate a commitment to sustainability may attract investments from stakeholders who prioritise ethical business conduct.¹⁷

While the CSDDD offers significant potential, it is not without its challenges and limitations.

- **Compliance Costs:** One of the CSDDD's perceived drawbacks is the financial and administrative burden it places on businesses, particularly its indirect impact on small and medium-sized enterprises (SMEs). The costs associated with implementing due diligence processes, including the establishment of monitoring systems, staff training, and continuous reporting, may be prohibitive for smaller companies that lack the resources of larger corporations. These costs could hamper innovation and create barriers to market entry for SMEs, thus limiting the directive's overall impact on fostering a diverse and competitive market.¹⁸
- **Limited Liability Effectiveness:** The civil liability provisions within the CSDDD, intended to ensure corporate accountability, have been criticised for their potential ineffectiveness in compelling businesses to internalise the adverse impacts of their activities. Critics argue that companies may circumvent liability by selectively implementing due diligence measures, thus undermining the directive's ability to achieve its intended deterrent effect. The current liability framework may fail to fully address the complexity of global supply chains and the strategic use of limited liability by multinational corporations.¹⁹
- **Challenges in Monitoring and Enforcement:** Ensuring compliance with the CSDDD presents significant practical challenges. Supply chains are often complex, lacking transparency, and geographically dispersed, making it difficult for companies to assess and mitigate risks effectively across their entire network of suppliers. As a result, competent authorities overseeing its implementation may struggle to ensure that businesses fully meet their due diligence obligations, particularly in jurisdictions where human rights and environmental standards are weak or poorly enforced.²⁰
- **Box-Ticking and Strategic Compliance:** There is also concern that companies may treat the CSDDD's due diligence requirements as a mere "tick-the-box" exercise, focusing on formal compliance rather than substantive action to address human rights and environmental harms. If companies view due diligence primarily as a legal obligation rather than an opportunity to drive meaningful change, the directive's effectiveness could be diminished. This risk is particularly relevant in contexts where businesses adhere only to legally required due diligence measures without committing to broader sustainability goals.²¹

¹⁶ Chantal Mak, 'Corporate Sustainability Due Diligence: More than Ticking the Boxes?' (2022) 29(3) Maastricht Journal of European and Comparative Law 301–303.

¹⁷ Supra note 3.

¹⁸ Supra note 14.

¹⁹ Alessio M Paces, 'Civil Liability in the EU Corporate Sustainability Due Diligence Directive Proposal: A Law & Economics Analysis' (2023) Law Working Paper N° 691/2023.

²⁰ Supra note 15.

²¹ Supra note 14.

The Omnibus and its Effect

However, it is also important to shed light on the recent Omnibus proposal, dated 26 February 2025. The proposal, which amends the Corporate Sustainability Due Diligence Directive (CSDDD), aims to streamline and simplify the current framework by introducing several key changes to ease the regulatory burden, especially for small and medium-sized enterprises (SMEs). This proposal aligns with the broader goal of ensuring that companies can transition smoothly towards sustainability without being overwhelmed by excessive reporting obligations. The main changes in this proposal include raising the employee threshold for mandatory reporting to 1,000, limiting due diligence obligations primarily to direct business partners, and extending the intervals between required monitoring assessments. Additionally, the proposal introduces greater flexibility in the reporting standards for companies that do not meet the new thresholds, allowing them to use simpler and more proportionate voluntary standards. It also removes the obligation for companies to terminate business relationships with partners causing adverse impacts, shifting the focus to alternative measures of redress. These adjustments are designed to simplify compliance, reduce costs, and provide companies with more flexibility while maintaining the core sustainability goals of the directive. However, raising the employee threshold to 1,000 employees could exempt many companies from mandatory reporting, particularly those still large enough to have significant sustainability impacts. The shift from requiring companies to sever ties with harmful partners to allowing alternative remedies could weaken accountability and delay meaningful action. Additionally, permitting SMEs to use voluntary standards risks leading to inconsistent and insufficient due diligence practices, potentially undermining the uniformity and rigour of the directive's goals. Ultimately, these adjustments may dilute the directive's ability to enforce robust corporate accountability for human rights and environmental protection. The proposal will now be considered by the European Parliament and the Council before adoption. The changes will enter into force once the co-legislators reach an agreement and the final text is published in the EU Official Journal.

The Directive's Impact Regarding Candidate Countries

Turning to the regional and domestic context of the directive, it is important to note that it will have significant implications for EU candidate countries, including North Macedonia, as these nations align their legal frameworks with EU regulations. While North Macedonia is not immediately required to comply with EU laws, the country's path to EU membership will require a gradual adaptation of its legal structures to bring them into alignment with EU standards. However, high-quality, well-integrated EU and UN regulations would benefit Southeast European countries, both EU member states and candidates. This is particularly relevant as, with the exception of Slovenia, these countries have so far failed to develop a coherent approach to assessing the impact of corporate activities on human rights and the rule of law. This gap is evident in the lack of National Action Plans on Business and Human Rights, as well as the absence of comprehensive policies or specific regulations on corporate accountability in countries including Serbia, Montenegro, Croatia, Bosnia and Herzegovina, North Macedonia, Greece, Turkey, and Albania.²²

The regulatory framework for Environmental, Social, and Governance (ESG) reporting in North Macedonia is still in its early stages, with full implementation yet to occur. Existing laws governing corporate reporting do not specifically address these issues. The Company Law mandates that management boards prepare annual accounts, financial statements, and reports. While the law outlines the content of the annual report, it does not explicitly mention ESG-related matters.²³ Additionally, in North Macedonia, companies' human rights policies are either standalone documents or integrated into company standards such as the Code of Ethics or Supplier Code of Conduct, outlining their stance on human rights. Companies are encouraged to align their policies with the United Nations Global Compact. Of the 27 companies surveyed, 10 have public statements on human rights, with seven incorporating them into corporate standards such as the Code of Ethics or Corporate Governance Code (CGC). Two companies publish these statements on their websites, while one has a dedicated human rights document. However, only three companies extend their human rights commitments to their suppliers and business partners, while the others limit responsibility to management and employees. Referenced international human rights standards include the Universal Declaration of Human Rights, the UN Global Compact, ILO Conventions, OECD Corporate Governance Principles, and national laws such as the Anti-discrimination, Labor Law, and Workplace Harassment Protection legislation.²⁴

²² Letnar Čeranič and Michalakea, as cited in Vesna Coric, Ana Knezevic Bojovic, and Milica V. Matijevic, Potential of the EU Draft Directive on Corporate Sustainability Due Diligence to Contribute to a Coherent Framework of Corporate Accountability for Human Rights Violations (2023).

²³ Stefan Ristovski, Corporate Sustainability Reporting as a Mean for Engaged Private Sector: Regulatory Framework and Reporting Practices on Corporate Sustainability Reporting Practices in North Macedonia (European Policy Institute, 2022).

²⁴ Ibid.

Conclusion

The Corporate Sustainability Due Diligence Directive (CSDDD) represents a substantial advancement in EU regulatory efforts to address the harmful impacts of business operations on human rights and the environment. By mandating due diligence processes throughout companies' operations and supply chains, the directive significantly elevates corporate accountability, setting a strong precedent for businesses to integrate sustainability into their governance models. However, the directive is not without its challenges, including concerns over compliance costs, the effectiveness of liability provisions, and the risk that companies may only implement superficial due diligence measures, which could undermine its intended deterrent effect.

For EU candidate countries such as North Macedonia, the CSDDD offers both a challenge and an opportunity. While the country is not immediately obligated to comply with the directive, it will need to align its legal framework with EU standards as part of its accession process. This alignment presents an opportunity to strengthen corporate governance, improve transparency, and foster a more sustainable business environment. However, North Macedonia faces significant challenges, including the absence of comprehensive national policies on human rights and business, weak environmental protection frameworks, and the need to build capacity for ESG reporting.

The Omnibus proposal introduces important adjustments aimed at reducing the regulatory burden, particularly for small and medium-sized enterprises (SMEs). By raising the employee threshold for mandatory reporting, simplifying compliance requirements, and allowing for alternative corrective measures instead of severing ties with harmful partners, the Omnibus seeks to make the CSDDD more practical for businesses. While these changes may make compliance more accessible for SMEs, there are concerns that they could weaken the directive's impact on corporate accountability, particularly regarding the comprehensive management of supply chain risks.

In conclusion, the CSDDD is a regulatory framework that will shape the future of corporate responsibility in the EU and its candidate countries. While its implementation presents both challenges and opportunities, the directive's role in promoting sustainable business practices and protecting human rights cannot be overstated. For North Macedonia and other candidate countries, aligning with the CSDDD is not just about regulatory compliance—it is an opportunity to take the lead in the global transition to a sustainable, ethical, and responsible economy.

