EUROPEAN PARLIAMENT TO DECIDE ON NEW EU RULES TO STOP CORPORATE ABUSE

What is happening?

On Thursday, 1 June, Members of the European Parliament (EP) will vote on the EU’s new rules to make companies accountable for the damage they cause to people and the planet: the Corporate Sustainability Due Diligence Directive (CSDDD). If the European Parliament fails to vote in favour of ambitious amendments, the final text risks being a far cry from what is needed.

What has happened until now?

In April 2020, the EU’s Justice Commissioner, Didier Reynders, announced plans for new rules to make businesses accountable for their activities impacting people or the planet. He called them a ‘game-changer’.

In March 2021, the European Parliament unveiled its blueprint proposal to influence the Commission’s proposal. Oxfam called it a welcome step.

In February 2022, the European Commission presented its proposal for the new rules. Oxfam labelled it a far cry from what is needed.

Last December, EU countries agreed on a watered-down and toothless version of the rules.

European Parliamentarians (MEPs) amended the text at the committee level. The result is a mixed bag:

- It lacks ambition on crucial issues such as tackling the climate crisis, the inclusion of the financial sector, and access to justice for survivors of corporate abuse.
- It contains important elements such as the obligation for companies to adapt their purchasing practices to respect the right of workers in their supply chain to earn a living income.

This mixed bag is under threat as conservative MEPs from several countries intend to vote against the text to make it weaker or even ditch the legislation altogether.

What happens next?

Trilogues

The Council of the EU (representatives from the 27 EU countries), the European Parliament and the European Commission will discuss the Council and Parliament’s proposals and agree on the law’s final text.
EU countries implement the rules

EU countries will implement the rules into their national law. EU governments and the European Parliament want to delay the law’s entry into force from 3 to 5 years depending on the company size. This means most companies will not have to comply with these rules before the end of the decade.

The key issues up for vote?

How many and which type of companies will have to comply?

Between 1 – 2 percent of European companies.

If the European Parliament text remains unchanged, less than 2 percent of European companies will fall under the scope of the law – an estimated 65,000 EU companies – that have an annual turnover of at least 40 million euro and over 250 employees. Large companies headquartered outside of the EU but with a comparable turnover in the EU would also be covered. Foundations like FIFA are not covered.

The EP’s proposal is better than what EU countries agreed which would cover only 9,360 companies according to Commission estimates – less than 1 percent of companies in the EU. However, the European Parliament’s proposal would still exclude at least 98% of companies.

Oxfam calls for a due diligence law that holds all companies responsible for damage to people and the planet.

Will companies have to carry out due diligence for the entire value chain?

While the European Commission’s proposal covers the entire value chain, both EU governments and the European Parliament have limited due diligence obligations downstream.

EU governments limited due diligence obligations downstream. Only the distribution, transport, storage, and disposal of products will fall under the scope of the law. They labelled this limited reach as the ‘chain of activities’. The European Parliament’s position is only slightly better: it adds the sale of products but excludes their use.

What happens if the entire value chain is not covered:

• Oil and gas companies can extract and sell fossil fuels without any rules to hold them accountable for damage to the climate caused by using their products.

• European companies would not be held accountable for the harm to workers and the environment caused by their products even, for example, when they export pesticides banned in the EU outside the EU.

We need a law that covers the full value chain of companies, i.e., the impacts on human rights and the environment of their suppliers and their clients.

Will the financial sector have to comply with the law?

Some parts, but not all.

The text up for vote in the European Parliament sees the financial sector facing fewer due diligence obligations than other sectors. Banks will only have to carry out due diligence for their direct clients and financial services for small and medium-sized companies will be exempt. Investors and asset managers would have a limited duty to
engage with the companies they invest in to pressure them to stop activities with negative impacts on people and the planet.

According to EU countries, each EU government should decide whether limited due diligence obligations will apply to financial services. Investments would not be covered, and EU countries could exempt pension funds.

Holding investors accountable for human rights violations and environmental destruction in the projects they bankroll is essential. Recently, French NGOs, including Oxfam, sued French bank BNP Paribas under the French due diligence law over its financing of fossil fuel companies and for its substantial contribution to the climate crisis.

**Will due diligence obligations cover business’ damage to the climate?**

The European Parliament’s text includes no explicit reference to companies’ obligations to address their damage to the climate. There is an implicit reference as the norms included in the legal framework guiding the due diligence obligations reference the Paris Agreement and the European Climate Law. This ambiguous approach puts due diligence for the climate on shaky foundations.

The Commission and EU countries also turn a blind eye to the vast impacts of companies’ emissions on the planet. They want an EU due diligence law that does not oblige companies to identify, prevent, and end business damage to the climate. They only included a loosely worded obligation for very large companies to adopt a climate transition plan in line with the 1.5°C objective of the Paris Agreement and with the emission reduction objectives. EU countries will not have to police these plans.

**Will companies be responsible for ensuring people earn a living income?**

EU parliamentarians introduced a major improvement to the Commission’s proposal. They want companies to review their business model to ensure workers in their supply chain earn a living wage or a living income.

The European Parliament also requires companies to engage with stakeholders in a gender-sensitive manner. This is important as women workers face specific risks and are the most at risk of not receiving a living income.

The chocolate sector is one of the examples where big companies like the European cocoa giants, Nestle and Lindt, are raking in huge profits while 9 in 10 cocoa farmers struggle to survive.

**Will company directors get off scot-free?**

The Parliament’s version of the legislation restores the Commission’s initial proposal to make directors responsible for overseeing due diligence. EU countries had deleted it entirely. Companies would also have to tie a share of their directors’ remuneration to the company’s sustainability performance under the Parliament’s version.

**Will companies be held responsible for the harm they cause?**

The text put to the vote in the European Parliament wants to hold companies legally responsible for the harm caused by failure to do due diligence. But this approach is weaker than the Commission’s proposal as parent companies wouldn’t be held responsible if their subsidiaries failed to carry out appropriate due diligence. The only exception to the rule is if the subsidiary was intentionally dissolved to avoid liability.
Moreover, companies could escape liability for damages arising from risks in their value chain which they had not “prioritised”.

EU countries only want to hold companies legally responsible when they directly violate people’s rights. As a result, it’s not clear whether a company would have to pay compensation to a family of a worker who died due to a company violating its safety standards.

**Will survivors of corporate abuse be able to access justice?**

The Commission’s proposal and the EU countries’ position do little to improve the right of survivors of corporate abuse to go to the courts if a company violates their rights.

The European Parliament text removes some obstacles for survivors seeking justice, for example by extending the time limit to launch a claim and allowing organisations working in the public interest to bring claims to the courts. However, a major obstacle remains: survivors will still have the main responsibility to prove that companies have not fulfilled their due diligence obligations instead of companies having to provide evidence that they complied.

In short: survivors of corporate abuse will continue to struggle to access justice.

**Contact information**

INTERVIEW REQUESTS: Marc Olivier Herman is available for interview or comment.

**Jade Tenwick** | Brussels, Belgium | jade.tenwick@oxfam.org | mobile +32 473 562260

**Julia Manresa** | Brussels, Belgium | julia.manresa@oxfam.org | mobile +32 473 87 44 26

For updates, please follow [@OxfamEU](https://twitter.com/OxfamEU).
Oxfam is an international confederation of 21 organizations, working with its partners and allies, reaching out to millions of people around the world. Together, we tackle inequalities to end poverty and injustice, now and in the long term – for an equal future. Please write to any of the agencies for further information or visit [www.oxfam.org](http://www.oxfam.org).

<table>
<thead>
<tr>
<th>Country</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxfam America</td>
<td><a href="http://www.oxfamamerica.org">www.oxfamamerica.org</a></td>
</tr>
<tr>
<td>Oxfam Aotearoa</td>
<td><a href="http://www.oxfam.org.nz">www.oxfam.org.nz</a></td>
</tr>
<tr>
<td>Oxfam Australia</td>
<td><a href="http://www.oxfam.org.au">www.oxfam.org.au</a></td>
</tr>
<tr>
<td>Oxfam-in-Belgium</td>
<td><a href="http://www.oxfamsol.be">www.oxfamsol.be</a></td>
</tr>
<tr>
<td>Oxfam Brasil</td>
<td><a href="http://www.oxfam.org.br">www.oxfam.org.br</a></td>
</tr>
<tr>
<td>Oxfam Canada</td>
<td><a href="http://www.oxfam.ca">www.oxfam.ca</a></td>
</tr>
<tr>
<td>Oxfam Colombia</td>
<td><a href="http://www.oxfamcolombia.org">www.oxfamcolombia.org</a></td>
</tr>
<tr>
<td>Oxfam France</td>
<td><a href="http://www.oxfamfrance.org">www.oxfamfrance.org</a></td>
</tr>
<tr>
<td>Oxfam Germany</td>
<td><a href="http://www.oxfam.de">www.oxfam.de</a></td>
</tr>
<tr>
<td>Oxfam GB</td>
<td><a href="http://www.oxfam.org.uk">www.oxfam.org.uk</a></td>
</tr>
<tr>
<td>Oxfam Hong Kong</td>
<td><a href="http://www.oxfam.org.hk">www.oxfam.org.hk</a></td>
</tr>
<tr>
<td>Oxfam Denmark</td>
<td><a href="http://www.oxfamibus.dk">www.oxfamibus.dk</a></td>
</tr>
<tr>
<td>Oxfam India</td>
<td><a href="http://www.oxfamindia.org">www.oxfamindia.org</a></td>
</tr>
<tr>
<td>Oxfam Intermón (Spain)</td>
<td><a href="http://www.oxfamintermon.org">www.oxfamintermon.org</a></td>
</tr>
<tr>
<td>Oxfam Ireland</td>
<td><a href="http://www.oxfamireland.org">www.oxfamireland.org</a></td>
</tr>
<tr>
<td>Oxfam Italy</td>
<td><a href="http://www.oxfamitalia.org">www.oxfamitalia.org</a></td>
</tr>
<tr>
<td>Oxfam Mexico</td>
<td><a href="http://www.oxfammexico.org">www.oxfammexico.org</a></td>
</tr>
<tr>
<td>Oxfam Mexico</td>
<td><a href="http://www.oxfammexico.org">www.oxfammexico.org</a></td>
</tr>
<tr>
<td>Oxfam Novib (Netherlands)</td>
<td><a href="http://www.oxfamnovib.nl">www.oxfamnovib.nl</a></td>
</tr>
<tr>
<td>Oxfam Québec</td>
<td><a href="http://www.oxfam.qc.ca">www.oxfam.qc.ca</a></td>
</tr>
<tr>
<td>Oxfam South Africa</td>
<td><a href="http://www.oxfam.org.za">www.oxfam.org.za</a></td>
</tr>
<tr>
<td>KEDV</td>
<td><a href="http://www.kedv.org.tr">www.kedv.org.tr</a></td>
</tr>
</tbody>
</table>

This publication has been produced with the assistance of the European Union. The contents of this publication are the sole responsibility of Oxfam EU and can in no way be taken to reflect the views of the European Union.