JOINT PRESS STATEMENT

EU MAKES DUE DILIGENCE MANDATORY

IT IS NOW TIME TO MAKE IT MEANINGFUL

Brussels, 14th December 2023 **– Today marks a significant milestone as a political agreement was successfully concluded on the Corporate Sustainability Due Diligence Directive (CSDDD).** This groundbreaking directive will require companies operating within the EU to undertake mandatory human rights and environmental due diligence throughout their value chains.

Just a few years ago, the prospect of mandatory due diligence legislation was merely a dream for most human rights defenders, civil society organisations, academics, and frontrunners companies. Now, **this historic moment has arrived**, marking 12 years since the approval of the voluntary guidelines for responsible businesses, the UN Guiding Principles on Business and Human Rights (UNGPs).

> "*We are happy that there will finally be a legal obligation for companies to do Human Rights and Environmental Due Diligence in their value chains. If implemented in the right way, and despite big shortcomings, this directive has the potential to be a key step towards more fairness in global supply chains*," said May Hylander, Policy and Project Officer at the Fair Trade Advocacy Office.

While the political deal reached represents a considerable step forward towards corporate accountability**, it falls short in many aspects**: it leaves out a big part of the financial sector, applies only to very large companies, and while it does include civil liability, it fails to reverse the burden of proof, making justice for victims of corporate abuse hard to access.

The original proposal from the European Commission and the General Approach by the Council of the EU opened the door to cascading responsibilities and associated costs in the supply chain. This would lead to counterproductive effects of the law by leaving suppliers even more vulnerable. By **strengthening** some important elements such as meaningful stakeholder engagement, responsible disengagement, and the obligation to address purchasing practices, the final agreement has taken **some steps in the right direction** to address this. In addition, both the right to a living income and a living wage must be recognized in the law.

> "*The new text makes a considerable shift to effective and transformative due diligence, by taking a stronger stance on the need to meaningfully engage stakeholders in the process and by mandating that business only terminate business relationships responsibly and as a last resort. This will ensure that companies work on solutions with suppliers, rather than opting for a cut-and-run approach that doesn't resolve the issues they find*" said Catarina Vieira, EU Policy Advisor for Solidaridad.

Yet, this is just the beginning.

Each EU member state will have to transpose the directive, which is a tremendous opportunity to eliminate the loopholes of the directive and ensure alignment with the UNGPs.

THE IMPERATIVE NEXT STEPS

Guidance is essential for effective implementation. The directive mandates the Commission to draft guidance on several due diligence aspects. In our view, this needs to be developed in a consultative manner and based on due diligence guidelines from the OECD, including their sector-specific guidance. It should provide clarity on meaningful stakeholder engagement, responsible disengagement, fair purchasing practices, and effective strategies for achieving living incomes and living wages. In these guidance documents, the Commission should emphasise that contracts are just one instrument within a company's due diligence toolbox. Instead of traditional top-down requirements, these should also be drafted in collaboration and dialogue between buyers and suppliers, with shared responsibility for the respect for human rights and the environment.

Accompanying measures are crucial. The EU and its member states must prioritise providing financial and technical support to rightsholders and their representatives, vulnerable economic actors in global value chains (including smallholders and artisans), and to EU partner countries. EU Delegations in partner countries play a pivotal role in this regard, as focal points and providers of support.

> "*Accompanying measures are essential for the directive to be implemented in the best way: for all actors to have sufficient information, for rightsholders to be empowered to use it to address corporate misconduct, and for smaller suppliers in partner countries to be supported in implementing the changes that are needed*," said Meri Hyrske-Fischer, Human Rights Advisor at Fairtrade International.

Last but not least, **the implementation must be ambitiously taken up by companies.** They should take the lead in establishing due diligence processes that involve open dialogue with suppliers and other stakeholders, making genuine efforts to bridge living wage and living income gaps, and critically evaluating their business models and purchasing practices. In short, start taking co-responsibility and not externalising the risk management costs to their suppliers.

> "*This political agreement is a milestone to make due diligence the norm in global value chains, potentially benefiting millions of rightsholders worldwide. However, achieving this requires full mobilization from the Commission, member states, and companies, as we anticipate a lengthy transposition and implementation process.*" said Fanny Gauttier, EU Public Affairs Lead at the Rainforest Alliance.

Today signals a significant move toward corporate accountability and responsible business conduct. Now we call on the EU, member states and companies to use this momentum to drive the transformations that are needed to protect human rights and the environment around the world.

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Press contact in following page

Press contact:

Fair Trade Advocacy Office
May Hylander
Policy and Project Officer
+46707536553
hylander@fairtrade-advocacy.org

Rainforest Alliance
Darla van Hoorn
Manager Global Media Relations
+31 (0)6 20 09 13 12
dvanhoorn@ra.org

Solidaridad
Eoghan Hughes
PR Officer
+31 (0) 6 11 33 90 88
eoghan.hughes@solidaridadnetwork.org

Fairtrade International
Meri Hyrske-Fischer
Human Rights Advisor,
+358 40 5959120
meri.hyrske-fischer@fairtrade.fi