

SLCP – Public Affairs

SLCP Response to the European Commission’s proposed Corporate Sustainability Due Diligence Directive

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The Social & Labor Convergence Program (SLCP)¹ welcomes the European Commission’s initiative towards advancing human rights standards in global supply chains through mandatory due diligence. As the largest global trading bloc, the European Union is well positioned to play a leading role in ensuring human right standards in global supply chains are met, and due diligence is a critical tool in meeting this goal. A smart mix of mandatory regulation, market-based incentives, voluntary frameworks, and harmonized policy measures are required to drive improvements.

In line with SLCP’s vision and mission to improve working conditions by shifting resources away from duplicative social auditing, we believe due diligence requirements must avoid being a tick box approach or a continuation of the status quo. The current resource drain only adds to the disproportionate burden on those further down the supply chain. With this in mind, SLCP reaffirms [the ILO, OHCHR, and OECD](#) in calling for convergence with existing frameworks as well as ensuring collaborative action and credible social data are key facets of the EU’s due diligence Directive. This will ultimately improve working conditions in global supply chains.

After an initial review of the Commission’s proposal and building on our [2021 position paper on human rights due diligence](#), SLCP’s three key reflections on the draft Directive published in February 2022 are as follows:

1. SLCP appreciates that the proposed directive recognizes the need for a range of ‘accompanying measures’ to help facilitate due diligence implementation by companies. SLCP qualifies as a fit-for-purpose MSI in the context of these accompanying measures.
2. SLCP supports a risk-based approach, which aligns with current expectations as the most effective way to advance human rights in global supply chains. The proposed Directive can be strengthened with further clarity on risk prioritization. Companies can implement their risk-based due diligence obligations by using tools such as SLCP. SLCP is particularly useful in identifying, monitoring, and tracking human rights risks. Use of tools such as SLCP will help prevent undue burden on suppliers.
3. SLCP highlights the need for sectorial guidance (for the textile sector and other) to clarify the practical expectations of stakeholders. SLCP calls on policymakers to develop this by using the existing OECD Due Diligence Guidance as a starting point. This will drive convergence and avoid a proliferation of different approaches to meeting the due diligence requirements.²

This paper will elaborate further on these three priority points.

¹ SLCP is a multi-stakeholder initiative (MSI) that has developed and implemented a Converged Assessment Framework (CAF) to reduce audit fatigue and provide high quality, credible and actionable social and labor data. The SLCP signatory base includes manufacturers, brands, audit firms, civil society and MSIs in the apparel and footwear sector. SLCP signatories have committed to redirecting resources saved through implementation of the CAF to improving working conditions in supply chains. [SLCP collaborates with a diverse range of stakeholders](#) including the International Trade Centre (ITC) and the ILO-IFC Program *Better Work*.

² See, e.g., The [Social & Economic Council of the Netherlands’ Practical Due Diligence Guide](#) for the Garment & Textiles industry as an example of such guidance.

The significance of accompanying measures

Existing effective MSIs and industry initiatives have the on-the-ground experience and industry coverage required to properly address adverse human rights risks. SLCP appreciates that the proposal recognizes these efforts in Article 14. Nonetheless, SLCP recommends further EU-level guidance should be developed as suggested in Article 14(4). This guidance should define what is considered a ‘fit for purpose’ accompanying measure in this context. While more clarity is required, given SLCP’s progress in the textile sector, scale, and replicability to other sectors, future EU-level guidance should recognize SLCP as ‘fit for purpose.’

The accompanying measures utilized by companies should consider the realities of SMEs in developing countries. There is a risk that due diligence obligations, particularly where there is a heavy reliance on duplicative auditing, will become trade distorting and ultimately increase the burden on SMEs. Given the public availability of the Converged Assessment Framework (CAF) and free access to the SLCP Gateway, the reduction of associated costs by addressing audit fatigue, and the extensive training provided, SLCP is well equipped to support all companies, including those in developing countries. This is evident by the 2021 data, which shows that 49% of facilities implementing the tool were SMEs.

Risk based approach to due diligence

Given the complexity of human rights issues, a risk-based approach centered on the prioritization of risks is the most effective method to reduce adverse impacts on rights holders. The current Proposal can be enhanced with a clear risk prioritization. The [UN Guiding Principles on Business & Human Rights](#), the [OECD Guidelines](#) and the [ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy](#) provide a comprehensive framework for States and companies to prevent, address, and remedy human rights abuses committed in business operations. The Directive should ensure it mirrors this risk-based framework which focuses on the most salient issues.

Such a risk-based approach requires solid implementation tools delivering credible and actionable data. SLCP’s CAF provides a solution to companies as *one of a number* of tools and measures to implement critical components of the human rights due diligence process. SLCP’s verified social and labor facility data can deliver credible and actionable data. As with the OECD Due Diligence Guidance 6-step framework, companies require this data in order to:

- *Identify human rights risks (Step 2, as required by Article 6),*
- *Track and monitor human rights risks (Step 5, as required by Article 10).*

The importance of coherent sectorial guidance for the textile industry

The Commission has considered the textile and apparel sector as high-risk. Given the complexity of its supply chains and subsequent heightened risks, SLCP supports further practical guidance for the textile industry at the EU-level. In formulating the sectorial guidance, the Commission and member states should build on existing frameworks such as the [OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Textile Sector](#) (‘OECD DD Guidance’). The OECD DD Guidance has acted as a useful resource for the sector in implementing the UN and OECD’s voluntary international RBC standards to date.

Converged Assessment.
Collaborative Action.
Improved Working Conditions.

Established industry initiatives have relied on the sectorial Guidance and the OECD 6-step framework to understand what tools and data companies need to comply. SLCP, for example, relied on them in developing the CAF.

Nonetheless, the EU should ensure guidance for priority sectors are coherent with existing frameworks while being precise and fit for purpose for mandatory legislation. This means ensuring human rights issues in the industry are holistically addressed through coordination with the [EU Strategy for Sustainable and Circular Textiles](#) and the [Communication on Decent Work Worldwide](#).

Stakeholders require clear expectations on what they must do to comply in practice, and the EU must ensure it does not leave room for further fragmentation across jurisdictions and between European and international expectations. SLCP would welcome a collaborative approach in developing such text, to ensure what companies do in practice meets the expectations of stakeholders and achieves the intended impact.

SLCP looks forward to continuing to analyze the proposed Directive in more detail and support stakeholders in driving improved working conditions in supply chains through due diligence.