

Europe's Green Transition in the Textile Sector - Deep dive into Corporate Sustainability Due Diligence Directive (CSDDD)

21 September 2023

This online seminar is the first one of a 6-month seminar series co-organized between Partnership for Sustainable Textiles (PST) and the Green Button. Each seminar will focus on a topic that is part of the EU textile strategy.

Europe's green transition in its textile strategy will change the sector tremendously. The seminar completely digs into the Corporate Sustainability Due Diligence Directive (CSDDD) on:

- What is the content and What to expect
- Comparison between the German Supply Chain Due Diligence Act and the Corporate Sustainability Due Diligence Act
- Reflection on EU Legislative processes from suppliers' perspective

The three invited panel members walk us through the landscape of legislation and share their insights on how to cope with the challenges.



Jennifer Schappart

A partner at "Due Diligence Design," offers deep intelligence and guidance on high-risk due diligence issues, leveraging her expertise in government policy and negotiation of OECD due diligence guidance.



Julius Dahmen

A lawyer at Taylor Wessing, specializes in advising companies on purchasing, sales, distribution, and product liability, including support for the German Supply Chain Due Diligence Act (LkSG).



Kim Van Der Weerd

Co-founder and host of Manufactured podcast focusing on sustainable fashion from a supplier perspective. She collaborates with GIZ and the Transformers Foundation to foster empathy and mutual understanding across fashion supply chains.

The online seminar comprised a lengthy panel discussion, followed by a Q&A.

Jennifer Schappart offers a very clear overview of EU legislation development by introducing the following aspects:

- EU textile strategy forms part of the broader policy landscape, including the EU Green Deal, aligning with international commitments, and encompasses a series of legislation, while some are entirely new and others adapted from existing ones.
- There is structural integration. Certain aspects like the CSDDD and Due Diligence Reporting, fit together smoothly, while others particularly concerning products introduce entirely new categories.
- The current status of CSDDD is ongoing with finalization, expected adoption in early 2024, and potential enforcement for some companies by 2026.
- As mandatory due diligence legislation for human rights and environmental risks, the scope of CSDDD covers the entire value chain including upstream from cotton to spinners to manufacturers to brands, and downstream including circular economy business partners such as collectors and sorters, excluding end-of-life and consumer use.
- Non-compliance with CSDDD may result in financial penalties, holding companies civilly liable for human rights and environmental damages within their operations.
- What remains unclear at the moment and needs to be clarified are details regarding board responsibilities, climate change policies, and responsible purchasing practices, as well as the approach to disengagement within the CSDDD framework.

Jennifer provides insightful thoughts on what to expect and actions to take, that the top priority for business in the fashion industry is to prepare and document a strategic level and board-involved action plan to address the severe due diligence risks.

- The crucial is to identify human rights and environmental risks in both operations and the value chain, requiring annual assessments and preventative action plans.

- Policies go beyond mere adherence to codes of conduct, necessitating established processes, SOPs, and stakeholder consultations.
- Companies must report on risk assessments, action plans, grievance mechanisms, and stakeholder consultations. Reporting obligations will fall under a different legislation, the CSRD.

Julius Dahmen provides valuable insights into the differences between CSDDD and LkSG, comparing both legislation on:

- The scope of CSDDD will be much broader than LkSG, including indirect suppliers and affiliated companies while LkSG focuses on direct suppliers.
- CSDDD introduces extended civil liability, contrasting with LkSG which lacks private enforcement mechanisms.
- CSDDD emphasizes a risk-based approach without differentiating between direct and indirect suppliers, whereas LkSG takes a more structured approach focusing on direct suppliers.

Furthermore, Julius highlights areas for adaptation and potential enhancements, particularly in addressing the depth of supply chain scrutiny and strengthening efforts against climate change.

- CSDDD requires a deeper exploration into the supply chain regarding risks, potentially requiring more extensive efforts, necessitating a stronger impact-driven approach with moderate efforts.
- The biggest difference is that CSDDD sets up reporting obligations for companies to prepare a compliance plan for climate targets while LkSG doesn't.

Kim van der Weerd's insights highlight the complexities and challenges suppliers face in navigating sustainability legislation like CSDDD, emphasizing the importance of collaboration, resource allocation, and meaningful engagement with stakeholders.

- Apparel Suppliers Guide to Key Sustainability Legislation in the EU, US, and UK is a project led by suppliers and for suppliers, providing a roadmap for suppliers who feel overwhelmed.
- The Apparel Suppliers Guide includes 12 fact sheets covering scope enforcement, penalties, and updates of 12 legislation.
- Kim's research on the project reflects growing concerns about increased expectations for suppliers to implement due diligence processes for helping brands and retailers fulfill their due diligence requirements; brands are implementing stringent contractual clauses in a way to offload risk onto suppliers; brands and suppliers grappling with operationalizing legal requirements may lead to suppliers complying with multiple conflicting

requirements, different traceability systems, and type of contractual requirements which potentially place heavy burden on suppliers.

- Kim emphasizes recommending suppliers to discuss implications and implementation plans with their customers before the clients finalize their methodologies for implementation to mitigate the risk of dealing with conflicting standards or multiple interpretations.
- Suppliers shall allocate sufficient resources including legal teams and HR to address compliance challenges.
- Suppliers shall seek out opportunities to engage with policy makers, despite potential challenges with technical language.
- Kim advocates for a shift away from a top-down approach to involve manufacturers' voices in decision-making and promotes a collective action rather than shifting legal responsibility from brands to their suppliers.

In conclusion, panelists agree:

- It is important for manufacturers to focus valuable resources and time to engage with policymakers in an early stage of legislation development when asking for stakeholder consultation.
- It is important for companies to put up a three-year action plan and get a due diligence policy written, getting the board and legal department engaged, as well as starting work on risk assessment.
- It is highly recommended that manufacturers especially international manufacturers start to work on risk assessment providing a clear prioritization of what risks are most important to the business rather than a reactive approach to what customers or audits bring up.

To learn more, watch the [recording of the Seminar](#). The slides presented in this seminar are attached below. For more online seminars on similar topics, check out the [Asian Dialogues Series](#).

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