

JOINT STATEMENT

CSRD SECTOR SPECIFIC STANDARDS NEEDED FOR THE GARMENT- AND TEXTILE SECTOR

Brussels, July 2022 – **We, the undersigned organisations, welcome the European Commission’s legislation on Corporate Sustainability Reporting. We believe that this is an important step towards accountability, transparency and responsible business conduct. The garment sector has a high risk of human rights violations and negative environmental impacts. We therefore urge EFRAG to set up sector specific standards for the garment sector.**

Unsafe working conditions, long working hours and low wages: in the textile- and garment sector human rights are at high risk of being violated. These problems cannot be solved without supply chain transparency, which is lacking at many garment brands.¹ The standards for the Corporate Sustainability Reporting Directive (CSRD) are an important tool in improving transparency, as it sets the criteria of reporting for companies. The effectiveness will, however, depend on the extent the obligations and reporting standards reflect the practices of textile and garment brands.

Standards should be in line with international norms and established mechanisms

The CSRD should *at least* be in line with the corporate sustainability due diligence (CSDD) proposal and OECD guidelines for Responsible Supply Chains in the Garment and Footwear Sector. Several frameworks already exist on the due diligence process expected from garment companies.² These assessment methods have proven themselves in practice, have been refined after practical experience and received support from national governments. **We expect to see all the topics and assessment criteria from these frameworks to be converted into mandatory standards that companies should report on as part of the sector specific standards for the textile- and garment sector.** In particular the below points are important to be included:

Purchasing practices of brands

There is growing evidence that poor purchasing practices of brands lead to human rights issues in supply chains.³ The European Commission has recognized that unfair trading practices are prevalent in the garment sector.⁴ The reporting Standards should therefore be focussed on the actions and performance of brands themselves, should take into account the power imbalance between brands and manufacturers and should not leave space for them to pass on the due diligence responsibility to their suppliers.

¹ <https://cleanclothes.org/campaigns/gotransparent>

² See for example the [AGT assessment](#), Fair Wear’ [Brand Performance Check s](#) or [the PST’s Identifying and prioritising risks assessment](#)

³ See for example https://www.ilo.org/travail/info/fs/WCMS_556336/lang--en/index.htm and <https://www.ethicaltrade.org/resources/guide-to-buying-responsibly>

⁴ Green paper on unfair trading practices in the business-to-business food and non-food supply chain in Europe Brussels, [31.1.2013 COM\(2013\) 37](#)

An [ILO survey](#) shows that payment terms of two months or more are common in the garment sector, meaning that suppliers are holding the financial risk and this can make their businesses vulnerable. Furthermore, only 17% of suppliers said that their orders had long enough lead times. Over half (52%) of textile clothing suppliers said that they accepted prices lower than their production costs and a third of these said this made it difficult to pay workers' wages. **Standards should therefore include reporting on lead times, payment terms, production volumes, pricing mechanisms and other purchasing practices.** The Implementation Guidelines can point reporters to a framework to capture various aspects of purchasing practices.⁵

Living wages

Living wages are connected to several other human rights and should therefore be at the core of any human rights due diligence policy. Recent [data](#) shows that only 4% of garment companies publish information on the wages paid to their workers. **Sector specific criteria for the garment sector should go beyond the general standards and include detailed information on the wages paid to garment workers and how this is reflected in the pricing mechanisms of companies.**

Transparency & supply chain mapping

Fullest transparency should be required of companies, as far as this does not harm workers or producers in the supply chain. Production locations, the source of materials, complaints received and details on the labour rights situation should be communicated in an accessible and understandable manner. Given that an efficient, open and multi-stakeholder disclosure mechanism for supplier facilities already exists in the industry⁶ and is used by many companies on a voluntary basis⁷ such an obligation would not be an undue burden. Rather, it would level the playing field and actually reward those that are already showing industry best practice and enhance the usefulness of the CSRD for all stakeholders involved, including access to remedy for actors in the supply chain. Many companies already report on their tier 1 suppliers, however, knowledge beyond this tier is often limited. Human rights risks aren't limited to tier 1 suppliers, as a recent [report](#) on forced labour in the textile sector has shown. **An obligation to disclose tier 1 suppliers could therefore be combined with an obligation to map tier 2 and beyond.** A responsibility that garment companies will have anyway under the forthcoming forced labour legislation.

We are putting forward the above suggestions to urge EFRAG to set up solid and thorough standards for the garment sector that will lead to significant and meaningful changes on the ground.

Signatory organizations:

- Fair Trade Advocacy Office
- Fair Wear Foundation
- Clean Clothes Campaign International Office
- Fashion Revolution
- Solidaridad
- European Environmental Bureau

⁵ [Common Framework for Responsible Purchasing Practices](#)

⁶ <https://openapparel.org> - this is transforming into <https://www.opensupplyhub.org/>

⁷ <https://transparencypledge.org>