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EUROPEAN PARLIAMENT VOTE ON THE CSDDD: SIGNIFICANT IMPROVEMENTS FOR THE RIGHTS OF SMALLHOLDER FARMERS

Brussels, 1 June 2023 – Today, the European Parliament adopted its position on the Corporate Sustainability Due Diligence Directive (CSDDD). **This proposed directive provides a unique chance to enhance business responsibility for human rights and the environment.**

The Parliament introduced significant improvements on the proposal from the European Commission, particularly in requiring companies to assess the potential or actual **adverse impacts that their purchasing practices and business models may have on human rights and the environment.** *“This is a significant improvement to the proposed directive for workers and farmers who ultimately pay the price of Unfair Trading Practices (UTPs),”* stresses May Hylander, Policy and Project Officer at the Fair Trade Advocacy Office.

The Parliament also improved the Commission’s proposal by **recognising the right to a Living Income, alongside the right to a Living Wage.** One-third of the food we consume is produced by smallholder farmers – independent economic actors who earn an income rather than receiving a wage. Many of them struggle to earn enough to afford a decent standard of living for their household, let alone adopt more sustainable production practices. *“Elevating the recognition of the right to a living income within the CSDDD can prompt companies to closely examine their purchasing practices, making meaningful contributions to lifting smallholder farmers out of poverty”* says Catarina Vieira, EU Policy Advisor for Solidaridad.

The importance of engaging meaningfully with stakeholders throughout the due diligence process and the extent to which companies must do so have been widely debated in the Parliament. *“In line with the OECD Due Diligence Guidance for Responsible Business Conduct, meaningful stakeholder engagement goes beyond mere consultation. Its purpose is to help businesses understand and address the needs and concerns of affected stakeholders’ effectively, with special consideration for groups most vulnerable to adverse impacts. We welcome that the Parliament followed that approach”* emphasises Meri Hyske-Fischer, Human Rights Advisor for Fairtrade International.

Furthermore, the **undersigning organisations appreciate the Parliament’s clarification that disengagement is only to be done as a last resort**, taking into account the potential adverse human rights or environmental consequences. Unfortunately, the limitation in the Parliament’s position, where disengagement is only deemed necessary when companies are directly responsible for causing or contributing to harm, contradicts the principles of responsible disengagement outlined in the OECD Guidelines and UNGPs. *“In line with international norms, a company should do everything in its power to end or mitigate the adverse impact, and only disengage as a last resort if it lacks the leverage to do so”* - Fanny Gauttier, EU Public Affairs Lead at the Rainforest Alliance.

The Parliament's position is not perfect. It fails to reverse the burden of proof, key to ensuring access to justice for victims, and eliminates the article that outlines the duty of directors in setting up and overseeing a company's due diligence process. **Despite this, the European Parliament possesses a robust mandate for trilogue negotiations.** Its position is more closely aligned with the OECD Guidelines and UNGPs and offers a higher likelihood of practical effectiveness.

It is now a shared responsibility of the Parliament, the Commission, and the Council to work towards a compromise that reflects high ambition in advancing the goals of the CSDDD, addressing unintended repercussions and preventing a disproportionate burden of due diligence on less powerful actors in global value chains.

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