

What can the Corporate Sustainability Reporting Directive do for a just and fair textile sector?

As part of the work on the Corporate Sustainability Reporting Directive (CSRD), the European Commission will develop specific reporting requirements for the textile sector. At the Fair Trade Advocacy Office, we are actively engaged in this, to ensure that these requirements are aligned with international standards (such as the ILO), and provide clarity on purchasing practices, living incomes and living wages. In this article, we will share why these points are important for the CSRD, and how they can help improve social conditions in the textile sector.

For decades, the global textile industry has faced criticism for widespread human rights violations and environmental harms. The reliance on long, opaque supply chains and the fast fashion model have resulted in forced labor, unpaid wages, and suppression of workers' rights. The challenge at hand has long been the lack of transparency about these violations and accountability for corporations.

In this spirit, the EU has taken steps via the Corporate Sustainability Reporting Directive (CSRD), which entered into force in January 2023, and which seeks to ensure for instance that companies are transparent when it comes to the origin of the raw materials they use and the working conditions in their supply chains. Additionally, the CSRD will serve as a key mechanism for companies to report on their obligations under the upcoming Corporate Sustainability Due Diligence Directive (CSDDD), which aims to enhance corporate responsibility regarding human rights and environmental impacts (see Preamble 62 of the CSDDD).

What are the CSRD reporting standards?

At the Fair Trade Advocacy Office (FTAO), we have actively advocated for a CSRD that effectively addresses the unique challenges faced by the textile sector. As part of this initiative, we are participating in the European Financial Reporting Advisory Group (EFRAG), which is currently developing sector-specific reporting standards for textiles, expected to be published in 2026. This tailored approach is vital for tackling the distinct issues within the textile industry.

What needs to be included?

The CSRD can be a groundbreaking reporting tool, but only if it serves as a vehicle for the other due diligence requirements that exist already. As we move forward, it is imperative that the textile-specific reporting standards are robust, enforceable, and address the most pressing issues already identified in the textile industry.

The CSRD, in its recital, emphasises that the aspects on which companies should report should be firmly grounded in internationally recognised principles. The International Labour

Organisation (ILO) conventions, for instance, note working conditions, violence and harassment (ILO Convention C190), discrimination at work (Convention concerning Discrimination in Respect of Employment and Occupation), and related issues. Similarly, with the CSDDD using the CSRD as its reporting tool, it only makes sense for regulatory coherence that the textile-specific reporting standards should require companies to disclose what they are doing to protect the rights mentioned in the CSDDD.

The CSRD reporting for the textile sector should also require companies to report on their purchasing practices. As early as 2007, the European Commission identified nine unfair purchasing practices in the textile sector that contribute to exploitation and environmental harm. Practices like last-minute changes, short-notice cancellations, and price squeezing undermine suppliers' ability to respect workers' rights and protect the environment. Under Articles 10 and 11 of the CSDDD, companies will already need to map how their purchasing practices contribute to human rights and environmental risks - and adjust them if necessary. To achieve policy alignment and clarity for companies, the CSRD should include reporting on all the aspects identified in the CSDDD, including purchasing practices.

The importance of reporting on living wages and living income

The CSRD reporting standards should require companies to disclose what they are doing to ensure a living wage for workers and living income for self-employed persons (such as smallholder cotton farmers and home-based workers) in all tiers of their supply chain. A living wage is defined, in accordance with the International Labour Organisation, as a wage that “is necessary to afford a decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work”. A living income is a separate concept that is relevant to self-employed persons, such as smallholder cotton farmers who supply approximately 75% of the world’s cotton. The leading Living Income Community of Practice defines it as “the net annual income required for a household in a particular place to afford a decent standard of living for all members of that household.” Requiring companies to report on their efforts to ensure living wages and incomes would significantly impact workers throughout the supply chain—from farmers in India to factory workers in Taiwan. This reporting obligation aligns with the right to just remuneration as enshrined in the Universal Declaration of Human Rights.

At the FTAO, we will continue to follow the textile-specific reporting standards to ensure that they are as meaningful as possible for smallholder cotton farmers and are drivers of change for workers. If you would like to know more about our work or explore a collaboration, contact Alena Kahle at kahle@fairtrade-advocacy.org.