Sustainable Fashion Academy and the Swedish Textile Initiative for Climate Action position paper on:

**The EU proposal for Corporate Sustainability Due Diligence Directive**

The Sustainable Fashion Academy (SFA) and the Swedish Textile Initiative for Climate Action (STICA) welcome the EU Proposal for Corporate Sustainability Due Diligence Directive as an important step to incentivise companies to innovate and future proof their business, while making them more responsible for their climate impact. SFA and STICA now encourage Members of the European Parliament and the governments of EU Member States to go even further and make the Directive even more ambitious on climate action.

When it comes to climate, we are in a state of emergency. This means companies must respond quickly, adequately, and ambitiously, or they risk losing their moral and commercial licences to operate.

The apparel and textile industries are responsible for a significant amount of greenhouse gas emissions. Recent studies estimate that the apparel industry accounts for approximately 2-7% of the share of global emissions, depending on what is included in the scope. Given the anticipated growth of the industry in emerging markets and our need to halve emissions by 2030, it is crucial that the textile industry does its part and more.

The global apparel industry and its stakeholders are aware of the urgency and have started to act. For instance, STICA was launched in 2019 to support the Nordic apparel and textile industry to meet the goals of the Paris Agreement. Under the auspices of UN Climate Change, companies and industry stakeholders also established the Fashion Industry Charter for Climate Action. Its vision is for the fashion industry to achieve net-zero emissions by 2050. Additional apparel and textile climate initiatives continue to emerge around the world in response to the need for rapid climate action.

After an initial review of the European Commission’s Proposal for a Corporate Sustainability Due Diligence Directive, SFA’s and STICA’s key reflections on the draft Directive are as follows:

1. Introduce an intermediate emissions reduction target of 55% by 2030 (compared with 1990 levels) as mandatory in the Climate Action Plan foreseen in Article 15 and in line with European Climate Law.
2. Clarify that the Climate Action Plan must include companies’ value chain and therefore covers Scope 1, 2 and 3 emissions.
3. Extend the scope of this obligation and require all large, small and medium-sized companies to adopt a Climate Action Plan.
4. Include the Paris Agreement in the list of Conventions in Annex 2, in order to extend the due diligence obligations to climate adverse impacts.

1. Reducing carbon emissions is urgent: Companies must be required to reduce emissions generated in their value chain already by 2030

Acting on climate change cannot wait until 2050. Urgent action today is key to achieve climate-neutrality by 2050. Adopting climate targets in line with climate science and the Paris Agreement needs to be an integral part of the EU Corporate Sustainability Due Diligence Directive. SFA and STICA welcome the first step in this direction in Article 15 of the European Commission’s proposal. Nonetheless, we call on MEPs and EU Member states to introduce intermediary targets. The need to dramatically reduce greenhouse gas emissions (GHGs) from textiles over the next decade needs to be reflected in the text of the Directive. This is currently a big omission in the European Commission’s proposal. To limit global warming, a majority of scientists see the urgency to reduce emissions by half by 2030. The European Climate Law has put into law for the EU to reduce 55% of emissions by 2030 (compared to 1990 levels). Companies, including textile companies, must do their fair share to contribute to this goal. It is also in their best interest to do so as it will stimulate business innovation and help to future proof their business. SFA and STICA recommend introducing an emissions reduction target of 55% by 2030 as mandatory in the Climate Action Plan foreseen in Article 15.

Secondly, SFA and STICA recommend clarifying in Article 15 that the Climate Action Plan must include companies’ value chain and therefore covers Scope 1, 2 and 3 emissions. Studies from WRI, McKinsey and Quantis show that there is general agreement that the majority of the apparel industry’s greenhouse gas emissions are generated in the value chain, especially during fibre and material production, yarn production, preparation of fabrics and dyeing, assembly and transportation within production. The biggest impact in terms of environmental and climate impacts occur during the production phases. If future legislation does not address primary production, we do not address the primary sources and underlying causes preventing sufficient climate action. Although important, we cannot rely on recycled materials or circular business models solely to meet climate targets. Clean primary production will be needed in the future to meet the demand of an increasing global population. To halve emissions in upstream production by 2030, the industry will need to decarbonize material processing, production and garment production, as well as minimise waste.

2. All large, small and medium-sized enterprises should adopt a Climate Action Plan

We acknowledge the requirements of Article 15 as a first good step; however, we regret that it currently applies only to larger companies, while a portion of large companies as well as all SMEs are

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1 SFA and STICA require member companies to target absolute reduction of CO2 emissions of 50% with a base year of 2018 (or 4.2% linear reduction until 2030). This is broadly equivalent to the EU Climate Law’s targets for 2030.
excluded from the scope of the Article. **SFA and STICA urge MEPs and EU Member states to extend the scope of this obligation and require all large, small and medium-sized companies to adopt a Climate Action Plan.** According to data from the European Commission\(^1\), the textile and clothing sector is an important part of the European manufacturing industry and is based on small businesses. Companies with less than 50 employees account for more than 90% of the workforce and produce almost 60% of the value-added. Given the large share of SMEs in the textile and apparel sector, their exclusion is a large omission in terms of impact’s scope of the European Commission’s proposal.

Besides ensuring a level-playing field in the EU, placing demands on all companies is a blessing in disguise. Requiring companies to integrate and invest in climate action stimulates innovation and helps them to better future proof their businesses. If SMEs are excluded, a two-tier system will be set up, thus benefiting only larger companies while not supporting SMEs in being prepared for the future. SMEs will not have sufficient incentives to integrate climate action into their core businesses and future strategies and investments.

However, given large parts of textile and garment production take place outside Europe – mostly in Asia – any successful transition to climate-neutrality in the textile sector needs to support companies (both large and SMEs) in their aim to green their supply chains and address their impacts in production countries. SMEs often have small purchase volumes, and therefore face difficulty influencing and supporting their suppliers to transition to and invest in renewable energy, energy efficiency and better dye solutions. The obligations of the Corporate Sustainability Due Diligence Directive must therefore be accompanied by measures to help SMEs to effectively engage their partner suppliers.

3. **Companies must take responsibility for the climate adverse impacts linked to them**

In the text proposed by the European Commission, due diligence obligations do not cover adverse climate impacts. We regret this decision, considering the urgency of the climate crisis. Companies need to take responsibility for the climate adverse impact that they cause, contribute to or that are linked to them in their value chain. We cannot afford to wait for the next review in around 8 years to decide whether to include climate adverse impacts in the proposal. **SFA and STICA therefore recommend including the Paris Agreement in the list of Conventions in Annex 2, in order to extend the due diligence obligations to climate adverse impacts.**

SMEs should be legally responsible for conducting climate due diligence and they should be supported in doing so, considering that many SMEs are not yet familiar with the concept of climate due diligence and how to conduct it. This is why we believe that at this stage it might be too early to extend the civil liability regime for damages arising from climate adverse impact to SMEs. Hence, **we recommend limiting it for now to large companies.**

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About SFA and STICA
The Sustainable Fashion Academy (SFA) is a non-profit organization based in Stockholm, Sweden. SFA’s mission is to exponentially accelerate progress to science-based sustainability targets and the global sustainability goals (SDGs) by leveraging the power and influence of the apparel and textile industry. To achieve this, SFA initiates research and analysis that can be used for better decision-making, inspires and educates change agents, and mobilizes key stakeholders around issues needed to transform the industry, such as legislation, finance and accountability.

In addition, SFA founded and coordinates the Swedish Textile Initiative for Climate Action (STICA). STICA’s aim is to ensure the Nordic apparel and textiles industry reduces its greenhouse gas emissions in line with what is required to stay within the 1.5°C warming pathway. STICA works directly with company members, which include more than 50 of the Nordic region’s largest brands and retailers. These companies have committed to setting science-informed targets, publicly reporting their progress and collaborating to reduce their emissions. STICA provides support to these companies as they seek to reduce their emissions and transform their businesses. To learn more visit www.sustainablefashionacademy.org/stica.

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Additional references
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The Swedish Textile Initiative for Climate Action (STICA): www.sustainablefashionacademy.org/stica

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