

Corporate Sustainability Due Diligence Directive – Sweden should act in line with international frameworks

Joint letter from Swedish companies for the trilogue negotiations on CSDDD



More than a decade ago, the UN Guiding Principles on Business and Human Rights were adopted and incorporated into the OECD Guidelines for Multinational Enterprises. These frameworks establish a global and common standard for corporate responsibility to respect human rights. Companies around the world are now applying these frameworks in their daily work to address negative impacts in their value chains, thereby strengthening the protection of human rights and the environment.

The development at EU level to introduce the Corporate Sustainability Due Diligence Directive (CSDDD) is a welcome and crucial step in ensuring that existing global frameworks are implemented consistently. The Directive has the potential to establish a level playing field for companies and ensure that negative impacts are mitigated. For this to happen, it is crucial that the Directive is based on existing frameworks and uses established definitions and principles for corporate responsibility to respect human rights and the environment.

The definition of "human rights due diligence", in line with the UN Guiding Principles and OECD Guidelines, is already found in several EU directives and regulations, including the Sustainable Finance Disclosure Regulation (SFDR), the Corporate Sustainability Reporting Directive (CSRD), and the Taxonomy Regulation. The CSDDD should follow these developments and thus ensure harmonisation within the EU.

We, the signatory companies, welcome the CSDDD and would like to emphasise the following points as crucial for the ongoing trilogue:

1. **Use established definitions and base the requirements on existing frameworks.** Companies already actively work in accordance with the UN Guiding Principles and OECD Guidelines. The CSDDD should not create its own definitions of companies' responsibility to respect human

rights, but rather implement approaches that already exist and that companies base their sustainability work on. Introducing new definitions will only lead to unnecessary administrative burden as companies will have to deal with divergent, and in some cases incompatible, concepts in already established international frameworks and the Directive.

2. **Risk-based due diligence requirements.** A risk-based approach is central to existing frameworks. This means that companies should prioritise risks in the value chain based on the severity of those risks. By doing so, each company's due diligence efforts will focus on where they will make the most urgent difference, while the responsibility is clearly defined.
3. **The requirements should cover the entire value chain, all sectors, and companies.** Companies' responsibility to respect human rights includes risks within their own operations, in the supply chain, and in customer relationships. To ensure a level playing field and that all risks are addressed, it is crucial to not limit the responsibility to only a specific part of the supply chain, or to exclude certain sectors or types of companies. All companies in the value chain have a responsibility to mitigate negative impacts. To be effective, the requirements must therefore cover the entire value chain.
4. **The due diligence requirements should ensure that companies focus on their own activities and how they affect human rights in the value chain.** This means that companies need to analyse how their business models, purchasing practices, strategies, sales processes, etc. increase or minimise risks in the value chain. It is also essential that companies' due diligence processes focus on long-term cooperation with business partners and stakeholders in the value chain. Contractual requirements and audits can be an important part of a company's due diligence, but should be combined with other measures and not used as a way to shift responsibility to business partners.
5. **Base accountability on established concepts of corporate responsibility.** Accountability provisions, when negative impacts occur, are a natural part of an effective directive. This includes both administrative measures and civil liability. However, civil liability needs to be predictable and clearly defined. To achieve this, the Directive should include established definitions of how companies can be involved in negative impacts, in line with the UN Guiding Principles. This means that accountability is determined by whether a company "causes", "contributes to", or is "directly linked to" negative impacts. The position of the European Parliament and the Council contain wording along these lines.
6. **Due diligence requirements should encourage and reward transparency.** Effective due diligence is based on transparency. This means both transparency in terms of how companies' value chains are structured, as well as transparency regarding the most severe risks, where in the value chain they are found, and how companies address the risks in practice. The CSDDD should incentivize companies that are transparent, and discourage companies with non-transparent value chains from indirectly avoiding responsibility. The Corporate Sustainability Reporting Directive (CSRD) is already adopted and establishes reporting requirements in line with existing international frameworks. To ensure harmonisation, the due diligence requirements in the CSDDD should be in line with what companies need to report under the CSRD. Diverging definitions and scope will only lead to increased administrative burden.

As companies, we urge the Swedish government to pursue these issues in the trilogue process and thus ensure that the CSDDD becomes an effective directive that supports responsible business, mitigates risks, and strengthens the respect for human rights and the environment in global value chains.

Kind regards,

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