

# Corporate Sustainability Due Diligence Directive

## EFFA POSITION PAPER

The European Commission (EC) unveiled, on 23 February 2022, the proposal on ***Corporate Sustainability Due Diligence Directive***. The initiative is aimed to integrate high Environmental, Social and Governance (ESG) standards in the whole supply-chain of businesses based and operating in the EU Single Market, including the activities carried in third countries.

EFFA welcomes this initiative as it complements the current **IFRA-IOFI Sustainability Charter** of which we are a signatory. The IFRA-IOFI Sustainability charter is a voluntary industry-driven guidance in which the signatories engage themselves to proactively implement actions aimed to comply with the focus areas of the Charter itself, which are:

- *Ensure responsible sourcing throughout the value chain.*
- *Reduce our industries' environmental footprint and address climate change.*
- *Enhance the well-being of employees and ensure a rewarding labour environment.*
- *Be at the leading edge of product safety.*
- *Be transparent and a reliable partner for society.*

With regard to the proposal on Corporate Sustainability Due Diligence, the **European flavour industry** is within the scope of this initiative, and it is classified as **high-risk sector**: this means that every company based or just having shares of business within the EU, a minimum number of 240 employees, and a turnover of € 40 million or more worldwide, will be subjected to the respect and reporting of ESG standards throughout its supply chain.

Given those premises, EFFA recommends considering the following points with regards to Corporate Sustainability Due Diligence:

- Recognise **the voluntary commitment of companies towards the objectives set by the Commission's proposal**, as it is the case with the IFRA-IOFI Sustainability Charter.
- Support the creation of a harmonised approach across the EU. We believe that this provides **a level playing field within the EU Single Market**, avoiding different requirements and incoherence between existing Member States and National initiatives and internationally recognised standards.
- Acknowledge the challenges and complexities of certain (agricultural) supply chains that can make it difficult for a single company to affect immediate change / remediation. **Companies' efforts to engage with their suppliers should therefore be rewarded, and the directive should acknowledge that working towards remediation is preferable to a simple disengagement.**
- Recommend considering **a one-year postponement of the entry into force to 1 January 2025 for the financial year 2024** to allow enough time to assess, plan and put in place the necessary measures, especially for the smaller SMEs.
- Provide **guidance on the reporting criteria** to be given to EU accredited certifiers by European entities in alignment with European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD) and existing international standards (e.g. GRI).

- Consider installing **incentives mechanisms** for businesses to support their transitions towards sustainability supply chain systems.

#### ABOUT EFFA

The European Flavour Association (EFFA) is the voice of the European flavour industry in Europe, leading a Europe-wide strategy to the benefit of the flavour industry, its customers and consumers alike. EFFA is a member of the global flavour association IOFI (International Organization of the Flavor Industry).

EFFA Secretariat

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