

Spotlight On The S in ESG – Upcoming EU Rules On Supply Chain Transparency, Due Diligence & Reporting On Social Matters



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Compliance & Risks Overview

Mission Statement

“Our goal is to ensure global companies have the tools & information to build safe, sustainable, products in a world full of change”



85k+
Sources

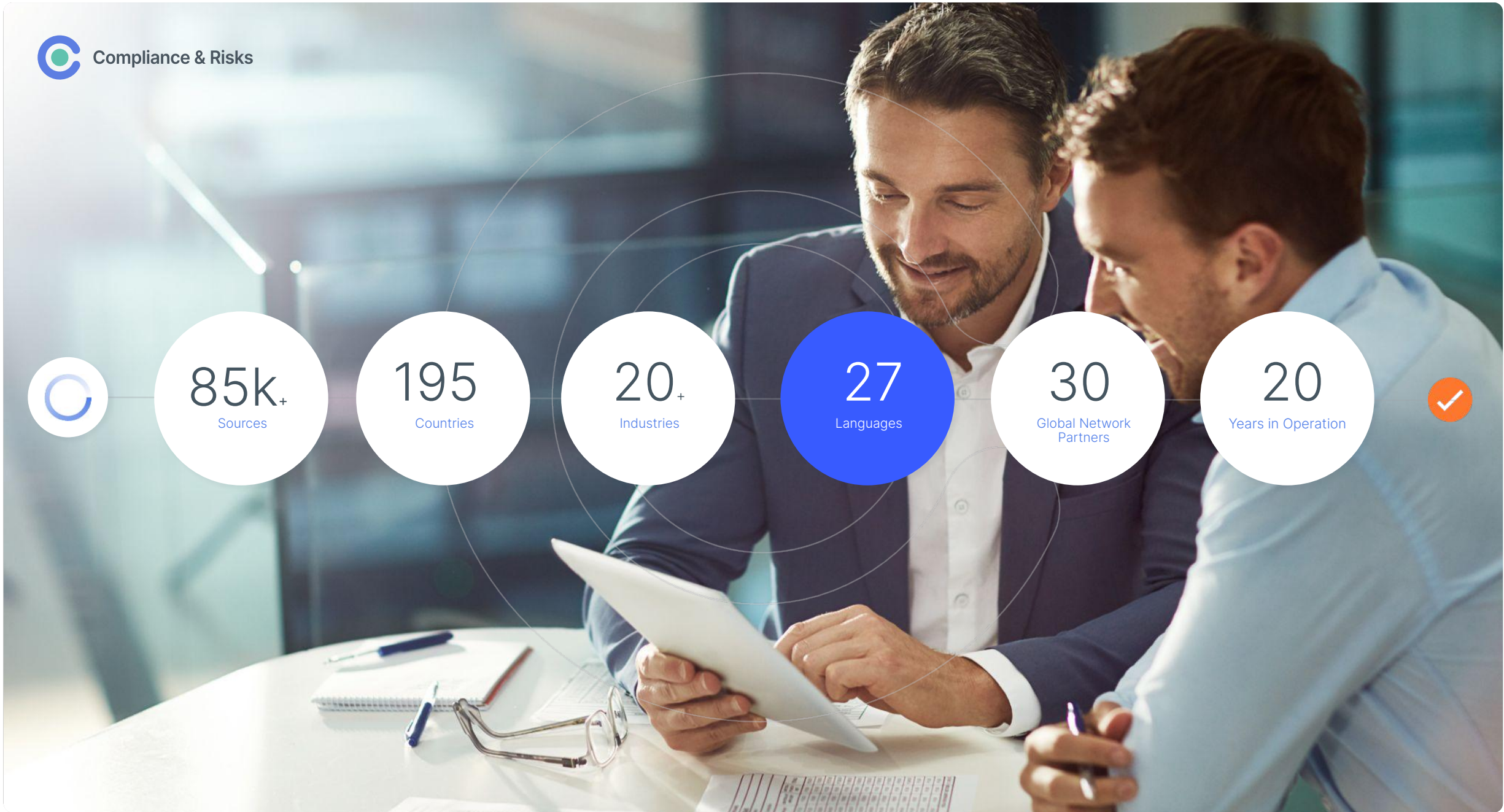
195
Countries

20+
Industries

27
Languages

30
Global Network
Partners

20
Years in Operation



Trusted by the World's Leading Brands

SAMSUNG

Miele

 **MOTOROLA**

TOSHIBA



 **Abbott**

FUJITSU

BOSE

TESLA

KOHLER

SIEMENS

 **legrand**

Thermo
SCIENTIFIC

SONY

GARMIN

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Cooley Overview

We regularly advise leading global brands

Cooley's ESG team

Voluntary and mandatory ESG reporting

ESG benchmarking and how to use ESG for business development

Supply chain issues and due diligence

Product compliance issues

Labelling, marketing and claims, including sustainability claims

Consumer laws and guarantees, online sales

Product recalls and liability issues, including consumer claims and class actions

Policy advice

03

The “S” in ESG

Environmental, social and corporate governance matters

What is ESG?

ENVIRONMENTAL

Focuses on a company's environmental impact, e.g., its energy use, water use and carbon emissions

SOCIAL

Focuses on a company's business relationships, e.g. with suppliers, employees and workers in the value chain

CORPORATE GOVERNANCE

Focuses on the decision-making and management of a company, e.g. its structure and purpose, transparency, board makeup and reporting

SOCIAL

Spotlight on the S in ESG



New and upcoming EU laws

1. Reporting on social matters

- Corporate Sustainability Reporting Directive or “CSRD”
- Sustainable Finance Disclosure Regulation or “SFDR”
- EU Taxonomy

2. Supply chain transparency and due diligence

- (proposed) Corporate Sustainability Due Diligence Directive or “CSDDD”
- Deforestation Regulation
- (proposed) Forced Labour Regulation
- Product specific requirements in new EU Batteries Regulation and (proposed) Ecodesign for Sustainable Products Regulation

Reporting on social matters

New EU law requiring sustainability reporting

CSRD reporting principles

Companies will need to prepare a sustainability report

Reporting to European Sustainability Reporting Standards (ESRS)

“Material sustainability matters”

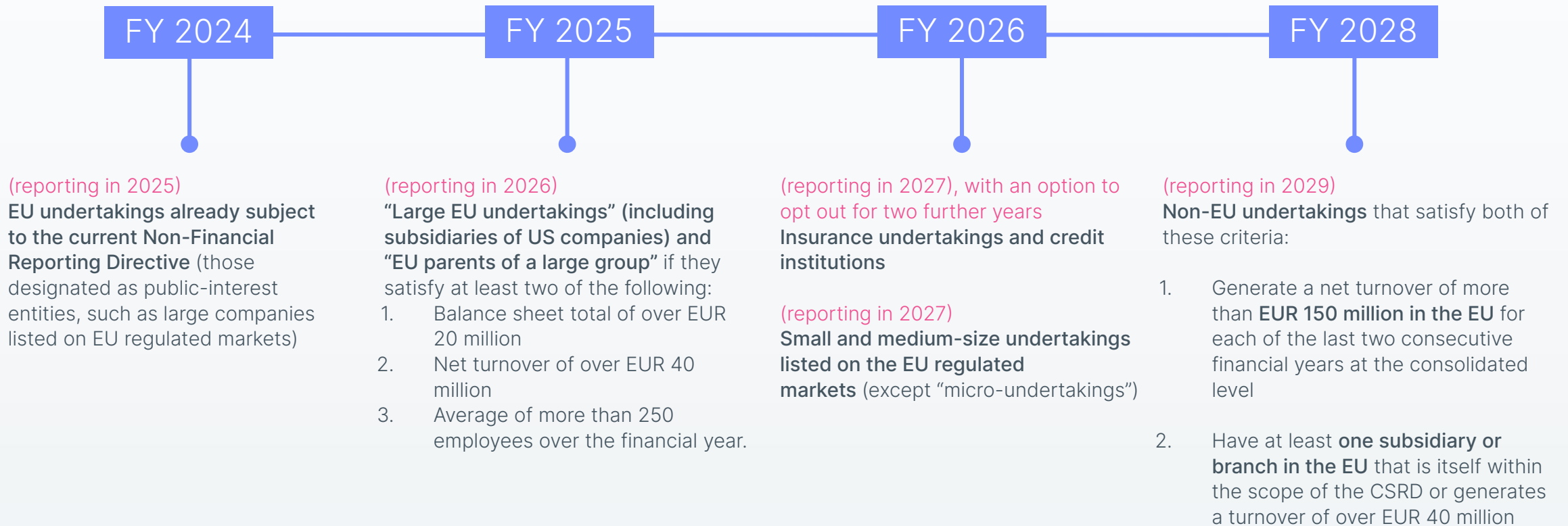
Value chain reporting

Mandatory third-party audit

Report and audit opinion must be made publicly available online, free of charge

Who will be covered and from when?

CSRD timeline



ESRS for EU entities

12 draft European Sustainability Reporting Standards

Environment	Climate change Pollution Water and marine resources Resource and circular economy Biodiversity and ecosystems
Social	Own workforce Workers in the value chain Affected communities Consumers and end users
Governance	Business conduct

There are also 2 cross-cutting standards on 'general requirements' and 'general disclosures'

ESRS S1 - Own workforce

Working conditions

- Secure employment
- Working time
- Adequate wages
- Social dialogue
- Freedom of association, the existence of works councils and the information, consultation and participation rights of workers
- Collective bargaining, including rate of workers covered by collective agreements
- Work-life balance
- Health and safety

Equal treatment and opportunities for all

- Gender equality and equal pay for work of equal value
- Training and skills development
- Employment and inclusion of persons with disabilities
- Measures against violence and harassment in the workplace
- Diversity

Other work-related rights

- Child labour
- Forced labour
- Adequate housing
- Privacy

ESRS S2 – Workers in the value chain

- Mutually exclusive with 'own workforce' (a contractor/worker is either covered by one or the other)
- Same topics as own workforce + water and sanitation

ESRS S3 – Affected communities

Communities' economic, social and cultural rights

- Adequate housing
- Adequate food
- Water and sanitation
- Land-related impacts
- Security-related impacts

Communities' civil and political rights

- Freedom of expression
- Freedom of assembly
- Impacts on human rights defenders

Rights of indigenous peoples

- Free, prior and informed consent
- Self-determination
- Cultural rights

ESRS S4 – Consumers and end users

Information-related impacts for consumers and/or end-users

- Privacy
- Freedom of expression
- Access to (quality) information

Personal safety of consumers and/or end-users

- Health and safety
- Security of a person
- Protection of children

Social inclusion of consumers and/or end-users

- Non-discrimination
- Access to products and services
- Responsible marketing practices

Supply chain transparency and due diligence

Corporate sustainability due diligence directive (CSDDD)

- Proposed February 2022, anticipated adoption 2024
- Aim of ensuring a level playing field in EU given emergence of diverging national laws:
 - French Corporate Duty of Vigilance Law
 - German Supply Chain Due Diligence Act
 - Dutch Responsible and Sustainable International Business Conduct Act
 - *Norwegian Transparency Act*
 - *UK Modern Slavery Act*

Proposed obligations

1. **Integrate** due diligence in corporate and due diligence policies
2. **Identify** potential adverse human rights and environmental impacts
3. **Prevent** actual and potential adverse human rights and environmental impacts, including through contractual assurances from business partners
4. **Bring to an end** adverse human rights and environmental impacts or, where impossible, minimize them
5. Establish and maintain a **complaints procedure** to enable affected persons, trade unions and civil organisations to submit complaints where they have legitimate concerns
6. **Monitor** the effectiveness of the measures taken by the company
7. **Report** on due diligence and publish the report on the company's website (unless already covered by CSRD)
8. Adopt **plans** to ensure the business model and strategy is compatible with limiting **global warming** to 1.5 °C

Directors' duties

Duty of care

- Directors of EU-incorporated companies must take into account the consequences of their decisions on human rights, climate change and the environment
- Breach of duty of care could lead to director liability under national law

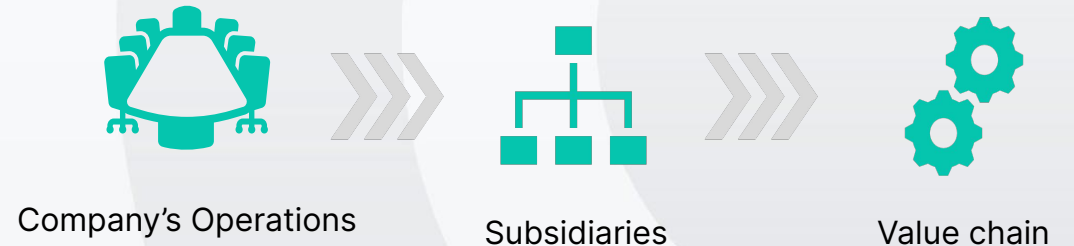
Due diligence

- Directors of EU-incorporated companies will be responsible for putting in place and overseeing due diligence measures and policies

Extent of the due diligence obligations

Due diligence obligations apply to:

- Company's own operations;
- Operations of the companies' subsidiaries; and
- Value chain operations carried out by entities with whom the company has an "established business relationship"



Deforestation Regulation

- Published 31 May 2023, will apply from December 2024
- Repeals EU timber Regulation
- Placing on the EU market + export of any products that contain, have been fed with or have been made using relevant commodities:
 - Cattle, Cocoa, Coffee, Palm oil, Rubber, Soya, Wood
- Products must be:
 1. Deforestation free
 2. Produced in accordance with the relevant legislation of the country of production including human rights, labour rights and indigenous peoples' land tenure rights
 3. Covered by the due diligence statement

Proposed EU forced labour Regulation

- Proposed September 2022, anticipated adoption 2024
- Bans placing on EU market, distributing and exporting from the EU any products where there is a “substantiated concern” that they have been made with forced labour or child labour
- Customs authorities can suspend or refuse the release for free circulation or the export of the product if they conclude that the products have been made with forced labour
- European Commission would:
 1. Set up a database of forced labour risks in specific geographic areas or with respect to specific products
 2. Issue guidelines on due diligence in relation to forced labour and information on risk indicators

Conclusion

- There is **A LOT** of new law on in the EU regulating the S in ESG
- Important to work out if your business is covered by mandatory sustainability **reporting**
- Think about revising contracts to make sure you will receive the necessary data for your ESG reporting from your value chain and sending ESG questionnaires
- If not already the case, build **due diligence** checks into selection of business partners
- Make sure you have a clear view of who is in your value chain and any social risks (forced labour, child labour, workers conditions, treatment of indigenous people etc.)
- Put policies in place and revise contracts to make sure you do the due diligence required under new and upcoming EU laws

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ESG Solution

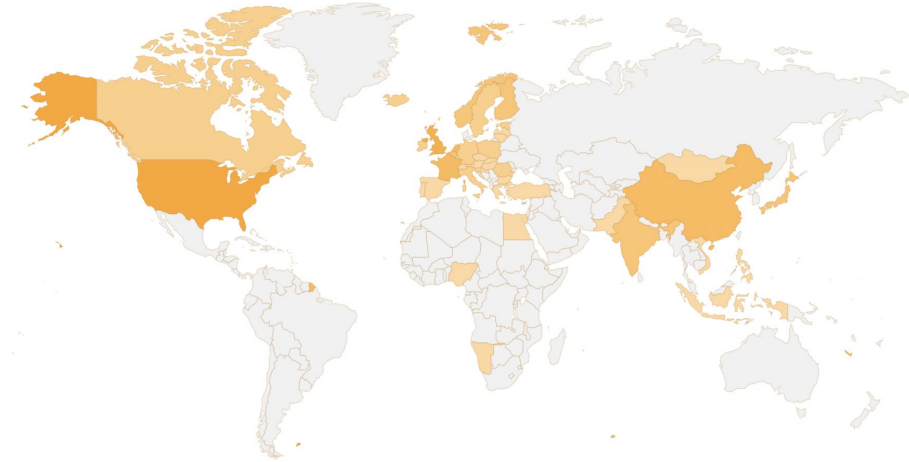
GROWTH IN REGULATIONS

Mandatory ESG Regulations are Growing

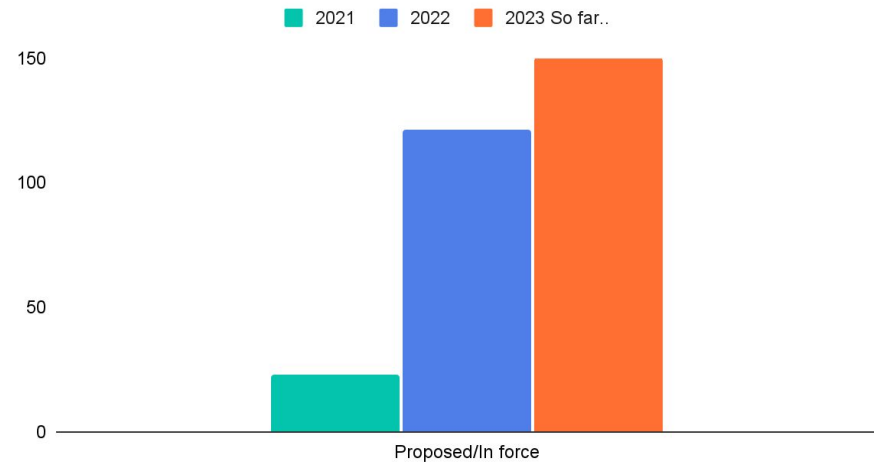
Making it increasingly difficult to maintain compliance



Global ESG Regulatory Density



Increasing trend in Mandatory ESG Regulations



ESG Solution

Powered by the C2P Platform

Services

- Platform customization and integration
- Enablement and training
- Custom reports

Content

- ESG Reporting Regulations & Standards
- Corporate Sustainability Reporting Regulations & Standards
- Global regulatory monitoring and alerting
- Expert commentary, contextual news & key deadlines

C2P Platform

- Enterprise grade technology, cloud based platform
- Intelligent search and filtering capabilities
- Productivity tools to sharing and workflow management
- Regulatory heatmaps with what's hot & where
- AI powered probability analysis
- Ask our Experts capability
- APIs for integration with existing systems



REGULATORY CONTENT

Unrivalled Global Coverage

- Daily monitoring of laws and regulations, proposed, enacted & amended, as well as standards, guidance documents and key deadlines covering requirements for companies to manage compliance for sustainability related activities across their business
- Commentary from regional experts in the Americas, EMEA & Asia

ESG



Global ESG Reporting

Environment



Climate Related Disclosures

Social



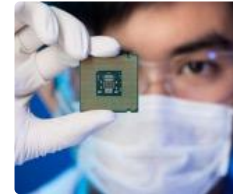
Labour & Human Rights

ESG



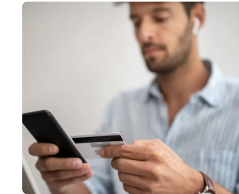
Supply Chain Due Diligence

Environment



Resource use & Circular Economy

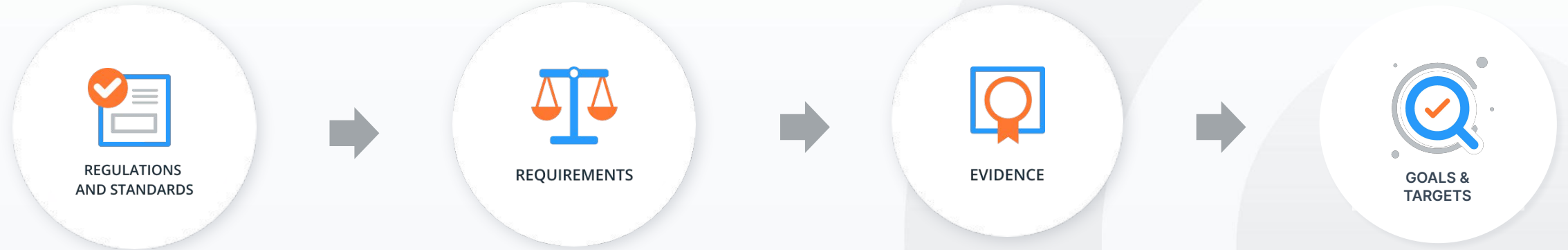
Governance



Bribery & Corruption

A holistic solution for your ESG Program

Manage your ESG program, business processes, and related work to successfully achieve your Goals



- **Identify current & proposed** regulations that impact your ESG Goals
- **Interpret** the relevant regulations
- **Receive daily alerts** of new developments or changes to the existing regulatory environment

- **Enter and track** your ESG requirements
- **Link** to proposed & enacted regulatory content
- **Understand** how changes impact your requirements
- **Communicate & collaborate** on requirements to gain alignment

- **Upload and manage** your evidence of compliance to each regulation
- **Link Evidence** to proposed & enacted regulations and standards
- **Understand** how changes impact your report

- **Build corporate memory & enable business continuity** by digitizing the ESG workflow, aligning stakeholders and internal teams against a common set of Goals, and creating a single source of truth to prove compliance

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ESG Solution Demo

Q&A

Thank you!



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