



Compliance & Risks

Webinar

One Size Does Not Fit All: ESG Regulations For A Sustainable Fashion Industry

22nd of May, 2024



→ | complianceandrisks.com



Q&A
Session

Slides &
Webinar
Recording



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Meet the Team



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Compliance Specialist,
ESG SME



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Product Marketing Manager

Mission Statement

Ensure global companies have the tools & information to build safe, sustainable, products in a world full of change

Trusted by the World's Leading Brands

SAMSUNG

Miele

 **MOTOROLA**

dyson



 **Abbott**

FUJITSU

BOSE

TESLA

PHILIPS

logitech

XEROX

Thermo
SCIENTIFIC


PUMA

GARMIN



95k+
Regulations

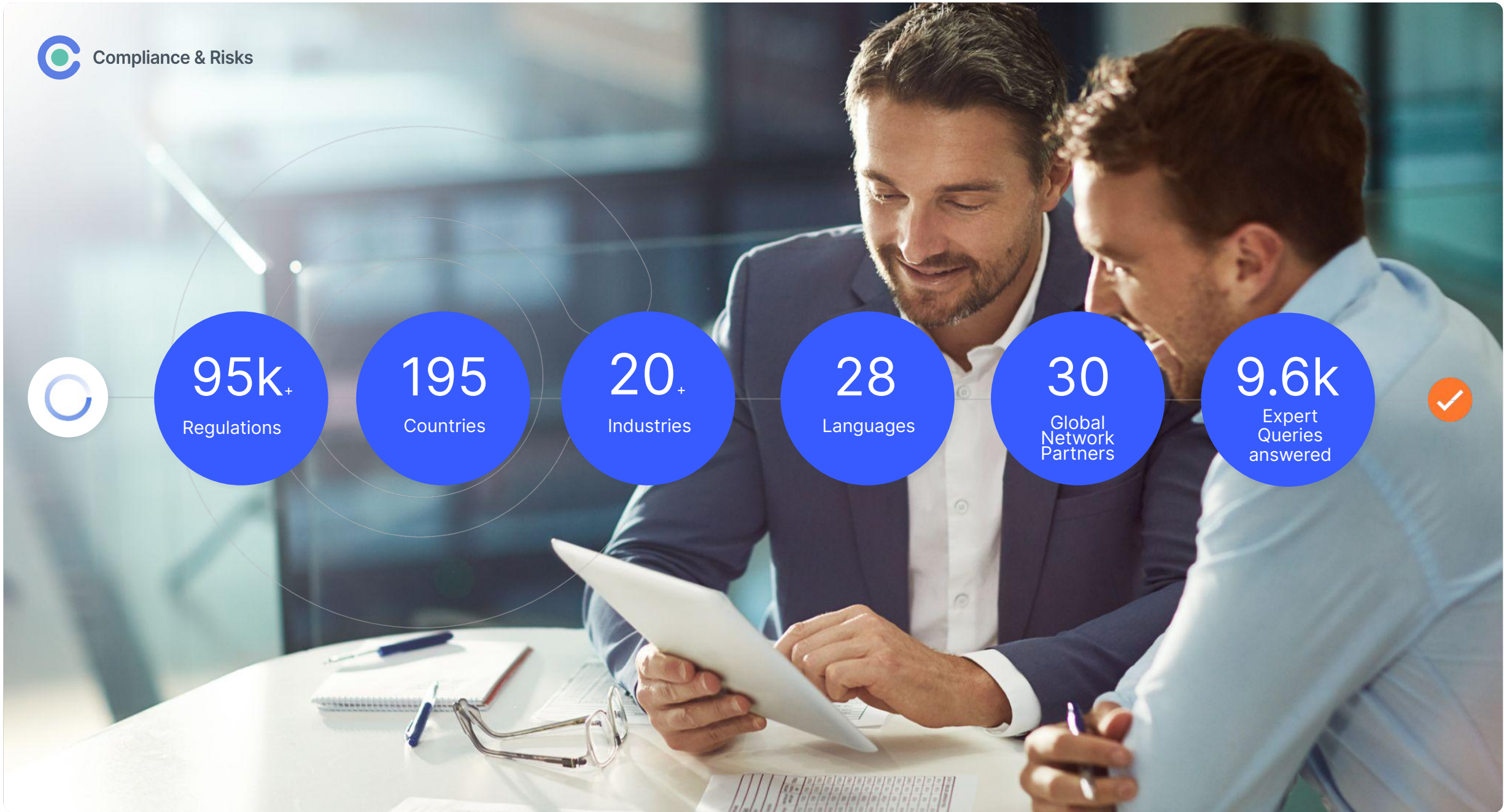
195
Countries

20+
Industries

28
Languages

30
Global
Network
Partners

9.6k
Expert
Queries
answered



WHAT WE DO

Unlocking Market Access

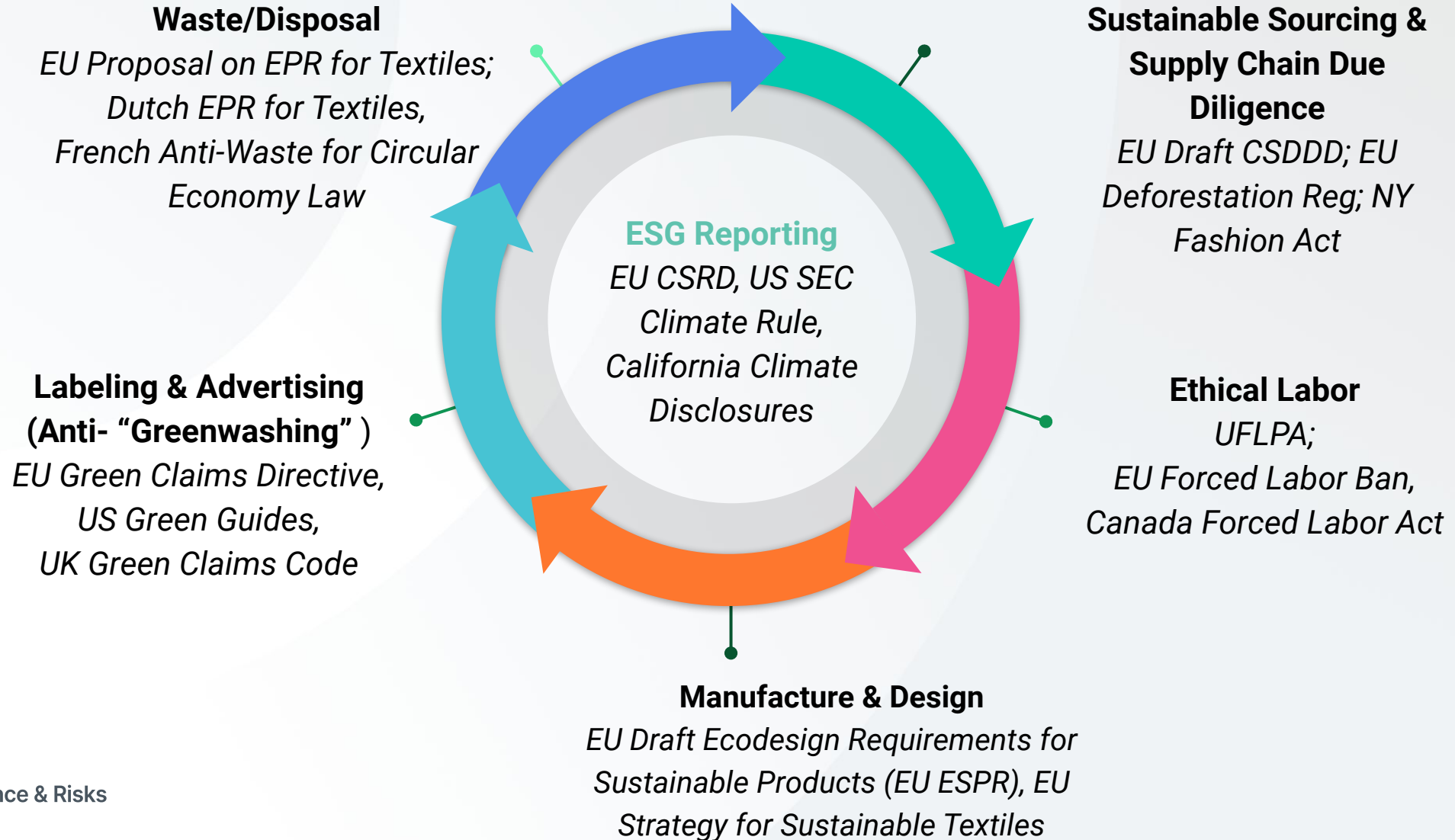
Keep on top of regulatory changes and their impact worldwide. Early warning alerts, impact probability, productivity workflow tools and so much more.



ESG Regulations For A Sustainable Fashion Industry

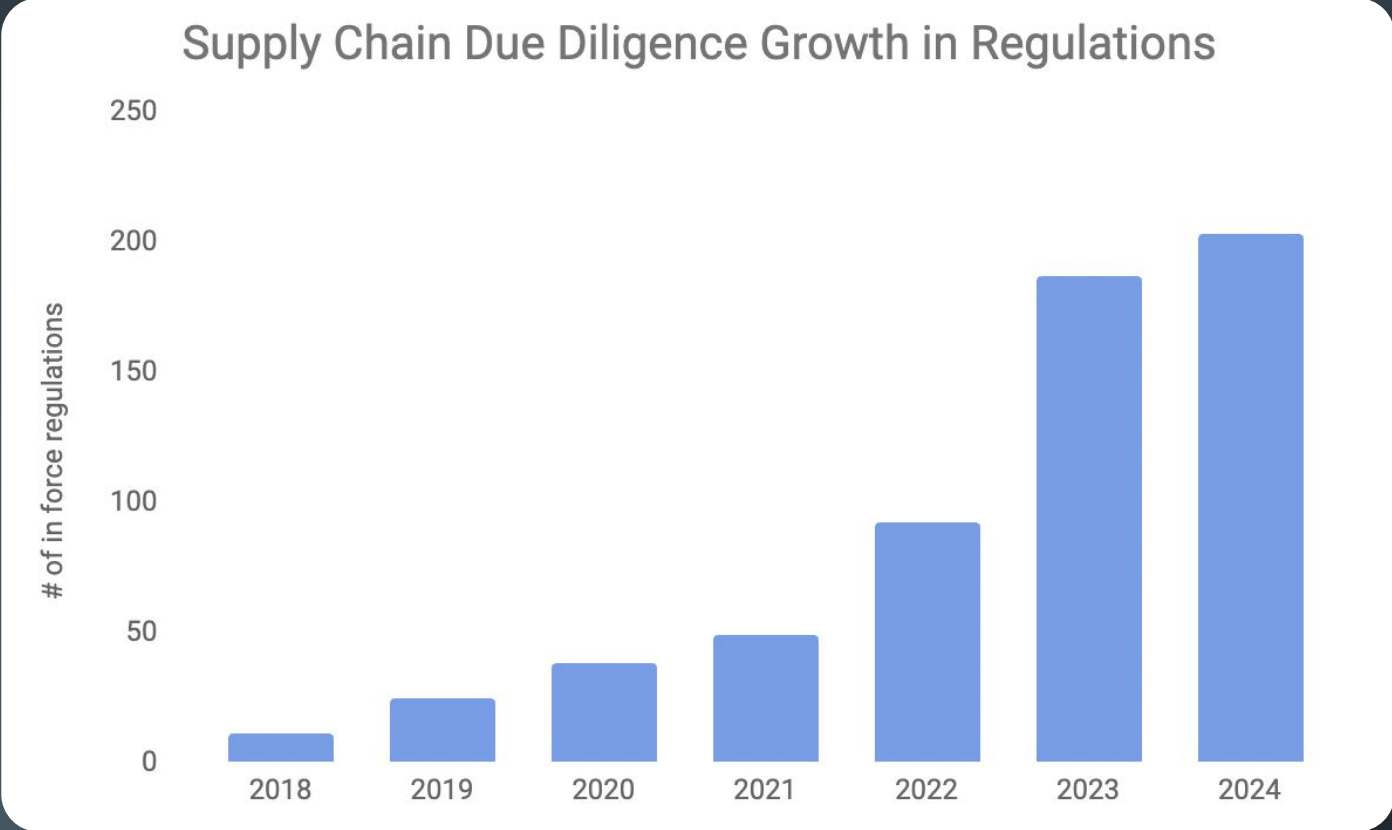


Agenda



Sustainable Sourcing and Supply Chain Due Diligence

Sustainable Product Supply Chains



Corporate Sustainability Due Diligence Directive

- **Approved** by EU Parliament and COREPER
- BUT **reduced scope**:
 - Companies established in EU:
 - >1000 employees (previously 500) and
 - >EUR450m in turnover (previously EUR150m)
 - Approx 5.300 companies
- Supply chain **due diligence** regarding **actual & potential human rights & environmental adverse impacts**
 - Companies' own operations & those of its subsidiaries & business partners;
- **Climate transition plans** to ensure compatibility with transition to sustainable economy and limiting of global warming to 1.5 °C.

**#CSDDD
is adopted!**



CSDDD (cont'd) -

- High risk sectors (textiles, clothing, footwear, extraction mineral resources) deleted
- Companies >5000 employees & EUR1500m in turnover to comply **3 years** after EIF with reporting for FYB **1 January 2028**
- Companies >3000 employees & EUR900min turnover after **4 years with reporting for FYB 1 January 2029**
- Companies >1000 employees & EUR450m in turnover after **5 years** with reporting for FYB **1 January 2030**



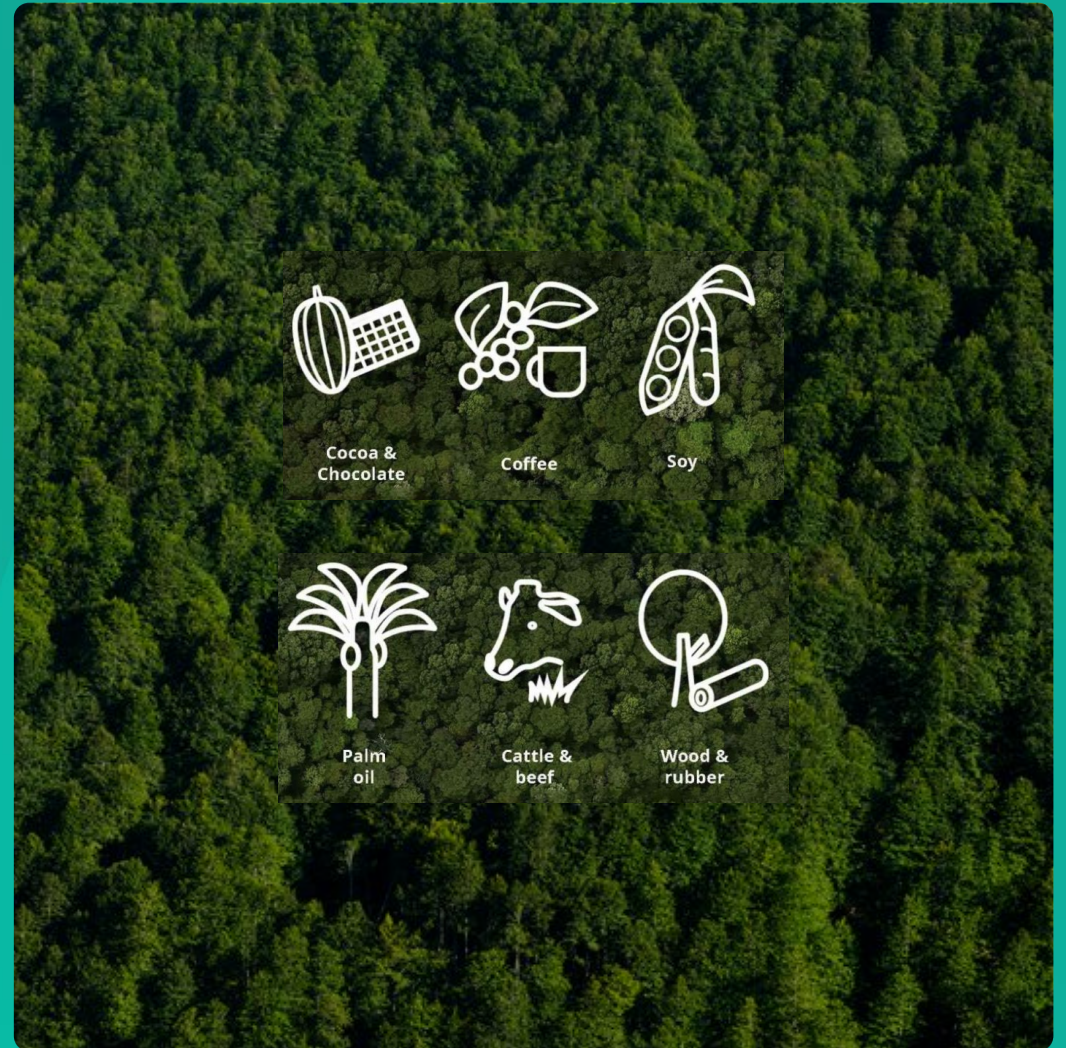
CSDDD - Next Steps

- Approved by EU Ambassadors (COREPER) on 15 May.
- Final vote by EU Competitiveness Council on **23 May**.
- Once adopted:
 - EIF 20 days after publication in OJ
 - 2 year transposition (mid 2026)
- Member states to develop/update existing laws to comply (may be stricter)



EU Deforestation Regulation (EUDR)

- From **30 Dec 2024**, ban on sale/export of products that contain, are fed with or made using the above unless they are:
 - **Deforestation free** (i.e., produced on land not converted from forest to agri use after 31 Dec 2020)
 - Produced as per laws in the country of production
 - Covered by a **due diligence** statement
- Clothing with rubber / leather / wood-based materials
- SMEs required to comply from **20 June 2025**
- Cotton not included in list of high-risk commodities - subject to review by EU Commission



EU Deforestation Regulation (EUDR)

Operators to:

- Exercise **due diligence** to demonstrate no or negligible risk
- Make due diligence **statement** available to authorities
- Collect precise geographical information on farmlands
- Maintain **records** for 5 years
- **Communicate** to operators or traders down supply chain
- Publicly **report** on due diligence systems annually



US Proposed Forest Bill (SB 3371)

- Proposed **30 Nov. 2023**
- Ban on products made wholly/ partly from commodities from illegally deforested land.
- Importers of “**High risk**” products to certify they have mitigated risks.

Rubber and derivatives products under headings 4001 and 4011 HTS.

- **Stricter supply chain due diligence & disclosures requirements** if product from countries with insufficient deforestation laws
- **Trusted trader program** for importers with “transparent & credible due diligence system” - **streamlined import**

New York Fashion Act (AB 4333)

- Proposed **14 February 2023** & **revised 6 May 2024**
- Fashion Sellers doing business in NY with global revenues >\$ 100 million
- *“Doing business”*: actively engaging in any transaction for the purposes of financial gain/profit

Fashion retailers/manufacturers to:

- **Map supply chain** across tier 1 through tier 4 of production
- Submit **annual due diligence report** to Office of Attorney General
- Disclose environmental impacts (e.g. GHG emissions, wastewater chemical concentrations and water usage)
- Set science-based GHG **emissions reduction targets**
- Work with suppliers to improve chemical use
- Contribute to **Fashion Remediation Funds** through penalties



Ethical Labor

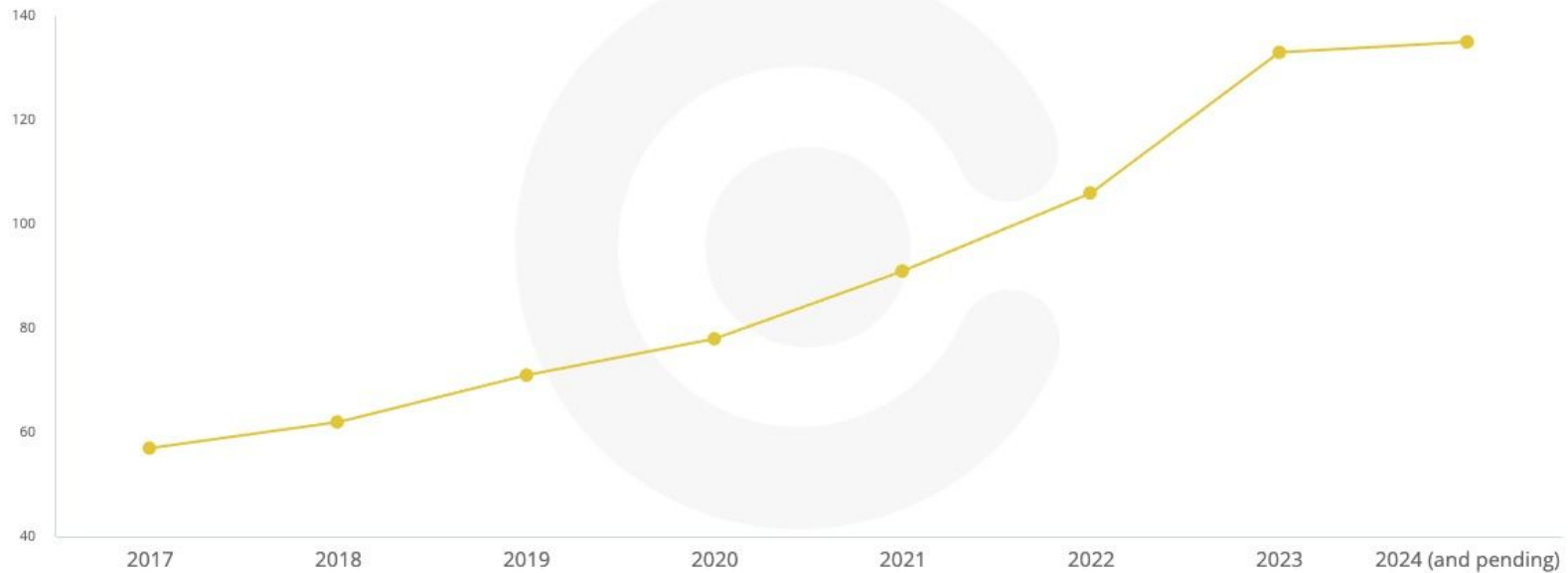
Ethical Labor / Slavery-Free Products

Library

Regulations by topic over time (Cumulative)

■ Supporting Excluded

● Human Trafficking and Slavery (HTS)



Powered by C2P

Types of Forced Labor regulations

- Disclosure-Based
 - Requires companies to disclose/report on their efforts to eradicate forced / child labor and/or publish a modern slavery statement
 - e.g. Australia Modern Slavery Act, UK Modern Slavery Act, Canada Forced Labor Act, California Transparency in Supply Chain Act
- Diligence-Based
 - Requires companies to undertake due diligence to ensure there is no forced / child labor in their supply chain
 - e.g. EU CSDDD, German Supply Chain Due Diligence Act, Norwegian Transparency Act, French Duty of Vigilance Law
- Border Control / Trade - Based
 - Prohibits the import of goods produced or manufactured using forced / child labor
 - e.g. EU Forced Labor Reg, UFLPA



EU Forced Labor Draft Regulation

- Ban on sale/export of **ALL** products made **in whole / in part** with forced / child labor from / to EU:
 - Regardless of geo **origin** (broader than UFLPA) or **industry type**
 - **Final product & components**
 - Includes **online** goods
 - **SMEs & large companies**
 - **Extraterritorial** effect
- Database of “**high risk**” products / regions
- **Penalties:** Import/export ban, withdrawal, disposal / donation / recycling
- Will operate alongside CSDDD (no additional Due Diligence obligations)
- Approved by EU Parliament on 23 April.
- Next steps:
 - Final approval from EU Council
 - EIF 36 months post publication



US Uyghur Forced Labor Prevention Act (UFLPA)

- From June 2022: **rebuttable presumption** that **ALL** goods produced in whole / in part in Xinjiang or by certain entities on **UFLPA Entity List** are produced using forced labor
 - **65 entities** on the List
- **High risk** products / industries: **cotton**, polysilicon, aluminum, PVC, steel, copper, lithium-ion batteries
- Importers to provide '**clear and convincing**' evidence to rebut presumption eg documentation showing **due diligence** program

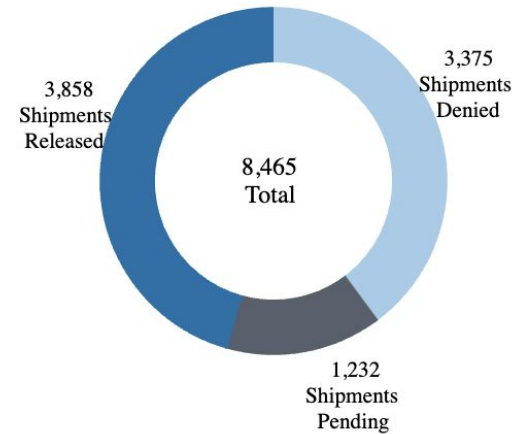
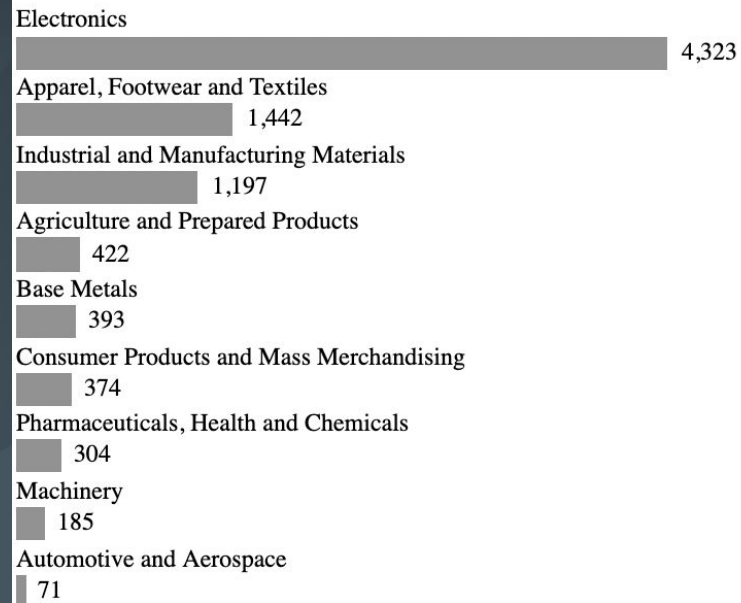




U.S. Customs and
Border Protection

U.S. Customs and Border Protection (CBP) Uyghur Forced Labor Prevention Act Enforcement Statistics June FY2022 to FY2024 to date

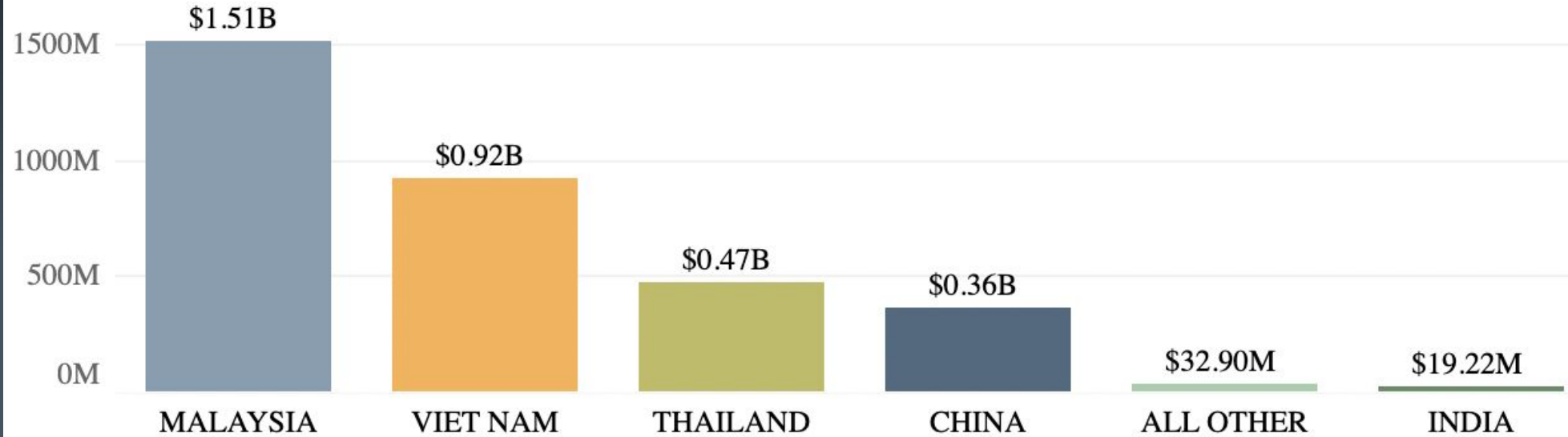
Shipment Count by Industry and Exam Result



Shipment Value (USD) by Country of Origin

→ [Access the UFLPA Statistics Dashboard](#)

Shipment Value (USD) by Country of Origin

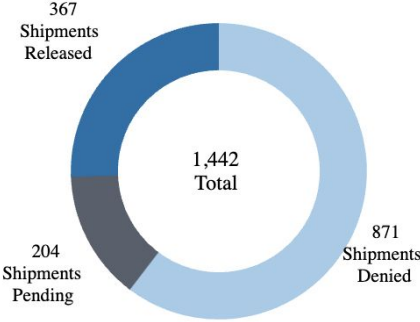


Disclaimer & Data Source: Statistical information is subject to change due to corrections or additional information. Data is provided by the Forced Labor Division and is current as of 5/1/2024.

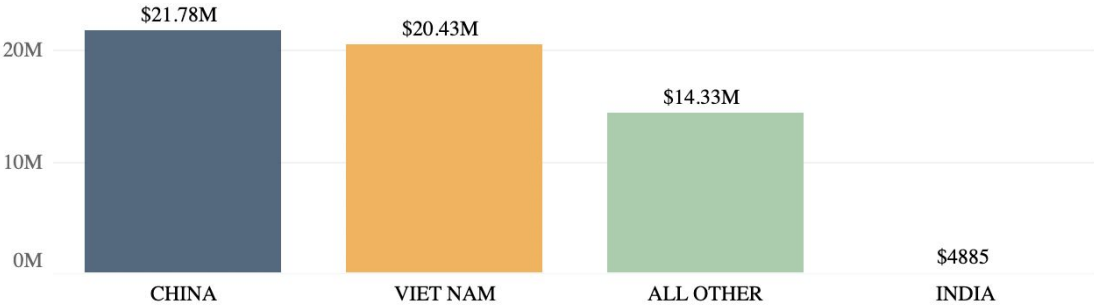
→ | [Access the UFLPA Statistics Dashboard](#)

Shipment Count by Industry and Exam Result

Apparel, Footwear and Textiles



Shipment Value (USD) by Country of Origin



Disclaimer & Data Source: Statistical information is subject to change due to corrections or additional information. Data is provided by the Forced Labor Division and is current as of 5/1/2024.

[→ | Access the UFLPA Statistics Dashboard](#)

Canada Forced & Child Labour in Supply Chains Act

- Applies as of **1 January 2024** to entities:
 - Producing, selling / distributing goods in Canada or elsewhere;
 - Importing into Canada goods made outside; or
 - Controlling an entity engaged in the above.
- Entities defined as companies:
 - Listed on Canadian stock exchange; or
 - Place of business / do business in Canada; or
 - Have assets in Canada.
- Unlisted companies to meet 2 of following 3 criteria:
 - > \$20m in assets
 - > \$40m in revenue
 - > 250 employees
- Companies to **report** by **31 May** annually on steps they take to prevent/reduce risk of forced labor.
- Reports to be **approved** by gov body & submitted to Public Safety Canada.





Compliance & Risks

Manufacture and Design

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EU ESPR - Proposal for Framework for Setting Ecodesign Requirements for Sustainable Products

- Repeals existing Ecodesign Directive from 2009 - Applies to ALL products (with limited exceptions) on EU market.... *“in order to **make sustainable products the norm** and to reduce their overall carbon and environmental footprint over their lifecycle”*
- Broadest scope possible (all products Plus intermediate products iron, steel and aluminum)
- Priority Products: iron, steel, aluminium, **textiles (notably garments and footwear)**, furniture, tyres, detergents, paints, lubricants and chemicals. Criteria to be adopted within 9 months after the entry into force of the new Regulation.

Performance Requirements

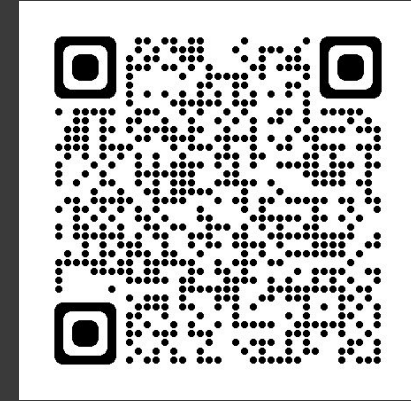
- **Horizontal Requirements**
 - Durability
 - Recyclability
 - Post-consumer recycled content
- **Textile-specific requirements**
 - Limits to water and energy consumption and chemical/fertilizer use during production
 - Resistance to microplastic shedding
 - Modular design
 - Minimum percentage of materials with sustainability certificate
 - Quality: resistance to shrinkage and weathering

→ | Policy Forum: Project plan | Product Bureau (europa.eu)



Information Requirements

- **Information on ecodesign requirements**
 - Minimum: Digital Product Passport and substances of concern
 - Additional information where applicable: repairability and durability score; maintenance and repair information etc.
- **Digital Product Passport**
 - Format: QR Code or Barcode on product or packaging
 - Content includes
 - Manufacturer/ operator information
 - Compliance data and certificates
 - Unique Product Identifier
 - Information on ecodesign requirements specific to textiles
- Consequential amendments to Textile Labelling
 - Regulation and Ecolabelling Regulation



Transparency Requirement: Information on Discarding of Unsold Consumer Products

- **Annual disclosures must include:**
 - Number and weight of unsold consumer products discarded per year,
 - Reasons for discarding
 - Proportion of delivery of discarded products prepared for reuse, remanufacturing, recycling, other recovery including energy recovery and disposal operations;
 - Preventative measures taken and measures aimed against destruction of unsold consumer products.
- When? Delegated Act to be adopted 12 months after EIF.
- **Economic operators that are subject to the obligation to publish a sustainability report may also include above information in their report.**

Outright Ban on Destruction of Unsold Textiles

- Article 20a: Outright Ban on Destruction of Unsold Footwear and Clothing (listed in Annex VIIa)
- When? **Applies 24 months after EIF**
- Ban does not apply to medium-sized enterprise until 6 years after EIF.
- Exemption: Does not apply to micro and small enterprises.



Labeling & Advertising - Environmental Green Claims

Environmental Green Claims (Ban on Greenwashing)

What is an “Environmental claims? New definition

*“Any message or representation which is not mandatory under Union or national law, including text, pictorial, graphic or symbolic representation, such as labels, brand names, company names or product names, **in the context of a commercial communication, and which states or implies** that a product, product category, brand or trader has **a positive or zero impact on the environment or is less damaging to the environment than other products, product categories, brands or traders, or has improved its impact over time**”*



Companies can no longer market their goods using unfounded claims about their environmental impact and durability. © Firn / Adobe Stock

Step 1: Consumer Protection and Competition Law

Directive amended regarding list of misleading / unfair commercial practices and actions which contain false information regarding environmental / social characteristics of the product and its circularity aspects, such as durability, reparability or recyclability.

- When? Approved/ EIF: 26 March 2024, Transposition deadline 26 March 2026, EIF in Member States 27 September 2026

Lists **common examples of prohibited / banned unfair commercial practices:**

- Displaying sustainability label not based on certification scheme or established by public authority.
- Claims that suggest excellent enviro. performance based on no evidence or explanation. (“eco-friendly”, “green”, “nature’s friend”, “ecological”)



Step 2: Draft Environmental Green Claims (Evidence!)

Substantiation and Communication of Explicit Environmental Claims, Draft Directive, March 2023 (**Green Claims Directive**)

- **Substantiation:** Carry out **assessment** to substantiate explicit environmental claims. The claims must rely on widely recognised scientific evidence, use accurate information and take into account relevant international standards.
- **Communication:** *Physical form or weblink, QR code or equivalent*
- **Verification:** Before an EC is made public or is displayed by trader, EC needs to be verified. As per Article 11, verifier shall be a **third-party conformity assessment body**. **Companies who break the rules may be excluded from procurements, lose their revenues and face a fine of at least at 4% of their annual turnover.**
- **Maybe or Maybe Not?**
*EU Parliament position 12 March proposes Delegated Act (18 months after EIF) with simplified verification system for simple claims, that may include a **presumption of conformity***
- Reduction and streamlining of Environmental Labelling Schemes

- **USA:** Green Guides
- **UK:** Increased investigations into greenwashing in the fashion sector and new fines under the Digital Markets, Competition and Consumer Bill
- **France:** Proposed **Outright Ban** on Advertising for Fast Fashion
 - Definition of Fast Fashion: Companies characterized by the marketing of a very large number of new models and constant renewal of collections
 - Proposed amendments to EPR: **Penalties** to gradually increase to **10 Euro per item by 2030**
 - Bill proposed in March 2024, adopted by Parliament, currently in Senate





Waste and Disposal

EU Proposed Amendment to Waste Framework Directive

Extended Producer Responsibility (EPR) Schemes for Textiles

EPR Schemes to be established by Member States within **18 months from date of entry into force**

Member States to set up **separate collection for textiles by 1st January 2025**

Producers **responsible for the costs** of

- collection, sorting, preparation for recycling/ re-use of textiles and footwear products listed in Annex IV
- providing information on sustainable consumption, waste prevention, re-use, preparing for re-use and recycling.

Examples of products in scope (Annex IV):

- Blankets and travelling rugs
- Articles of apparel and clothing accessories, knitted or crocheted
- Bed linen, table linen, toilet linen and kitchen linen
- Curtains (including drapes) and interior blinds; curtain or bed valances
- Hats and other headgear
- Apparels and clothing accessories made of leather
- Waterproof footwear with outer soles and upper
- footwear with outer soles and uppers of rubber or plastics

Extended Producer Responsibility (EPR) Schemes for Textiles FRANCE

Promotion of Circular Economy Law (AGEC) and implementing Decree

Producers accountable for:

- Organising collection, treatment and recycling of discarded textiles (individually or by joining a PRO)
- Promoting extension of product life-cycle + adopt an ecodesign approach
- Supporting networks for reuse, recycling and repair
- Affixing **sorting logo (Triman)** on textiles and their packaging from 1 January 2022 and by 1 February 2023 at the latest (**Decree 2022-748**)
- Affixing info on traceability and environmental characteristics (i.e. recyclability)
- Info on presence of microfibers if proportion of synthetic fibers in products >50%
- Info on presence of dangerous substances



Extended Producer Responsibility (EPR) Schemes for Textiles FRANCE

Timeline for compliance with Decree No. 2022-748	
1 January 2023	<ul style="list-style-type: none">The largest companies - those reporting an annual turnover of greater than €50 million and placing at least 25,000 units on the market - were liable
1 January 2024	<ul style="list-style-type: none">Companies with an annual revenue of greater than €20 million and which place at least 10,000 units on the market
1 January 2025	<ul style="list-style-type: none">The smallest companies - with an annual revenue of more than €10 million and at least 10,000 products on the market - will be liable

Extended Producer Responsibility (EPR) Schemes for Textiles

THE NETHERLANDS

Extended Producer Responsibility for Textiles, Decree (April 2023)

50% of all textiles products placed on the market to be recycled or reused **by 2025** (75% by 2030).

Producers individually accountable for (effective **1st July 2023**):

- organising and financing appropriate separate collection systems for textiles
- ensure recycling and reuse of collected textiles
- annually reporting on volume of textile products placed on the market

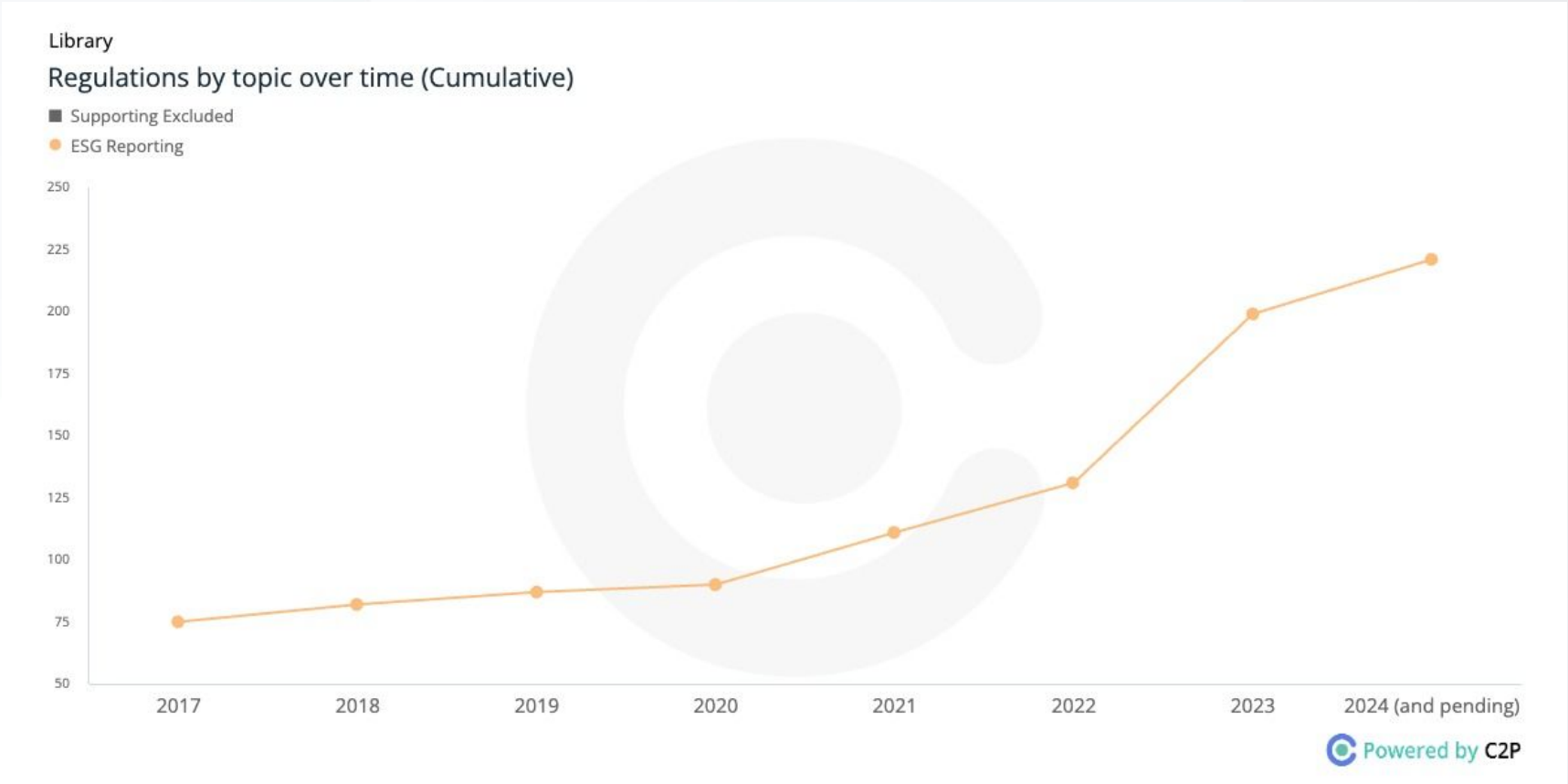
Draft Policy for Circular Textiles 2025-2030 (consultation ends on **26 June 2024**)

A fully **Circular Textile Industry by 2050** (*Fast Fashion Out of Fashion!*):

- **2030:** All textile products sold on the Dutch market incorporate at least 50% of sustainable materials, of which at least 15% are post-consumer fibre-to-fibre recycle.
- **2035:** Above target increased to 70% sustainable materials (of which at least 20% are post-consumer fibre-to-fibre recycle).

Sustainability Reporting and Climate Disclosures

ESG Reporting & Climate Disclosures



Sustainability Reporting and Climate Disclosures

Corporate Sustainability Reporting Directive (CSRD)

Large public interest entities 2025 reporting on 2024FY
(> 500 employees)

Large EU companies 2026 reporting on 2025FY
(> 250 employees, turnover > EUR 50M; balance sheet > 25M)

Listed SMEs (except micro-undertakings) 2027 reporting on 2026FY
(>10 employees, turnover >EUR 900 000; balance sheet > 450 000)

Non-EU companies 2029 reporting on 2028FY
(turnover >EUR 150M in the EU + EU subsidiary that is a "Large" company or has listed securities on EU regulated markets; or a branch in the EU with turnover > 40M)

European Sustainability Reporting Standards (ESRS)

Double materiality assessment to determine which information is material and should be reported

12 agnostic standards covering Climate Change (ESRS E1), Pollution (ESRS E2), Water and Marine Resource (ESRS E3), Biodiversity and ecosystems, Circular economy (ESRS E5), Workforce (ESRS S1) Workers in the value chain (ESRS S2), Affected Communities (ESRS 2) and Consumers (ESRS S4), Business conduct (ESRS G1)

Clearly identifiable section within annual management report for the relevant FY

Adoption of textile specific ESRS delayed until **30 June 2026**



Sustainability Reporting and Climate Disclosures

U.S SEC Climate disclosure rule

Large Accelerated Filers (LAF)

FY2025: Reg S-K and S-X disclosures (i.e. governance, board management and oversight, material climate-related risks, climate-related targets and transition plans)

FY2026: Item 1502(d)(2) (climate mitigation/adaptation expenditures); Item 1502(e)(2) (transition plan expenditures); Item 1504(c)(2) (expenditures or impacts associated with climate targets or goals)

Accelerated Filers (AF)

FY2026: Reg S-K and S-X disclosures other than listed below

FY2027: Item 1502(d)(2) (climate mitigation/adaptation expenditures); Item 1502(e)(2) (transition plan expenditures); Item 1504(c)(2) (expenditures or impacts associated with climate targets or goals)

FY2028: Item 1505 (Scope 1 and Scope 2 GHG emissions) etc.

Smaller Reporting Companies, Emerging Growth Companies, and Non-Accelerated Filers - from FY 2027 and 2028

Disclosures

- **Material climate-related risks** and their impact on the business
- **Activities to mitigate or adapt to such risks** (including material expenditures, scenario analysis)
- **Climate-related targets or goals** that are material to the business
- **Scope 1 and 2 emissions** (when material)
- **Assurance report (limited assurance level)** over emissions disclosures
- **Climate-related Governance** (Board and Governance)
- Information on internal price on carbon

California Climate disclosure laws

SB 253 (Climate Corporate Data Accountability Act)

Companies that do business in CA with >\$1B in annual revenue

SB-261 (Greenhouse Gases: Climate-related Financial Risks)

Companies that do business in CA with >\$500M in annual revenue

AB 1305 (Voluntary Carbon Market Disclosures)

Companies that operate in California

Disclosures

SB 253

2026: Disclosures of and limited assurance for Scope 1 and 2 emissions irrespective of materiality

2027: Disclosures of scope 3 emissions

2030: Scope 1 & 2 (reasonable assurance); Scope 3 (limited assurance)

SB 261

January 2026 (biennial): to publish initial climate-related financial risk report describing climate-related financial risks and measures to reduce/ adapt to these risks; report to be made available in company's website.

AB 1305

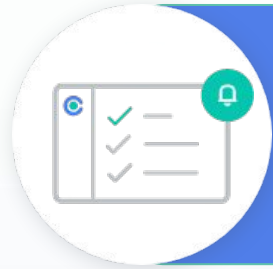
January 2024: first annual disclosures on company's website of company's claims regarding "net-zero emissions", "carbon neutrality" or similar climate-related claims or goals.



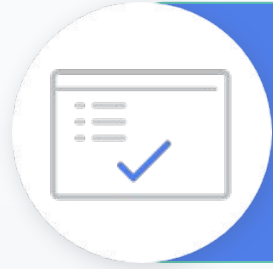
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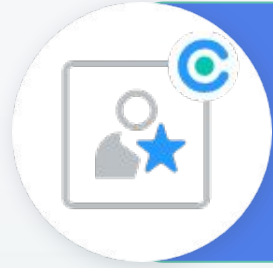
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**Powerful Enterprise
Technology**



**Extensive Global
Regulatory Content**

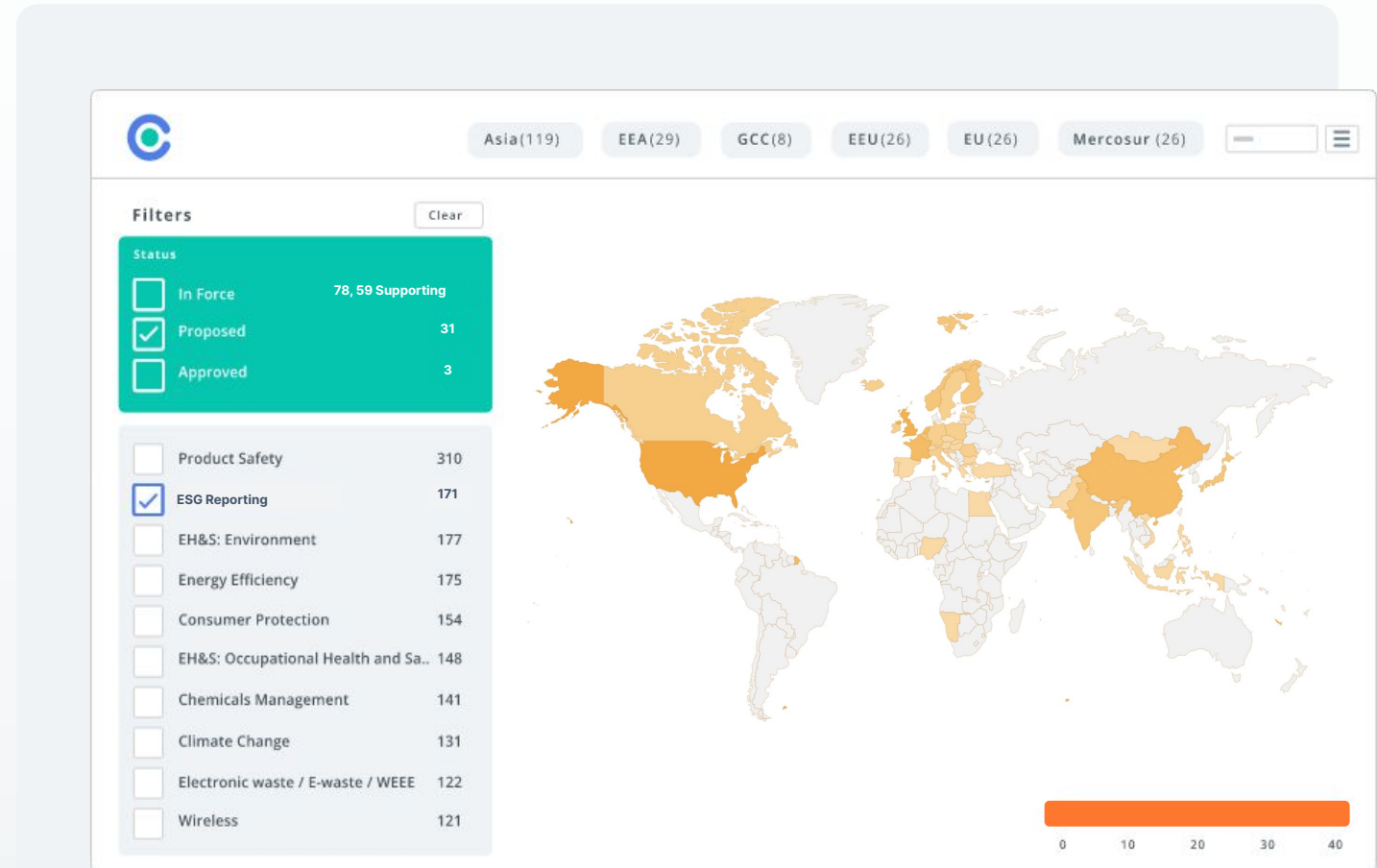


**Team of Subject
Matter Experts**

**Holistic solution to
achieve your ESG
Goals...**

Manage ESG Regulations, Goals & Targets in One Place...

- Collaborate on your ESG Goals with confidence
- Keep all compliance evidence up to date & live linked back to their Regulations, Standards & Requirements
- Continually monitor regulatory changes & keep ahead of proposed changes before they happen

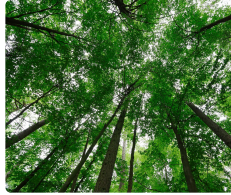


ESG REGULATORY CONTENT

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



ESG
Reporting

Environment



Climate
Disclosures

ESG



Supply Chain Due
Diligence

Governance



Anti Bribery &
Corruption

Social



Human Rights -
Affected
Communities

Social



Labor &
Employment

Social



Human
Trafficking &
Slavery

Environment

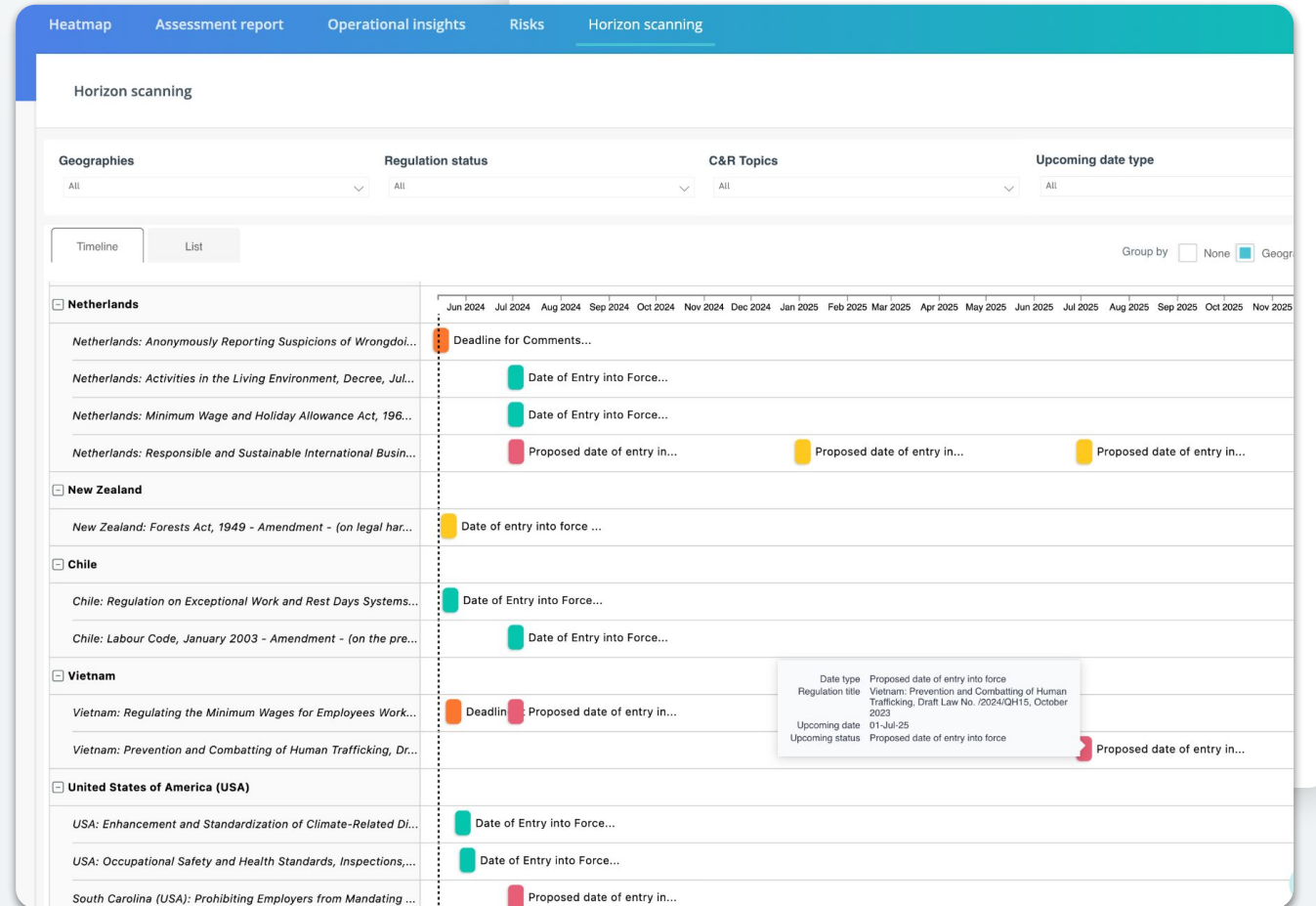


Sustainable
Resource Use

INSIGHTS IN C2P - MANAGING EMERGING RISKS

Manage Emerging ESG Risks with Horizon Scanning

- A 12-18 month view of all proposed upcoming regulations.
- Stay on top on upcoming changes to proactively plan & prioritize compliance projects.



INSIGHTS IN C2P - MANAGING EMERGING RISKS

Manage **Emerging Risks** with **Simplified Risk Profiling**

- Risks profiled according to the probability of a regulation coming into force.
- Helps identify & map emerging regulatory risk to company risks.

Risk Profile: Proposed & Approved Regulations

● High risk

5 issues

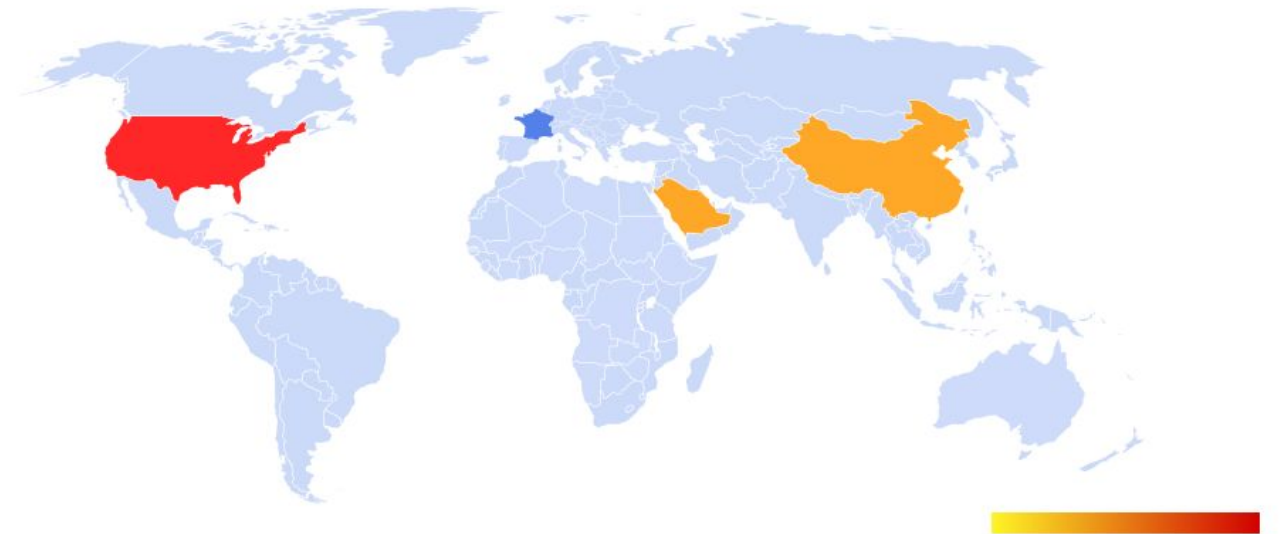
● Med risk

3 issues

● Low risk

5 issues

Two out of 10 markets at risk





Compliance & Risks

Q&A

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Thank You!



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