

Webinar

ESG Regulations in the EU and US - *A Year in Review*

20 November, 2024



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Meet the Team



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Mission Statement

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

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195
Countries

10⁺
Industries

28
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30
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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.



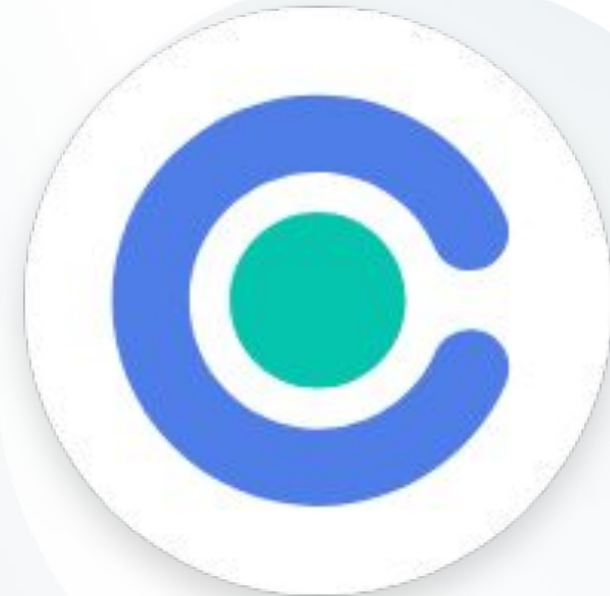
Agenda

01. Look back on 2024
02. EU Regulatory Overview
03. US Regulatory Overview
04. Look ahead to 2025
05. ESG: Customer Priorities



Look back on 2024

- Continued **regulatory growth**
- **Entry into force** of several key ESG regs
- Increased adoption of **IFRS sustainability standards**
- More **punitive penalties**
- **Stricter enforcement**
- Continued **increase in litigation**



Overview in the EU

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Sustainability Reporting

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EU Corporate Sustainability Reporting Directive (CSRD)

What happened in 2024?

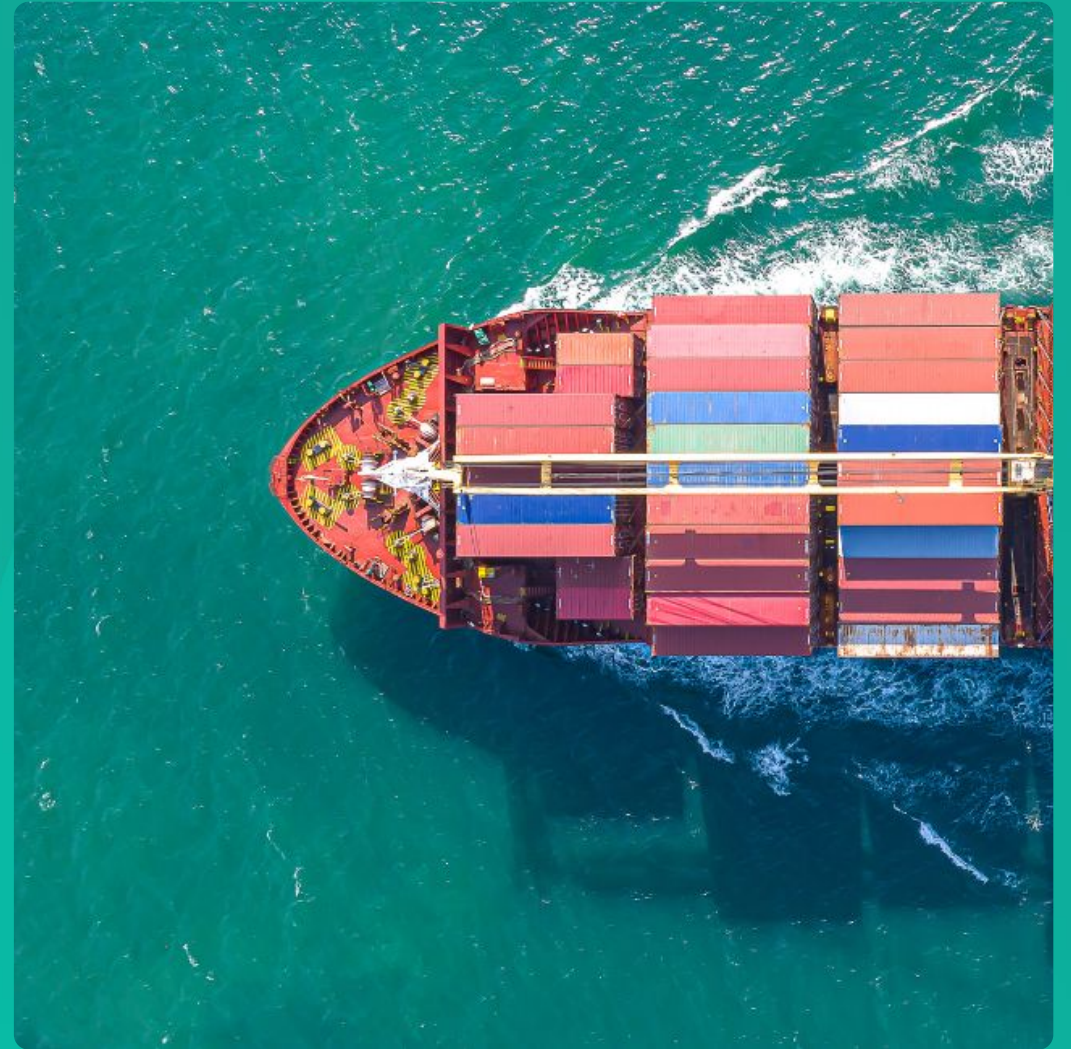
- CSRD FAQ
- COM Letter to 17 MS on missing national implementations
- EFRAG is currently working on
 - Sector-Specific ESRS
 - Non-EU entity standards (NESRS)
 - Standards for Listed (mandatory) and Non-Listed (voluntary) SMEs
 - Transition Plan Guidance

ESMA Enforcement 2025: Materiality considerations; scope and structure; Article 8 Taxonomy Reg



Sustainable Sourcing and Ethical Labor

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EU Corporate Sustainability Due Diligence Directive (CSDDD)

EIF'd on 25 July 2024

- Reduced scope (70 % less companies in scope)
- Obligations phased in between 2027 and 2029 (**EU** companies >1000 employees & **€450m net global** turnover; Non-EU companies & **€450m net EU** turnover)
- Due Diligence, Complaints Mechanism, Climate Transition Plan, Transparency

Penalties

- **5% of net worldwide turnover** in fines!
- Civil Liability



EU Deforestation Regulation (EUDR)

EIF'd on 29 June 2023

Ban on sale/export of products made, containing or fed with **cocoa, coffee, wood, rubber, palm oil, cattle, soy** unless:

- **Deforestation free** (i.e., produced on land not converted from forest to agri use after 31 Dec 2020)
- Produced per laws in country of production
- Covered by **due diligence statement** (template)

Latest Developments

- 2 Oct: Commission proposes **delay by 12 months** (30 Dec 2025 & 20 June 2026)
- 16 Oct: EU Council signals agreement
- 14 Nov: EU Parliament agrees and adds **'No-risk'-Category**



EU Forced Labor Regulation, Nov 2024

Scope & deadlines

Ban on sale/export of **ALL** products made in whole/in part with forced/child labor from/to EU:

- Regardless of geo origin/industry type
- SMEs & large companies
- **Extraterritorial** effect

Approved by EU Council on **19 Nov 2024 (Hot off the press!)**

Next steps:

- To be published in EU Official Journal
- Will enter into force day after publication
- Will apply **36 months** post publication (**late 2027**)
- Commission to publish indicative high-risk database and best practice guidance



Ecodesign for Sustainable Products

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EU ESPR (Continued)

Performance Requirements

- **Circular Economy** aspects - durability, reusability, upgradability, repairability, recycled content, carbon footprint etc
- Energy & resource efficiency

Information Requirements

- Covers how performance requirements are communicated
- **Digital Product Passport ('DPP')**
 - Implementation dependent on Delegated Act + 18 months application date (DPP for first set of products **expected mid-2027**)

Transparency Requirements

- Reporting and ban on discarding of unsold consumer goods



Labelling & Advertising

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Green Claims

Step 1: EU Empowering Consumers for Green Transition Directive (aka Greenwashing Directive)

- EIF'd 26 March 2024; National Transposition 27 March 2026
- What's new?
 - New definition: what is an environmental claim?
 - Extension of blacklisted unfair commercial practices

Step 2: EU Substantiation & Communication of Explicit Environmental Claims Draft Directive, March 2023 (aka Green Claims Draft Directive)

- Substantiation, Communication and Verification
- Expected to be agreed & adopted by early to mid **2025**



Waste and Disposal

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EU Right to Repair (R2R) Directive 2024/1799

Scope and Timelines

- Amends: Contracts for Sale of Goods Directive (EU) 2019/771
= allows additional 1-year extension of legal liability if consumer chooses repair over replacement (***within guarantee***)
- Repair of product covered by one of the ***Ecodesign Regulations or Batteries Regulation***
Manufacturer, authorised rep, importer/distributor must (upon consumer request) repair product incl ***o/s guarantee*** unless impossible.
 - Free of charge/at ***reasonable*** price
 - Within ***reasonable*** time
 - Replacement may be provided free of charge during repair
 - Refurbished product if repair impossible



EU Right to Repair (R2R) Directive 2024/1799

Obligations of manufacturers

1. Consumer access to list of prices on a free access website charged for typical repair of goods (spare parts must be offered at a **reasonable** price)
2. **Cannot use any practices that hinder repair** - such as contractual clauses, hardware or software techniques that impede repair unless justified (for example reasons such as protection of IP)
3. **Cannot refuse repair** for sole reason that previous repair was performed by another repairer



Overview in the US

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Ethical Labor

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US Uyghur Forced Labor Prevention Act (UFLPA)

- From June 2022: **rebuttable presumption** that **ALL** goods produced in whole / in part in Xinjiang region of China or by certain entities on **UFLPA Entity List** are produced using **forced labor** in violation of Tariff Act
 - **78 entities** on the List (as of Nov 1)
- **High risk products/industries** include: cotton, polysilicon, aluminum, PVC, steel, copper, lithium-ion batteries, textiles, and apparel
- To rebut presumption that forced labor has been used, importers must provide '**clear and convincing**' evidence



US UFLPA Updated Strategy, July 2024

Published by Forced Labor Enforcement Task Force (FLETF)

FLETF provides annual updates of UFLPA Strategy addressing:

- UFLPA Entity List;
- Products associated with certain listed entities;
- Plans for enforcement and identification of additional entities;
- Information about high-priority sectors.

FLETF has expanded ability to extend Entity List

FLETF has added new high-priority sectors for enforcement:

- polyvinyl chloride, aluminum, seafood

In addition to list of sectors previously identified such as apparel, cotton/cotton products, silica-based products (including polysilicon)



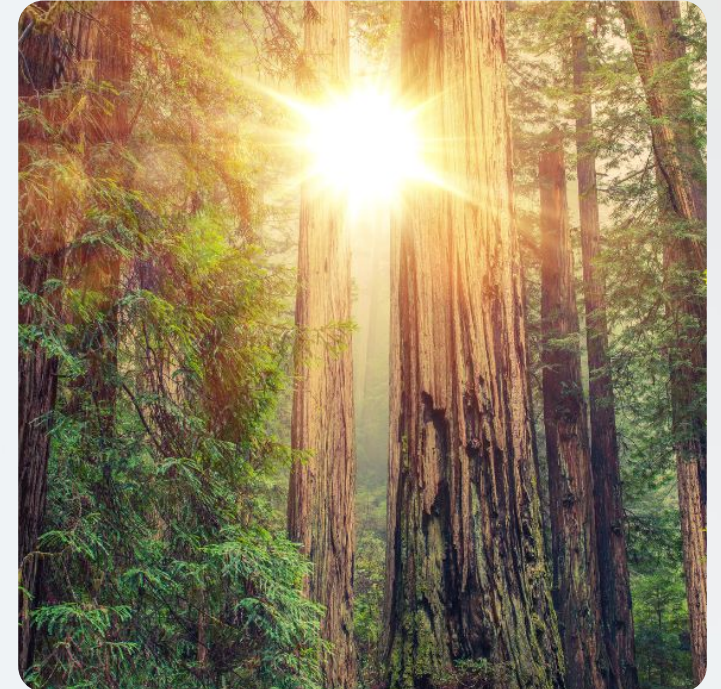
Labelling and Advertising - Environmental Green Claims

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US Green Guides for Use of Environmental Marketing Claims

- Administrative interpretations of the Federal Trade Commission (FTC) Act as applied to environmental claims.
- How to avoid environmental marketing claims that are unfair or deceptive?
- **Oct 2012:** Last updated
- **Dec 2022:** Consultation on efficiency, costs, & regulatory impact
- **April 2023:** Comment deadline - Awaiting FTC determination
- **Late 2024/early 2025 (??):** Revised guides due!
 - Clarity on areas such as recyclable, carbon offsets, organic, sustainable, compostable, ozone-friendly
 - Stricter guidelines & harsher penalties



Waste and Disposal

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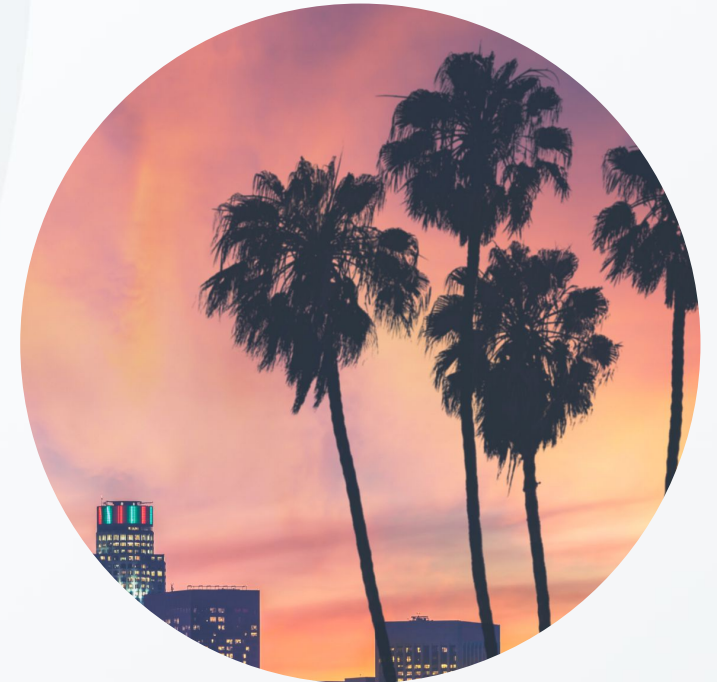


Recent Digital Fair Repair Laws

In NY, MN, CA and OR

California: Right to Repair Act, SB 244 (Operative 1 July 2024)

- **Manufacturers of *electronic or appliance products* to provide product owners, service & repair facilities, and service dealers with documentation, functional parts & tools to diagnose, maintain, or repair product:**
 - Products with wholesale price \$50 - \$99.99 - For a minimum of 3 years after last date of manufacture
 - Products with wholesale price \$100 or more - For a minimum of 7 yrs after last date of manufacture
- **Electronic or appliance products covered** - manufactured for the first time and first sold/used in CA on or after 1 July 2021:
 - Electronics incl. TVs, computer systems, cellular devices, etc.
 - Appliances incl. refrigerators, ovens, washers, portable furnaces etc.
 - Incl. products sold to schools/businesses/local governments or outside of direct retail sale



Recent Bills (Federal)

23 May 2024: Two US Bills Introduced in Congress - Proposed Federal Fair Repair Act

"A bill to require original equipment manufacturers of *digital electronic equipment* to make available certain documentation, diagnostic, and repair *information* to independent repair providers, and for other purposes."

HR 8544/SB 4422 (Companion Bills) propose:

- Prohibition on parts pairing
- Security related functions **not excluded**
- Protection of trade secrets
- Automotive and Medical Devices excluded

No actions since introduction.



Recent Bills (Federal)

22 Oct 2024: Performance Life Disclosure Act

"A Bill to require manufacturers of household appliances to affix to such appliances a label or tag disclosing estimated performance life, and for other purposes."

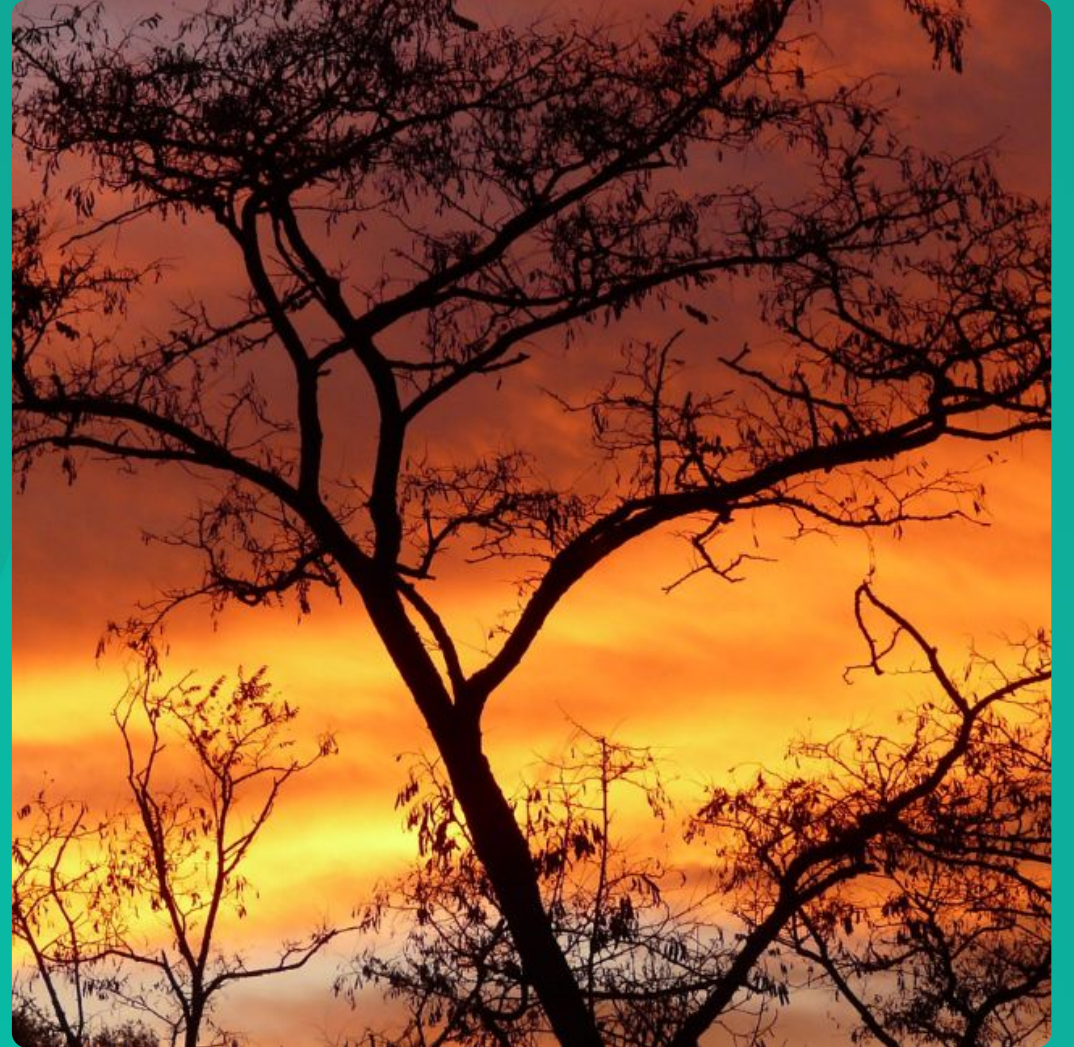
HR 10031 proposes the following to be disclosed on label or tag of certain *listed* household appliances:

- estimated performance life of appliance (as determined by manufacturer), under normal operating conditions, *with and without* routine maintenance recommended by manufacturer;
- estimated annual cost of routine maintenance of appliance recommended by manufacturer;
- process by which consumer may report to National Institute of Standards and Technology (NIST) that appliance has reached the end of its performance life.



Sustainability Reporting & Climate Disclosures

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USA SEC Climate Disclosure Rule

Finalised 6 March 2024
(suspended on 4 April 2024 pending judicial review)

Enhance & standardize climate disclosures by public companies

Registrants must disclose:

- Material climate-related risks & impact on business strategy, operations/financial conditions;
- Activities to mitigate/adapt to above risks;
- Climate-related targets/goals material to registrant's business;
- Processes to assess/manage material climate-related risks;
- For large accelerated filers (LAFs) & accelerated filers (AFs), material **Scope 1 & 2** GHG emissions (no Scope 3)

Still in US Eighth Circuit Court of Appeals

SEC filed legal brief on Aug 6, petitioners' reply brief due Sep 6



California Climate Reporting - SB 253 Enacted

First state to impose GHG emissions reporting

Senate Bill 253 - Climate Corporate Data Accountability Act - In force as of Jan 2024

U.S. entities, public & private, doing business in CA w/ total annual revenue >\$1 billion

- Report on GHG emissions **annually**
- Publicly disclose **Scope 1 & 2** GHG emissions starting in **2026**
- Publicly disclose **Scope 3** GHG emissions starting in **2027**

Amending Senate Bill 219 - In force as of Jan 2025:

- delays adoption of new regs by California Air Resources Board (new date: July 2025)
- disclosure of Scope 3 emissions - on a schedule specified by board (instead of no later than 180 days after its scope 1 and 2 emissions are disclosed)
- reports may be consolidated at the parent company level



California Climate Reporting - Senate Bill 261

First state to impose reporting of climate-related financial risks

Senate Bill 261 - Climate Related Financial Risk Act - In force as of Jan 2024

- Corporations, partnerships, LLCs, or other specified business entities doing business in CA w/ total annual revenue >\$500 million
- Required to report on climate-related financial risks by **1 Jan 2026** & **every two years** thereafter
 - physical risks of climate change
 - measures to reduce/adapt to climate-related financial risk



Amending Senate Bill 219 - In force as of Jan 2025:

- Authorizes (instead of requires) board contracts w/climate reporting organizations and timing of payment of fees

To Conclude

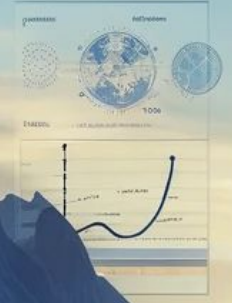
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Look ahead to 2025

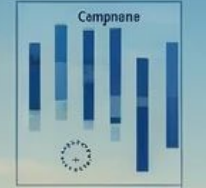
- **Implementations** of EU regulations
- **Sector-specific** ESRS & ESRS for **non-EU companies**
- ESG under the **Trump Presidency**
- **Regulatory alignment**
 - "Simplification Revolution"
- **AI**
- Continued **regulatory growth**
- **Horizon scanning** & regulatory tracking tools
 - Keeping up with ESG regulations is **number 1 barrier to sustainability compliance** for 55% of companies
 - **Stay ahead of upcoming regs - C2P!**





Completa shogb

DATE	TIME	STATUS	TYPE	VALUE
2023-10-27	10:30	OK	INFO	100
2023-10-28	11:00	WARN	WARN	200
2023-10-29	11:30	CRIT	CRIT	300
2023-10-30	12:00	OK	INFO	100
2023-10-31	12:30	WARN	WARN	200
2023-11-01	13:00	CRIT	CRIT	300
2023-11-02	13:30	OK	INFO	100
2023-11-03	14:00	WARN	WARN	200
2023-11-04	14:30	CRIT	CRIT	300
2023-11-05	15:00	OK	INFO	100

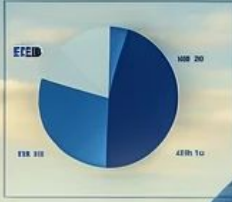


Cprvlns

Item	Value
Item 1	100
Item 2	200
Item 3	300
Item 4	400
Item 5	500

Compsone

Item	Value
Item 1	100
Item 2	200
Item 3	300
Item 4	400
Item 5	500



ESG Topic Trends

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ESG “Beat on the Street”

- Staying ahead of changes in ESG regulations-maintaining a comprehensive and proactive approach
- Collaborating with various internal stakeholders on relevancy of the regulations to the organization-board confidence
- Bottom line revenue impact-managing client/prospect inquiries (RFP, supplier requests, advocacy etc)
- Horizon scanning-market access
- Intersection of ESG regulations that apply to both product compliance and corporate sustainability



Questions?



Thank you!



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