

Factsheet 2

EU Corporate Sustainability Reporting Directive

An Apparel Supplier's Guide

**Key Sustainability Legislation
in the EU, US, and UK**

EU Corporate Sustainability Due Diligence Directive
EU Corporate Sustainability Reporting Directive
New York Fashion Act
EU Forced Labour Regulation & Guide
US Uyghur Forced Labor Prevention Act
EU Ecodesign for Sustainable Products Regulation
EU Packaging & Packaging Waste Directive & Proposal
EU Microplastics Regulation
UK Plastic Packaging Tax
EU Product Environment Footprint Guide
EU Textile Regulation
EU Taxonomy

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The Remedy Project is a social enterprise that works to improve access to justice and remedy for migrant workers in global supply chains. They work constructively with governments, civil society, law enforcement, and the private sector to translate the UN Guiding Principles on Business and Human Rights into practice. For more information please see www.remedyproject.co.

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This document should not be construed as legal advice or a legal opinion on any specific facts or circumstances. This document is not intended to create, and receipt of it does not constitute, a lawyer-client relationship. The contents are intended for general informational purposes only, and you are urged to consult your legal counsel concerning any particular situation and any specific legal question you may have.

In addition, many of the legislations covered in this document remain at the early stages of the relevant legislative procedure. The information provided herein has been developed based on the latest draft of the proposed legislation at the time of writing. It is intended that the guidance and recommendations provided in this document will be updated as the legislation develops.

Introduction

a. Objective

This document is intended to enable suppliers in the apparel value chain that are established or headquartered outside of the Global North¹, or whose operations are based outside these jurisdictions or whose supply chains extend to the Global South, to better understand how sustainability-related legislation in the Global North could potentially impact them. While suppliers may not, in all cases, be directly subject to the obligations created by these Global North laws, they may still experience knock-on effects as they form an integral part of the global apparel value chain and produce goods for multinational brands and retailers who have increasing compliance obligations as they adopt new practices in order to respond to the increased legislation. As such, this document aims to:

- Offer a public resource and roadmap for suppliers to proactively respond to and prepare for the requirements of these Global North laws.
- Provide a platform for dialogue and information exchange where suppliers and manufacturers can explore engagement (where possible) with policy makers in Global North jurisdictions.
- Support suppliers in delivering the fashion industry's social and environmental performance goals, and drive meaningful change for rights holders – whether workers, local communities, cotton farmers– globally.

b. Who commissioned this resource and why

This resource was initiated and led by suppliers across production tiers and locations facing many of the same challenges. Despite these shared challenges, rarely do suppliers come together to address these challenges collectively.

Specifically, this resource was commissioned by: Epic Group, Norlanka, Shahi Exports & Simple Approach. In addition, this research was also supported by Transformers Foundation and GIZ FABRIC.

It is important to note the symbolic significance of this piece of work: this is a project initiated and led by fierce – and in some cases direct – commercial competitors. The entities commissioning this resource hope this inspires more apparel suppliers to join forces.

c. Which legislation is covered & why

The entities commissioning this work began by crowdsourcing a longlist of legislation which industry representatives feel are pertinent to the apparel and textile sector (thank to everyone who generously shared their time helping to develop this long list). The entities commissioning this work, in consultation with the Remedy Project, based on significance and impact, narrowed the longlist down to twelve pieces of legislation. The twelve pieces were selected based on the potential scale of cascading impacts and the business risk they pose to suppliers. It is therefore important to emphasize that this resource is not exhaustive.

d. Important legislative context to understand

As governments in the Global North embark on ambitious plans to transition towards climate neutrality, inclusive and sustainable growth, the body of sustainability legislation is expanding rapidly. The European Union (EU) is at the forefront of these changes, introducing a plethora

of legislative and non-legislative measures to implement priority policies such as the [European Green Deal](#). The European Green Deal is a cornerstone of the EU's industrial strategy, comprising a series of proposals to make the EU's climate, energy, transport, and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, and to secure the global competitiveness and resilience of European industry². There are also sector-specific initiatives such as the EU Strategy for Sustainable and Circular Textiles, which aim to implement the commitments made under the European Green Deal, by setting out measures to address the design and consumption of textile products, and promote a greener and fairer value chain in the textiles industry. The legislations covered in this document such as the EU Ecodesign for Sustainable Products Regulation and Digital Product Passport, EU Corporate Sustainability Due Diligence Directive, EU Regulation on Prohibiting Products Made With Forced Labour on the Union Market (**Forced Labour Regulation**), are only some of the initiatives taken by the EU to execute on the European sustainability policy objectives³.

These legislations create legally binding obligations on companies to consider how they are managing their social and environmental impact. Many of these laws and regulations have global application and/or will impact apparel manufacturing and sourcing hubs outside of the Global North. As such, while these laws originate from the Global North such as the EU, United Kingdom, and United States, they will impact companies operating outside of these jurisdictions. It is therefore a prescient time for companies directly subject to these legislations, and for those who have business relationships with them, to align their sustainability policies and practices with these laws.

At a high level, these laws (especially those relating to mandatory human rights due diligence) can be collectively understood as a legal framework that translates elements of the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\)](#) into binding legal obligations. The UNGPs represent the authoritative framework on how businesses should operationalize their commitments to human rights. As businesses are increasingly required to comply with different (and sometimes overlapping) laws in this area, it is The Remedy

Project's view that businesses that are able to operate in accordance with the UNGPs and other international frameworks such as the [OECD Due Diligence Guidance for Responsible Business Conduct](#) will be more successful in making this transition. Complying with the highest international standards could help future-proof business against future legislative changes and may also be more efficient from a process perspective. Furthermore, the Remedy Project sees a trend of many brands upgrading their internal compliance and value chain requirements based on the UNGPs and international frameworks. Thus, complying with these international standards could help businesses position themselves to align with brands' expectations and easily and effectively adapt to future legislative requirements, as well as satisfy the requirement of other business partners and customers. Instead of having to operate in accordance with different standards of compliance for each jurisdiction and each counterparty, the business can adopt a less fragmented, and thus less burdensome, approach to compliance. Of course, even if suppliers align with established international frameworks, different brands will continue to set varying detailed procedural requirements on their supply chain partners, particularly in the near future. We therefore continue to recommend that suppliers proactively work with brands and retailers on implementation to reduce the risk of multiple interpretations.

e. General implications for companies supplying apparel & beyond

These legislative developments make clear that businesses will need to re-think the way they approach sustainability. This new era of legislation moves sustainability from "nice to have" to "must-have" and requires companies to implement human rights and environmental risk management practices. With this transition, we expect to see more cross-functional efforts to embed considerations of human rights and environmental impacts into business' day-to-day operations and overall strategy. In this new landscape, in-house legal teams must work closely with procurement and sourcing, operations, product teams, and in-house sustainability experts to achieve compliance. There must also be executive and management level buy-in, and attention given to sustainability issues.

f. Likely implications for suppliers

Some of the key and recurring operational implications for suppliers are likely to include:

- Increased demands from brands for visibility into upstream supply chain partners' practices and full supply chain traceability
- More stringent codes of conduct and contract clauses from brands who work to protect themselves in case of legal investigation and penalties.
- Increased reporting requirements and data requests. This will require stronger supply chains and data storage.
- Until legislative frameworks fully mature, different EU states may interpret requirements differently and brands are likely to set different requirements. However, given the common trend of adopting rules and requirements on the basis of international principles and standards, such as the UNGPs and OECD Due Diligence Guidelines, aligning internal systems and procedures with those principles and standards can be a good start towards satisfying varying requirements.
- Increased emphasis for suppliers to implement due diligence processes to identify, prevent, remediate and report on social and environmental impacts.
- Increased focus on grievance mechanisms. Here too there is a risk that different brands will interpret new requirements differently and that this could lead to varying standards within a single facility.

It is hoped that this document will provide companies – especially those engaged in the apparel value chain – a roadmap to navigate this fast-evolving regulatory landscape.

How to Use ● This Document

This document comprises a series of factsheets. For each legislation, the factsheet will cover the following topics:

1. Overview

A summary of the key aspects of the legislation.

2. Context

A description of the political context and policy objectives that the legislation seeks to address or achieve.

3. Status

Whether the legislation is in effect and if not, the current stage of the legislative procedure. If known, the expected timeline for implementation is also provided. For proposed EU legislation, users may find it helpful to refer to the [European Parliament's infographic](#) for information on the different stages of the EU legislative procedure.

4. Scope

This section sets out the types of companies or products that fall within the scope of the legislation. This may include, for example, an explanation of the thresholds that a certain company must meet for the legislation to apply. Our suggestion to suppliers is to start by identifying whether they are directly in-scope and, if so, review the obligations and compliance recommendations for companies in-scope (Sections 5 & 6). If a supplier has established that they are not directly in-scope, it is our suggestion that those suppliers review whether the brands for which they produce are in scope. If a supplier's customer is within scope, our suggestion is to review the potential implications for suppliers to companies in-scope (see Section 7).

5. Obligations for companies in-scope

A description of the duties and responsibilities that must be undertaken by the companies that are directly subject to the legislation.

6. Compliance recommendations for companies in-scope

Suggested recommendations for companies to prepare for compliance with the legislation (where the legislation is not yet in effect), or considerations for companies seeking to improve their compliance (where the legislation is already in effect). For the avoidance of doubt, these compliance recommendations do not constitute legal advice or opinion; companies should seek legal advice from attorneys concerning any specific situation or legal question they may have. Moreover, as the text of the laws in many cases remains subject to change, companies should refer to the most updated version of the legislation in developing their compliance strategy. The enforcement actions undertaken by the relevant regulator (once the law is in effect) will also determine the scope of compliance obligations.

7. Potential implications for suppliers to companies in-scope

In some instances, suppliers in the apparel value chain who are not directly subject to the concerned legislation, may still be impacted by the legislation as they supply to companies in-scope (i.e., a fashion brand or fashion retailer in-scope). These may include requirements around transparency and traceability, or obligations to undergo audits or obtain certifications. This section sets out the potential implications of the legislation for suppliers. For the avoidance of doubt, companies in-scope will approach compliance differently and many of the legislations covered in this document are in nascent stages of development. Moreover, the enforcement actions undertaken by the relevant regulator will also affect how companies in-scope respond to the legislation. As such, the guidance provided herein is only intended to represent our best estimates of the knock-on effects of the concerned legislation and is for informational purposes only.

8. Penalties for non-compliance

Where applicable or known, the penalties for companies in-scope that fail to comply with the legislation are set out.

9. Form of Enforcement

A description of the key forms of enforcement action that may be taken by the relevant authorities.

10. Reporting/disclosure for companies in-scope

An overview of the key information disclosure obligations (if any) for companies in-scope.

11. Access to remedy mechanisms and litigation risk

This section notes where the relevant legislation provides a right for legal action to be taken against a company for alleged non-compliance.

12. Opportunity to participate and engage in legislative developments

Where applicable, opportunities to participate in public consultation.

13. Useful resources to support compliance

Links to third-party resources and guidance are provided for further detail on how companies in-scope may approach compliance and how suppliers or business partners to companies in-scope may prepare for cascaded compliance requirements.

Glossary

A glossary of key terms used in this document is set out below.

Brands: For the purposes of this document, this refers to a multinational company that is engaged in the business of offering branded apparel products.

Companies in-scope: Companies that are directly subject to the obligations set out in the relevant legislation.

Due Diligence: A process that businesses should carry out to identify, prevent, mitigate, and account for how they address the actual and potential adverse human rights or environmental impacts in their operations, their value chain and other business relationships.

EU Decision: A “decision” is binding on those to whom it is addressed (e.g., an EU country or an individual company) and is directly applicable⁴.

EU Delegated Act: A delegated act is an EU legislative mechanism to ensure that EU

laws that are passed can be implemented properly or reflect developments in a particular sector.

EU Directive: A directive is a legislative act that sets out a goal that all EU countries must achieve. However, it is up to the individual countries to devise their own laws on how to reach these goals⁵.

EU Regulation: A regulation is a binding legislative act. It must be applied in its entirety across the EU⁶.

European Commission: The European Commission is the EU’s politically independent executive arm. It is responsible for drawing up proposals for new European legislation, and it implements the decisions of the European Parliament and the Council of the EU.

European Council: The European Council is the EU institution that defines the general political direction and priorities of the European Union.

European Parliament: The European Parliament is the EU’s law-making body that is directly elected by EU voters every 5 years.

Grievance Mechanism: Any routinized, State-based, or non-State-based, judicial or non-judicial process through which grievances concerning business-related human rights abuse can be raised and remedy can be sought⁷.

Supplier: For the purposes of this document, unless otherwise specified, this refers to a supplier in the apparel value chain. While the information provided herein is applicable across the entire value chain, it is primarily intended for Tier 1 suppliers and sub-contractors who produced finished goods for fashion brands and retailers, and Tier 2 suppliers and sub-contractors who provide services and goods, such as knitting, weaving, washing, dyeing, finishing, printing for finished goods, and components (e.g., buttons, zippers, soles, down and fusible) and materials for finished goods.

Value Chain: A value chain encompasses all activities related to the production of goods or the provision of services by a company, including the development of the product or the service and the use and disposal of the product as well as the related activities of upstream and downstream business relationships of the company.



EU Corporate Sustainability Reporting Directive

1. Overview

The EU Corporate Sustainability Reporting Directive (**CSRD**) took effect on 5 January 2023 although companies in-scope are not expected to start reporting until their 2025 financial year. Building on the current EU Non-Financial Reporting Directive (**NFRD**)⁸, the CSRD will require detailed qualitative and quantitative sustainability disclosures from a substantially expanded universe of companies.

The CSRD sets out how companies must report on their social and environmental performance. It includes what types of information they need to disclose and how those disclosures should be made. Companies in-scope will need to follow the reporting requirements set out in the European Sustainability Reporting Standards (ESRS), which specifies the detailed reporting requirements. The ESRS are being developed by EFRAG (European Financial Reporting Advisory Group).⁹

Overview (Continued)

CSRD reporting is intended to help a company's stakeholders better understand its sustainability performance and impact. Such stakeholders may include:

- Investors and asset managers, who want to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment;
- Civil society actors, including non-governmental organizations and social partners that wish to better hold companies to account for their impacts on people and the environment;
- Customers, who want to understand and, where necessary, report on sustainability risks and impacts throughout their own value chains;
- Policy makers and environmental agencies, as part of monitoring environmental and social trends and to inform public policy.

2. Context

The CSRD provides a framework for harmonizing EU sustainability reporting standards and aims to align EU reporting standards and internationally recognized sustainability reporting and accounting standards and frameworks. That being said, there are differences between the ESRS standards proposed under the CSRD, and other international standards on sustainability reporting such as the [IFRS](#) and [TCFD](#). Please refer to the comparative analysis provided by EFRAG to learn more about the similarities and differences in these requirements.

3. Status

The CSRD entered into force on January 5, 2023. However, as a European Directive, it does not directly create obligations for companies in-scope. Those obligations will be created under each EU country's national laws based on the CSRD. EU countries will have until June 16, 2024, to transpose the CSRD into their national laws.

On November 22, 2022, EFRAG submitted the first set of draft ESRS to the European Commission. The first set of these ESRS is required to be adopted by June 30, 2023, as a delegated act.¹⁰ The European Commission is currently consulting with EU bodies and EU countries on the draft standards.

The sustainability reporting requirements for companies in-scope¹¹ will take effect on a staggered basis, as follows:

Category	Criteria	Implementation ¹²
Companies already subject to reporting under the NFRD	A large company incorporated in the EU which (i) is a public interest entity and (ii) has more than 500 employees.	From 2025 for financial years starting January 1, 2024
Large companies incorporated in the EU (including EU subsidiaries of non-EU parent companies) and EU parent companies of large group, other than those in Category 1	The company or the consolidated group of companies must meet two of the following criteria: <ul style="list-style-type: none"> Balance sheet total of EUR 20 million Net turnover¹³ of EUR 40 million; and/or An average of 250 employees during the financial year 	From 2026 for financial years starting January 1, 2025
SMEs incorporated in the EU that are listed on EU-regulated markets (other than micro-companies)	The company must have securities listed on an EU-regulated market and meet two of the following criteria: <ul style="list-style-type: none"> Balance sheet total: EUR 4 million; Net turnover: EUR 8 million; and/or An average of 50 employees during the financial year. 	From 2026 for financial years starting January 1, 2025
Parent company that is not incorporated in the EU with (i) an EU-incorporated large subsidiary or an SME subsidiary listed in the EU; or (ii) a large EU branch	The company must meet the following criteria: <ul style="list-style-type: none"> Net turnover of EUR 150 million in the EU for each of the last two consecutive financial years; and At least one subsidiary or branch in the EU which: <ul style="list-style-type: none"> For a subsidiary, meets the criteria for categories (2) or (3) above; or For a branch, has a turnover of more than EUR 40 million. 	From 2028 for financial years starting January 1, 2028

4. Scope

The CSRD casts a wide net, substantially wider than the NFRD. Please refer to the table in Section 3 above for the criteria to determine whether a company would fall within the scope of the CSRD. The European Commission estimates that approximately 49,000 companies will be required to comply with the CSRD, compared to an estimate of only 11,600 companies that are required to comply with the NFRD.

5. Obligations for companies in-scope

Overview

The CSRD will require the company's management report to include (in a clearly identifiable dedicated section) information necessary to understand the company's impacts on sustainability matters, and how sustainability matters affect the company's development, performance, and position. "Sustainability matters" broadly encompasses environmental, social, and human rights and governance factors.

Types of Disclosures Required

Pursuant to the CSRD, the principal information required to be reported includes the following:

- Resilience of the company or group's business model and strategy in relation to sustainability risks;
- Sustainability strategy and transition plan(s);
- How the company's business model and strategy consider its stakeholders' interests and its impacts on sustainability matters;
- Sustainability targets and policies;
- Any incentive schemes linked to sustainability matters;
- Indicators relevant to its sustainability-related disclosures; and
- A description of the due diligence processes regarding sustainability matters and actions taken to remediate or mitigate potential adverse impacts in its value chain.



To the extent applicable, reported information is required to address the company's own operations and its value chains – both within and outside the European Union – including its products and services, its business relationships, and its supply chain.¹⁴

● **Double Materiality**

The CSRD takes a “double materiality” approach to reporting. Companies in-scope are required to report both on (i) how sustainability matters affect their business; and (ii) the external impacts of their activities on people and the environment. This is consistent with the approach taken under the voluntary Global Reporting Initiative (GRI) standards. The concept of double materiality is further explained in the [draft ESRS 1 \(General requirements\)](#).

● **Limited Assurance**

Companies in-scope will have to seek limited assurance of the sustainability information disclosed. This means that companies in-scope will need to engage a third-party auditor to verify the information disclosed, although the degree of assurance required is less onerous than what is required for financial auditing.

● **Equivalence**

The CSRD includes an equivalence mechanism. This means that where a company is subject to multiple reporting requirements across different jurisdictions, it may be able to attain some reporting exemptions where the other reporting requirements are considered equivalent to the ESRS. However, it is unclear at this stage how this equivalence mechanism will operate in practice and which other reporting standards will be considered equivalent to the ESRS.

6. Compliance recommendations for companies in-scope

Companies in-scope can prepare for reporting under the CSRD by taking the following steps:

- ▶ As an initial matter, there should be an assessment of whether there are any companies in-scope. For most multinationals, the threshold question will be whether any of their subsidiaries incorporated in the EU are large companies (i.e., Category 2 companies as per the table in Section 3 above). Larger multinationals also will need to assess whether they might be subject to reporting as a non-EU company. Multinationals that determine they currently do not meet a CSRD compliance threshold should consider whether their EU growth strategy necessitates ongoing compliance threshold testing or preparation for compliance with the CSRD.
- ▶ Companies in-scope should determine where primary responsibility for CSRD compliance will sit, e.g., at the parent level or subsidiary level. There has been a trend to increase the centralization of responsibility for sustainability disclosures at the parent company level to ensure consistency across mandatory and voluntary disclosures and reduce compliance costs.
- ▶ For multinationals, in almost all cases, it will make the most sense for primary responsibility for sustainability disclosure globally to sit in the headquarters (whether with the sustainability, legal, compliance, finance or another team). Of course, regional, and local personnel in other parts of the world also have an important part to play and will need to be integral to data collection and reporting.
- ▶ Companies in-scope also should conduct a preliminary CSRD gap assessment. The gap assessment should focus on gaps between expected required CSRD disclosures (as detailed in EFRS 1 and ESRS 2 standards) and other current and expected voluntary and mandatory sustainability disclosures (including those expected to be required by the SEC's climate risk disclosure rules if applicable).
- ▶ Companies in-scope should set up a process for ongoing monitoring of the significant number of CSRD-related developments that will occur over the next few years.

7. Potential implications for suppliers to companies in-scope

Suppliers to companies in-scope may experience some indirect impact as the CSRD pushes for greater transparency and standardization of sustainability reporting standards. Brands and retailers in-scope may require suppliers to provide information to support their reporting process. For example, companies in-scope are likely to develop key performance indicators to measure sustainability-related performance and require their suppliers to report in accordance with these indicators.

Suppliers to companies in-scope may also consider reviewing the draft sector-agnostic EFRS standards (EFRS 1 and ESRS 2) to understand what kinds of data and information they may be required to provide to support companies in-scope report under the CSRD. Suppliers may conduct a gap

analysis to determine what information is readily available and where their ESG data collection and reporting systems may need to be upgraded or expanded. Suppliers should also consider where further and independent verification will be required to validate the accuracy of datasets. Note that this gap analysis will need to be updated when the draft textiles, accessories, footwear, and jewellery sector specific standard is published by EFRAG.

8. Penalties for non-compliance

Each EU country will set their own enforcement and penalty rules under the CSRD. Therefore, a company operating in Germany may pay more or less in penalties for non-reporting or non-compliance than a company in Spain.



9. Form of Enforcement

Please refer to Section 8.

10. Reporting/disclosure requirements for companies

The ESRS will specify the forward-looking, historical, qualitative, and quantitative information to be reported by companies in-scope. These are currently being developed by EFRAG.

● General and topical standards

EFRAG already has [submitted to the Commission draft general standards](#), which provide for general requirements ([ESRS 1](#)) and general disclosures ([ESRS 2](#)). EFRAG also has submitted 10 topical draft standards across each of the environmental, social and governance pillars. Companies in-scope will need to report according to the general and topical standards.

Environment

Climate change ([ESRS E1](#))

Pollution ([ESRS E2](#))

Water and marine resources ([ESRS E3](#))

Biodiversity and ecosystems ([ESRS E4](#))

Resource use and circular economy ([ESRS E5](#))

Social

Own workforce (ESRS S1)

Workers in the value chain (ESRS S2)

Affected communities (ESRS S3)

Consumers and end-users (ESRS S4)

Governance

Business conduct (ESRS G1)

Sector-specific standards

The second set of standards will include sector-specific standards for sectors characterized as **high impact**, including the textiles, accessories, footwear, and jewelry sector. These standards shall set out the disclosure requirements that are specific to each sector; companies in-scope that fall within the identified sectors will also need to ensure that their reporting is aligned with the sector-specific standards in addition to the sector agnostic standards described above. EFRAG has noted that its sector-specific standards will be mapped to the sector-specific SASB standards in subsequent versions of the ESRS to avoid inconsistencies.

The second set of EFRAG standards will also include ESRS for SMEs. The intent behind standards specific to SMEs is to enable them to report in accordance with standards that are proportionate to their capacities and resources, and relevant to the scale and complexity of their activities.



11. Access to remedy mechanisms and litigation risk

While there is no access to remedy mechanisms under the CSRD, it is worth noting that non-compliance could lead to reputational and financial damage. Activists are targeting management and boards of certain companies that fail to take a proactive stance on ESG issues, and social and mainstream media are quick to expose companies' failings in ESG areas. This stakeholder accountability and public scrutiny fed by a desire for change, is expected to result in an increase in enforcement and litigation risks relating to sustainability performance for corporates. These risks may include:

These risks may include:

- Misleading and inaccurate ESG disclosures or “greenwashing” by companies may result in liability in relation to investors who have suffered loss as a result of any untrue or misleading statements, or omissions.
- The potential for sanctions for breaches of prospective supply chain due diligence requirements under the CSDDD, such as debarment from public procurement, loss of export credit and fines. Companies also face significant reputational and financial damage from governance and oversight failures of supply chain risks where there are allegations over poor labour practices, human rights abuses, and slavery.
- Claims by asset managers for indemnity and contributions to meet regulatory penalties or damages arising from misleading ESG disclosures provided by companies.
- Employees feel more emboldened to call out their employers for non-compliance with their published ESG standards.
- Climate-related legal action brought by environmental groups continues to rise, with The Hague District Court recently ordering Royal Dutch Shell to reduce its carbon emissions by 45% (compared to 2019 levels) by 2030. In July 2021, Royal Dutch Shell confirmed its intention to appeal the court ruling. During the same week, investors in energy company Chevron, voted to cut emissions generated by the use of the company's products. These developments are likely to lead to further transformations with the energy sector (including in relation to transport and mining), with companies increasingly likely to face similar lawsuits from environmental groups, together with pressure from investors to reduce their contributions to climate change.

12. Opportunity to participate and engage in legislative developments

As noted in Sections 3 and 10 above, the sector specific standards are under development. Please refer to the EFRAG website for information on opportunities to participate. Note that the development of the sector specific standards is currently facing delays as EFRAG prioritize the release of further guidance to support companies apply the EFRS general and topical standards.¹⁵

13. Useful resources to support compliance

European Commission, [Corporate sustainability reporting](#)

EFRAG, [First set of draft ESRS](#)



References

- 1 For the purposes of this document, “Global North” encompasses the European Union, United Kingdom, and the United States.
- 2 European Commission, [A European Green Deal](#)
- 3 See for example the summaries of EU legislation on environment and climate change.
- 4 European Union, Types of legislation
- 5 European Union, Types of legislation
- 6 European Union, Types of legislation
- 7 UNGPs Principle 25 and commentary
- 8 The NFRD requires companies to provide disclosures on: their efforts to protect the environment, how they treat their employees, how they plan to adhere to general human rights, how they mitigate corruption or bribery, and how they promote diversity in their work environment.
- 9 EFRAG is a private association established with the encouragement of the Commission to serve the public interest. Its member organizations are European stakeholders and national organizations and civil society organizations.
- 10 A delegated act is an EU legislative mechanism to ensure that EU laws that are passed can be implemented properly or reflect developments in a particular sector.
- 11 It must be noted that the term used in the CSRD is an “undertaking” rather than a “company”. But for the purposes of readability, the term “company” will be used in this factsheet. Undertakings is an EU legislative term that refers to any entity that is engaged in the economic activity of offering goods or services on a given market, regardless of its legal status and the way in which it is financed. As such, the term “undertaking” is broader than a “company” as an undertaking could be an entity without formal legal status.
- 12 Reporting will occur in the following financial year for each of the above financial years.
- 13 “**Net turnover**” is generally defined as the amounts derived from the sale of products and the provision of services after deducting sales rebates and value added tax and other taxes directly linked to turnover.
- 14 For the first three years of reporting, if information regarding the value chain is not available, the undertaking must instead explain the efforts made to obtain the necessary information about its value chain, the reasons why not all of the necessary information could be obtained and its plans to obtain the necessary information in the future.
- 15 KPMG, The European Commission announces modified timetable for sector-specific ESRS standards

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