

Sustainable Leather Foundation

Industry Led – Consumer Focused

Are You Ready?

An update on the incoming requirements for
EU CSRD, EU CSDDD, EUDR and EUGCD



www.sustainableleatherfoundation.com

Why are we being faced with regulation?

For decades we have:

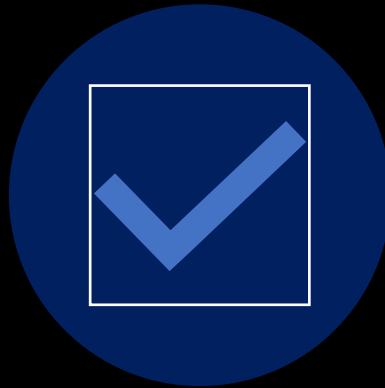
Over produced

Over consumed

Over polluted



**ECONOMIES HAVE BEEN DRIVEN
BY PROFIT AT THE EXPENSE OF
PLANET AND PEOPLE.**



**VOLUNTARY STANDARDS HAVE
ONLY BEEN SUCCESSFUL TO A
SMALL DEGREE**



**NOW LEGISLATION IS FORCING
CHANGE.**



EU Directives and Regulatory Developments



01 EU Corporate
Sustainability
Reporting Directive
EU CSRD

EU Corporate
Sustainable Due
Diligence Directive
EU CSDDD **02**

**TRACEABILITY &
TRANSPARENCY**

04 EU Green Claims
Directive
EU GCD

EU Deforestation
Regulation
EUDR **03**

1. EU Corporate Sustainability Reporting Directive (EU CSRD)

Key Points:

- The Corporate Sustainability Reporting Directive was officially adopted and entered into force by the EU on 5th January 2023.
- This new requirement replaces the existing “Non-Financial Reporting” requirement and is intended to force organisations to actively report on their ESG (Environmental, Social and Governance risks, mitigation, objectives and KPIs).
- The rules will apply for the largest companies in 2024 for reporting in 2025 and will extend to full value chain accountability for all organisations by 2028.
- The new rules will ensure that investors and other stakeholders have access to the information they need to assess the impact of companies on people and the environment and for investors to assess financial risks and opportunities arising from climate change and other sustainability issues.



1. EU Corporate Sustainability Reporting Directive (EU CSRD)

Key Points:

- There are 1178 data points in total for CSRD, some mandatory and some voluntary across the following scope:

- Climate Change
- Pollution
- Water & Marine Resources
- Biodiversity & Ecosystems
- Resource Use & Circular Economy
- Own Workforce
- Workers in the Value Chain
- Affected Community
- Consumers & End Users
- Business Conduct

ESRS	DR	Paragraph	Name	Data Type	Appendix C (SFDR + PILLAR 3 + Benchmark + CL)	V [Voluntar y]
E2	E2-1	14	Policies to manage its material impacts, risks and opportunities related to pollution [see ESRS 2 MDR-P]	MDR-P		
E2	E2-1	15 a	Disclosure of whether and how policy addresses mitigating negative impacts related to pollution of air, water and soil	narrative		
E2	E2-1	15 b	Disclosure of whether and how policy addresses substituting and minimising use of substances of concern and phasing out	narrative		
E2	E2-1	15 c	Disclosure of whether and how policy addresses avoiding incidents and emergency situations, and if and when they occur, c	narrative		
E2	E2-1	AR 12	Disclosure of contextual information on relations between policies implemented and how policies contribute to EU Action Plan	narrative		
E2	E2-2	18	Actions and resources in relation to pollution [see ESRS 2 MDR-A]	MDR-A		
E2	E2-2	19	Layer in mitigation hierarchy to which action can be allocated to [pollution]	semi-narrative		
E2	E2-2	AR 13	Action related to pollution extends to upstream/downstream value chain engagements	semi-narrative		
E2	E2-2	19	Layer in mitigation hierarchy to which resources can be allocated to [pollution]	semi-narrative		
E2	E2-2	AR 15	Information about action plans that have been implemented at site-level [pollution]	narrative		
E2	E2-3	22	Tracking effectiveness of policies and actions through targets [see ESRS 2 MDR-T]	MDR-T		
E2	E2-3	23 a	Disclosure of whether and how target relates to prevention and control of air pollutants and respective specific loads	narrative		
E2	E2-3	23 b	Disclosure of whether and how target relates to prevention and control of emissions to water and respective specific loads	narrative		
E2	E2-3	23 c	Disclosure of whether and how target relates to prevention and control of pollution to soil and respective specific loads	narrative		
E2	E2-3	23 d	Disclosure of whether and how target relates to prevention and control of substances of concern and substances of very high	narrative		
E2	E2-3	24	Ecological thresholds and entity-specific allocations were taken into consideration when setting pollution-related target	semi-narrative		V
E2	E2-3	24 a	Disclosure of ecological thresholds identified and methodology used to identify ecological thresholds (pollution)	narrative		V
E2	E2-3	24 b	Disclosure of how ecological entity-specific thresholds were determined (pollution)	narrative		V
E2	E2-3	24 c	Disclosure of how responsibility for respecting identified ecological thresholds is allocated (pollution)	narrative		V
E2	E2-3	25	Pollution-related target is mandatory (required by legislation)/voluntary	semi-narrative		
E2	E2-3	AR 17	Pollution-related target addresses shortcomings related to Substantial Contribution criteria for Pollution Prevention and Control	semi-narrative		
E2	E2-3	AR 18	Information about targets that have been implemented at site-level (pollution)	narrative		

+ general disclosures are identified, and the minimum disclosure requirements outlined.



1. EU Corporate Sustainability Reporting Directive (EU CSRD)

Timeline:

2024

- for large EU "public interest entities" that are already subject to the NFRD
- non-EU companies listed on a regulated market in the EU within the definition of large undertakings with more than 500 employees

2025

- for large EU organisations that are not presently subject to the NFRD
- large non-EU companies listed on a regulated market in the EU

2026

- for listed EU and certain SMEs
- small and non-complex credit institutions and captive insurance undertakings

2028

- for non-EU companies falling within the rules solely on account of the EU Turnover Test



2. EU Corporate Sustainability Due Diligence Directive (EU CSDDDD)

Key Points:

- Adopted by the EU on 23 February 2022, The Corporate Sustainability Due Diligence Directive is concerned with the act of corporate due diligence across the ESG spectrum.
- It is a mandatory set of due diligence steps that companies who are eligible under the CSRD must legally take.
- In basic terms, companies will be obliged to investigate and address how their business operations and supply chains affect the wider environmental and human rights.
- The two Directives work hand in hand and should be considered together.
- It doesn't just affect companies based in the EU – it also applies to non-EU countries and it affects operations inside and outside of the EU.



2. EU Corporate Sustainability Due Diligence Directive (EU CSDDD)

Who will the rules apply to:

Large EU Companies:

Group 1: Companies with 500+ employees and a net turnover of €150 million

Group 2: Companies in high-impact sectors with 250+ employees and a net turnover of €40 million.
(High impact sectors include textiles, agriculture, extraction of minerals)

Group 2 obligations start 2 years later than Group 1

Non-EU Companies:

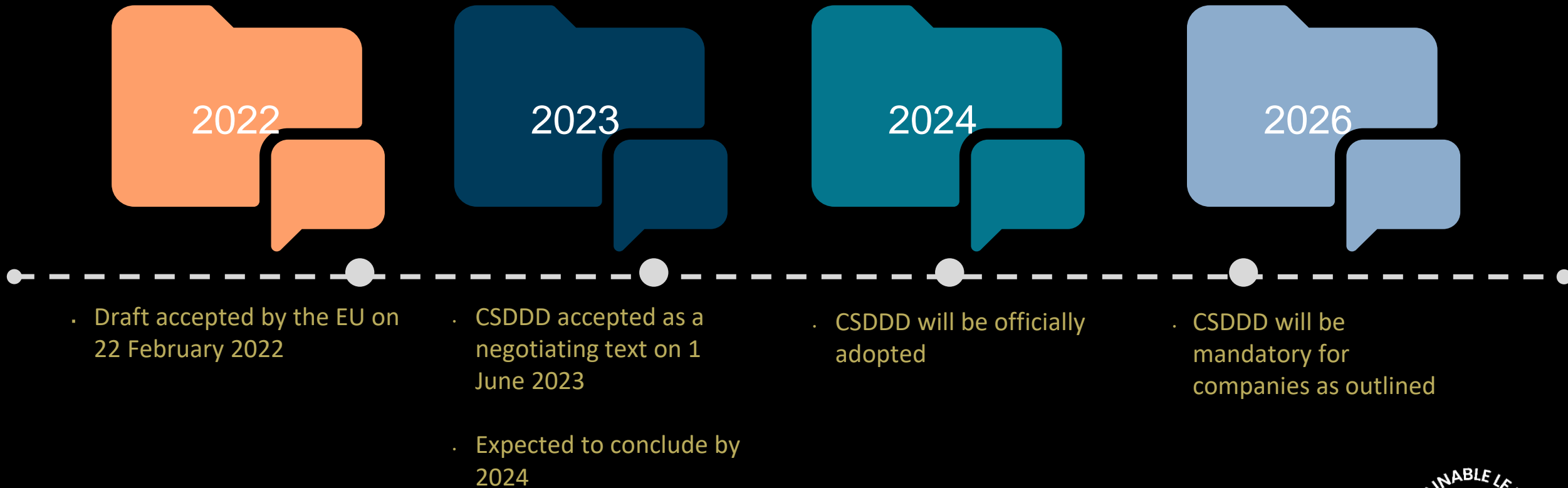
Companies who actively operate in the EU with turnover threshold that aligns with Group 1 and 2 within the EU list.

Although micro and SMEs are not directly subject to the rules, there are supporting measures being put in place for those companies that could be indirectly affected.

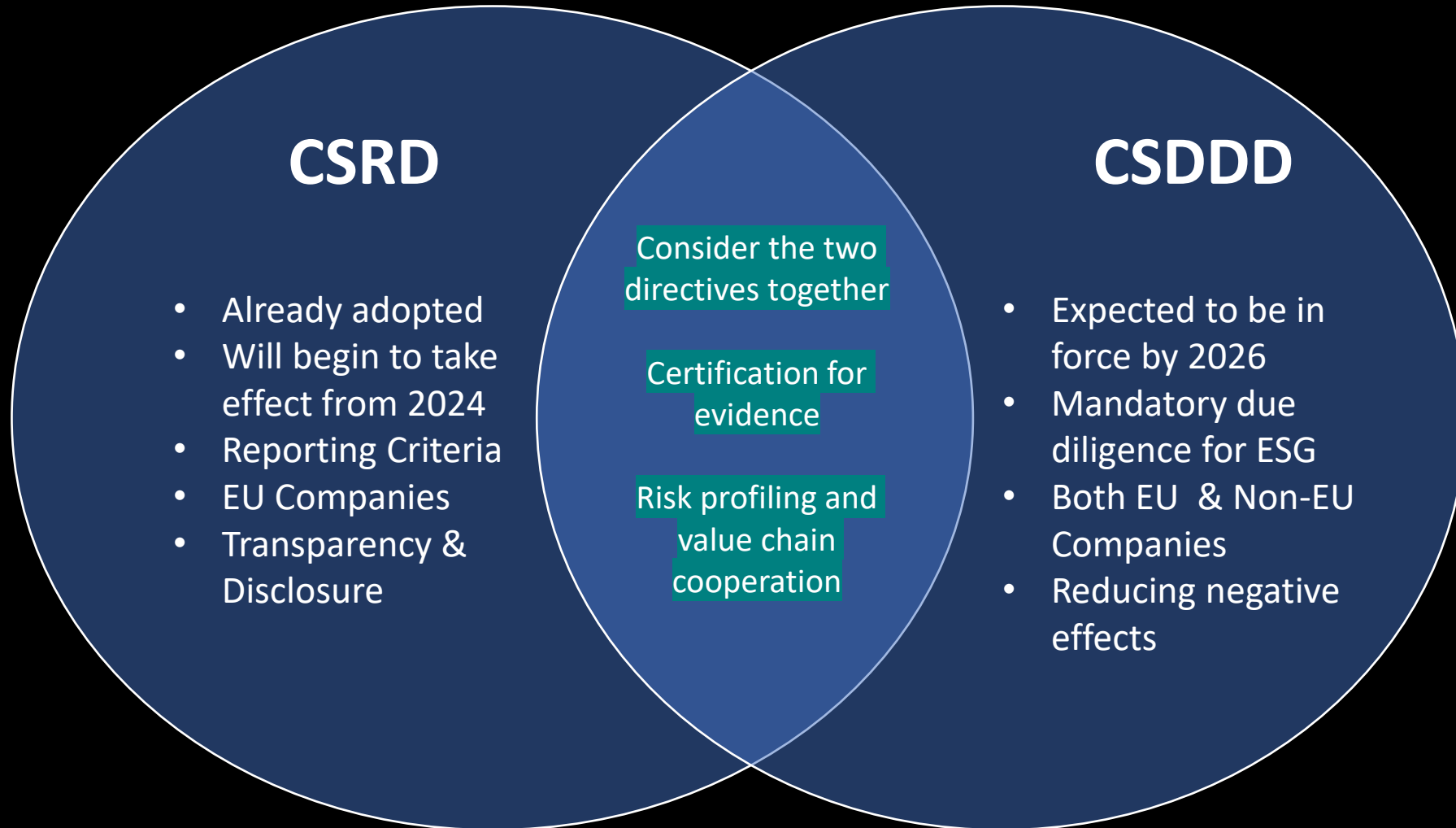


2. EU Corporate Sustainability Due Diligence Directive (EU CSDDD)

Timeline:



2. EU Corporate Sustainability Due Diligence Directive (EU CSDDDD)



3. EU Deforestation Regulation (EUDR)



Key Points:

- Entered into force on 29 June 2023, the new regulation on deforestation free products is developed with the aim of reducing greenhouse gases and biodiversity loss.
- It covers keep commodities that include soy, beef, palm oil, wood, cocoa, coffee and rubber. It also includes the derived by products such as leather, chocolate, tyres and furniture.
- For the leather value chain all materials are included:
 - Raw hides and skins (fresh, salted, dried, limed, pickled or otherwise preserved)
 - Tanned or crust hides and skins of cattle, without hair on, whether or not split, but nor prepared.
 - Leather of cattle, further prepared after tanning or crusting, including parchment-dressed leather, without hair on, whether or not split.
- These obligations extend to traders and manufacturers as well as brands to prove due diligence of deforestation-free supply chains

3. EU Deforestation Regulation (EUDR)



Obligations as an “Operator”:

STEP 1:

- Collect of information such as:
 - Tthe type of commodity they make available to the market or export
 - Quantity
 - Supplier
 - Country of production
 - Evidence of legal farming
 - Geographic coordinates of the plots of land where the commodity was produced / grazed
- If the “Operator” (or traders which are not SMEs) cannot collect the required information, it must not place the products on the EU market or export from it. the leather value chain all materials are included:

3. EU Deforestation Regulation (EUDR)



Obligations as an “Operator”:

STEP2:

- Record the information collected into a risk assessment due diligence system

STEP 3:

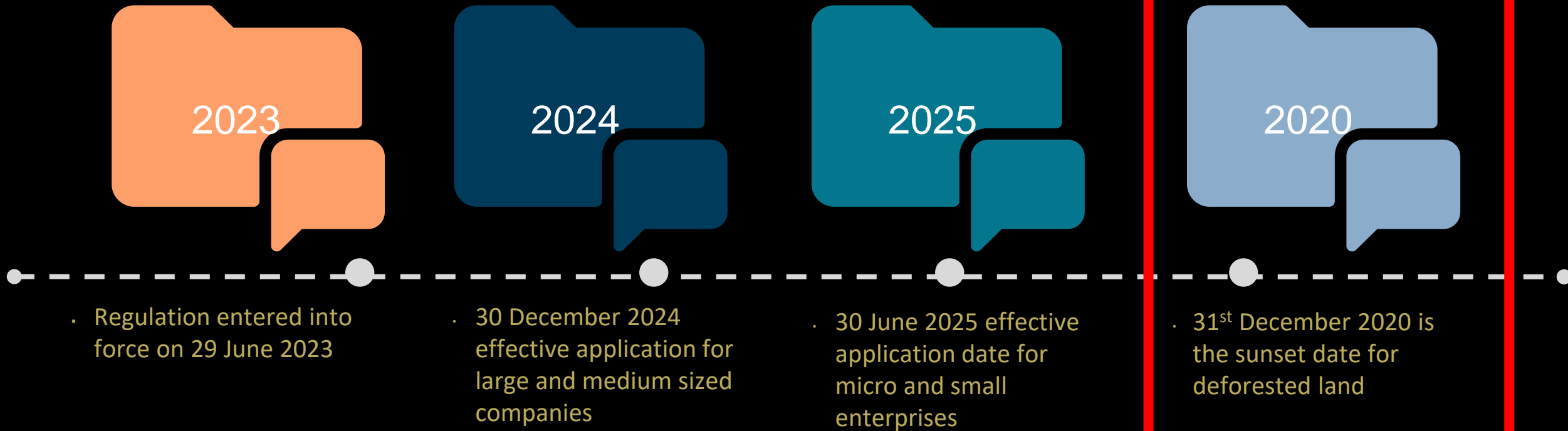
- Take adequate and proportionate mitigation measure in the event of finding under step 2, a more than negligible risk of non-compliance in order to make sure that the risk becomes negligible.

THERE ARE STILL LOTS OF UNKNOWNNS

3. EU Deforestation Regulation (EUDR)



Timeline:



THE OPERATOR BEARS THE BURDEN OF PROOF THAT MATERIAL, COMMODITY OR PRODUCT WAS PRODUCED BEFORE ENTRY INTO FORCE.

4. EU Green Claims Directive (EU GCD)



Key Points:

- Officially known as the Directive on the Verifiability and Communication of Environmental Product Claims.
- In 2020 there were around 230 active “ecolabels” in Europe, but the concern arises over whether consumers or companies can be sure that the claims are based on solid grounds.
- The EU found that 53% of the claims that it examined were vague, misleading or unfounded – and 40% were unsubstantiated.
- The proposed directive would set detailed rules around substantiating and communication explicit environmental claims about products, in business to consumer communications. It would apply to voluntary claims and labelling schemes.

4. EU Green Claims Directive (EU GCD)



Under the Directive, companies would have to carry out an assessment to substantiate explicit environmental claims and meet certain criteria

Additionally, companies would also have to comply with the following requirements:

- use equivalent information and data for the assessment;
- use data that is generated or sourced in an equivalent manner;
- cover the same stages along the value chain;
- cover the same environmental impacts, aspects or performances;
- use the same assumptions.

4. EU Green Claims Directive (EU GCD)



Timeline:

2023

2023

2023

2024

- Proposal for a Directive put forward on 22 March 2023

- Public Consultation ended 21 July 2023

- Draft report submitted on 9 November 2023

- Proposal will go to Plenary in March 2024 for adoption.

If you can't prove it, don't say it!

Just the start...

- New York Fashion Sustainability and Social Accountability Act
- Carbon Border Adjustment Mechanism (CBAM)
- Extended Producer Responsibility (EPR)
- EU Waste Framework Directive 2025 (EU WFD)

PLAN → DO → CHECK → ACT