HUMAN RIGHTS

LABOUR

ENVIRONMENT

ANTI-CORRUPTION

UN GLOBAL COMPACT

**Global Compact
Network
Switzerland & Liechtenstein**

in collaboration with

ECO:FACT

Briefing on Regulatory Trends in the European Union and at the International Level

06 July, 14:00 – 15:00, Online event
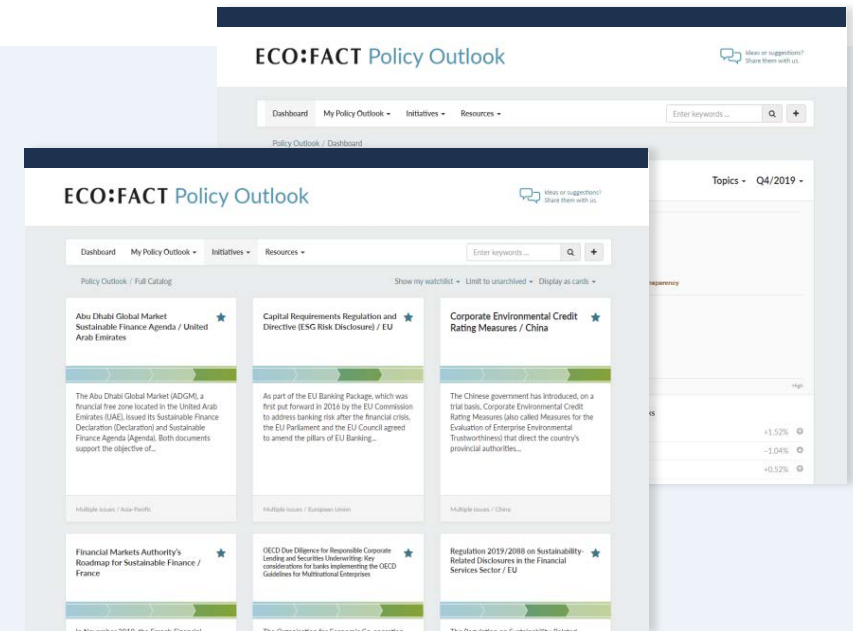
Let's make Global Goals Local Business

ECOFACT Policy Outlook research and methodology

This briefing on regulatory trends in the European Union and at the international level builds on the research made available via the ECOFACT Policy Outlook.

This webinar will focus on key regulatory developments that took place in the second quarter of 2021.

The Policy Outlook is the world's largest and most comprehensive research package focusing on hard and soft law initiatives pertaining to sustainable finance and corporate responsibility across the globe.

The Policy Outlook monitors more than 30 regulatory topics in over 50 countries and the European Union; our coverage encompasses jurisdictions responsible for over 85% of global GDP.

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Trends dashboard

Top 5 rapidly developing topics

1. Transparency
2. Environmental risks
3. ESG integration
4. Climate change
5. Non-financial reporting

Be aware:

Environmental and climate-related risks continue to be a priority on regulators' agendas. Nevertheless, regulatory action targeting social issues has increased over the last few months.

Regulators are making use of more prescriptive expectations, which in some cases require corporations to revise the structure of their ESG-integration governance.

Key open consultations

EU Commission consultation on its draft proposal for an EU Corporate Sustainability Reporting Directive (CSRD).
Open until July 14, 2021.

The OECD is inviting stakeholders to participate in a stocktaking exercise related to the OECD MNE Guidelines.
Open until September 14, 2021.

Expected developments in the following months

EU Commission's proposal for a directive on corporate due diligence and corporate accountability.

Publication of the next version of the UN Business and Human Rights Treaty.

Key international regulatory developments

On the 10th anniversary of the unanimous endorsement of the UNGPs by the UN Human Rights Council, the Working Group on Business and Human Rights indicated it is taking advantage of this milestone to evaluate the UNGPs' implementation and to chart a course for action in the decade ahead. A roadmap for application of the UNPGs over the next decade will be made available in December 2021.

The OECD Working Party on Responsible Business Conduct published a draft stocktaking report. Public input on the report is being collected via an open consultation until September 14, 2021. The stocktaking exercise will try to take account of the key developments, achievements, and challenges related to the OECD Guidelines, their grievance mechanism (NPCs), and the ecosystem in which they are implemented.

Following the meeting of G7 leaders in Cornwall, a joint communiqué was issued that indicates the G7 group agrees that "mandatory climate-related financial disclosures" based on the TCFD recommendations should be implemented.

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Key European Union regulatory developments

The EU Regulation Setting Up a Union Regime for the Control of Exports, Transfer, Brokering, Technical Assistance and Transit of Dual-Use Items aims to ensure that the Union and its member states take into account all relevant factors related to dual-use goods and technologies (those with legitimate civilian applications that can also be used for military purposes), and it also incorporates items used for cyber-surveillance.

The EU Commission issued an informal draft of a proposal for a regulation that would establish a Carbon Border Adjustment Mechanism (CBAM). The proposal aims to address the risk of "carbon leakage" by regulating GHG linked to cement, electricity, and certain fertilizers, and in certain iron, steel, and aluminum products upon their importation into the EU.

The EU Parliament's Committee on the Environment, Public Health and Food Safety published a draft resolution on the EU Biodiversity Strategy for 2030: Bringing nature back into our lives. According to this draft, the EU needs a dedicated biodiversity law that is like the Union's climate law.

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EU Proposal for a Corporate Sustainability Reporting Directive

Comparison with the NFRD

	Non-Financial Reporting Directive (NFRD)	CSRD
Addresses	Large companies/groups	• Large companies/groups • Small and medium-sized companies/groups (SMEs)
Key disclosures	Double materiality test	• Double materiality test (clarified) • Minimum reporting criteria defined at the EU level
Where to disclose	Non-financial reporting statement/Sustainability Report	Management Report
Disclosure format	Specified by EU member states' law	• Electronic reporting format • EU member state law or international accounting standards in accordance with EU rules
Audit	• Not mandatory at the EU level • Mandatory in certain member states	Mandatory

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EU Proposal for a Corporate Sustainability Reporting Directive

Timeline

Consultation period open until June 22, 2021

- ○ EU Commission analyses the consultation feedback
- ○ EU Commission presents a revised version of the CSRD and submits it to EU Parliament and EU Council
- ○ EU trialogues (i.e. negotiations between the EU Commission, EU Parliament, and EU Council)
- ○ Formal adoption of the CSDR by the EU Parliament and the EU Council
- ○ Publication of the CSRD in the Official Journal of the European Union
- ○ October 31, 2022: EU Commission adopts delegated acts (first batch)
- ○ December 1, 2022: Transposition deadline for EU member states (i.e. implementation deadline)
- ○ January 1, 2023: Expected applicability of CSRD requirements
- ○ October 31, 2023: EU Commission adopts delegated acts (second batch)
- ○ January 1, 2024: Reports addressing the financial year of 2023 comply with the CSRD
- ○ January 1, 2026: SMEs' management reports comply with the CSRD

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German Corporate Due Diligence in Supply Chains Act

On June 11, the German Parliament adopted the Corporate Due Diligence in Supply Chains Act. It is one of the most stringent and far-reaching laws on this topic so far. It will become applicable on January 1, 2023.

It applies to companies with their head office, principal place of business, administrative headquarters, or registered office in Germany.

Jan 1, 2023: It applies to companies with at least 3,000 employees. From Jan 1, 2024: To companies with at least 1,000 employees.

Due diligence expectations to cover:
- The company's own business activities
- Direct suppliers
- Indirect suppliers

Companies are expected to have in place appropriate and effective risk management systems. In addition, companies must conduct an annual risk analysis.

Companies must have a policy statement on their human rights strategies as well as a plan with preventive measures.

Companies must have in place/offer access to grievance mechanisms. Third parties can take actions to enforce rights.

Companies must issue an annual report.

Non-compliance leads to fines, exclusion from public tenders.

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The Ten Principles of the UN Global Compact

Corporate sustainability starts with a company's value system. By incorporating the Ten Principles into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

Companies operate responsibly

HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

LABOUR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.

Companies contribute to progress

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