European Union Sustainability Regulations:

Frequently Asked Questions (FAQ)

Ecodesign for Sustainable Products Regulation:

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1) What does the Eco-design for Sustainable Products Regulation (ESPR) entail and how does the Digital Product Passport (DPP) support its objectives?

The European Commission published the proposal for a new Ecodesign for Sustainable Products Regulation (ESPR), aiming to establish a framework of Ecodesign requirements for specific product categories.

These requirements will address various aspects such as product durability, reusability, upgradability, reparability, the presence of substances that inhibit circularity, energy and resource efficiency, recycled content, remanufacturing and recycling, carbon and environmental footprints, and information requirements.

Among these is the Digital Product Passport (DPP), which will electronically register, process, and share information about products' environmental sustainability. The DPP is designed to enable individuals and corporate consumers to make informed purchasing decisions and assist public authorities in conducting checks and controls.

2)What is the timeline for ESPR approval, publication, entry into force and application in member states?

The ESPR was published in the Official Journal of the EU on 28 June 2024. According to its Article 80, it entered into force 20 days after its publication, i.e. on 18 July 2024 and is directly applicable in all Member States.

3)To which products and companies does the Ecodesign for Sustainable Products Regulation (ESPR) apply, and what are the key obligations?

The ESPR applies to any physical good placed on the EU market or put into service in the EU, including components and intermediate products, with exceptions for certain items such as food, feed, medicinal products for human and veterinary use, living plants, animals, micro-organisms, products of human origin, and those related to future reproduction of plants and animals.

Companies are subject to the ESPR regardless of their incorporation or headquarters location, if they supply products in the EU. All in-scope companies must provide a Digital Product Passport (DPP), with the European Commission planning to implement this requirement by product group.

4)What are the obligations of manufacturers, importers, and distributors under the Ecodesign for Sustainable Products Regulation (ESPR)?

Importers and distributors under the ESPR are obligated to ensure that the product bears the required CE marking or an alternative conformity and that a Digital Product Passport (DPP) is available for the product.

A "distributor" is defined as any natural or legal person in the supply chain, other than the manufacturer or importer, who makes a product available on the market.

An "importer" refers to any natural or legal person established in the EU who places a product from a third country on the EU market. If an importer or distributor places a product on the market under their own name or trademark, or modifies an existing product in a way that affects compliance, they will be treated as a manufacturer under the ESPR and subject to all related obligations.

5)Who will define the DPP-content, the data that should be included in the DPP?

In the coming years, based on the ESPR working plan, the Commission will propose specific requirements for product groups or horizontal measures via delegated acts. Those requirements will also include information requirements defining the DPP-content, i.e. the data available in the DPP for each product group.

6)When will ESPR product-specific or horizontal measures be developed and become applicable?

With the publication of the first ESPR working plan, due nine months after entry into force, the Commission will set out the product priorities and indicative timelines for the years to come. Product-specific or horizontal measures will be developed via an iterative process which will include preparatory studies, impact assessments and various stakeholder consultations, and can take several years. Once the measures enter into force, economic operators will typically have at least 18 months before compliance is mandatory.

7)What will the scope of the work on textiles be?

Article 18 of ESPR requires the Commission to include textiles, and in particular garments and footwear, in the first ESPR working plan – unless there is a justification for not doing so. As a preparatory step towards this, and ahead of final adoption of the first working plan, the Commission has started preliminary preparatory work on textiles, with a focus on apparel (i.e. garments).

Textile products other than apparel will still be considered and discussed in the context of preparation of the first ESPR working plan, along with timelines for future steps – or, where relevant, justification for any categories not to be prioritised.

8)Will there be any kind of labels that indicate whether the product is compliant with the ESPR?

For each product category regulated by delegated acts there will be specific rules on how the required information is to be made available. These rules will specify how the necessary information should be provided. If a digital product passport is available, the information must be included therein. In addition, if needed, the delegated act will indicate other forms for providing the required information, one of the possibilities being a label referred to in Article 16 ESPR. The delegated act will specify the content of the label as well as its layout and the way it must be displayed to customers.

9)How are upstream operators supposed to provide data for a DPP that is required for a downstream product, when a DPP is not yet required for upstream pre-products? How will the Commission ensure that supply chain actors provide relevant DPP information to manufacturers?

Where upstream information is required, it will be the responsibility of the economic operator who places the product on the market to ensure that this information is provided by their suppliers and included in the DPP, and that it is accurate and complete.

10)What penalties will be imposed on manufacturers who fail to maintain accurate and up-to-date DPP information?

Penalties are for Member States to decide. As specified in Article 74 ESPR, they must be 'effective, proportionate and dissuasive'.

11)Do free samples and testers fall under the definition of unsold consumer products?

No, free samples and testers are not offered for sale to consumers, therefore they do not fall under the definition of unsold consumer products.

12)Article 24 requests disclosure during the first financial year. If the ESPR enters into force in July 2024, how do you define the first financial year?

The disclosure obligation applies to the first full financial year after entry into force. This means that financial years starting on a date after the entry into force are falling in the scope of the disclosure obligation under Article 24 ESPR. Disclosure on the first full financial year must take place in the subsequent financial year.

13)Will the performance requirements or information requirements require performing a life cycle assessment or calculating a product carbon footprint?

ESPR includes the environmental footprint of a product and the carbon footprint of a product as possible parameters for eco-design requirements. They can therefore be included in delegated acts, either as information parameters (to disclose the result of the product life cycle assessment and/or report the corresponding performance class) or as performance parameters (to respect a given threshold on these parameters).

This would then require manufacturers to calculate these footprints for products regulated by these delegated acts. This will only be done after thorough assessment showing that using these parameters for a given product respects the criteria of Article 5 ESPR, and the delegated acts would include precise instructions on the calculation of these parameters. Online tools may also be considered to facilitate the calculation of these parameters by economic actors.

14)What will be the relation between ESPR and CBAM, if any?

The Carbon Border Adjustment Mechanism (CBAM) is a price paid by importers on the carbon emitted during the production of certain goods that enter the EU, while the ESPR's objective is to set product requirements that must be complied with to place a product on the market, so these are two different instruments. The Commission services are working to align or at least ensure the compatibility of the underlying methodologies used for CBAM and ESPR purposes.

15)Is there a link between ESPR and CSRD?

The Corporate Sustainability Reporting Directive (2022/2464/EU) introduces sustainability reporting obligations for certain large companies and listed SMEs. The ESPR is a framework regulation, which enables the Commission to set information or performance requirements for specific products.

There is a link, however, in Article 24 of ESPR which obliges economic operators to annually disclose information on unsold consumer products. Economic operators MAY decide to include this information in their sustainability reporting according to Articles 19a or 29a of the CSRD.

Furthermore, the improved environmental performance based on Ecodesign (via improved sustainability of products placed on the market) might reflect also in the overall – company-wide- environmental performance according to the environmental data reported within CSRD or other voluntary or mandatory reporting frameworks.

16)What are the obligations of online marketplaces under the ESPR?

Online marketplaces shall be required to cooperate with the market surveillance authorities to ensure effective market surveillance measures; inform the market surveillance authorities of any action taken in cases of non-compliant products; and allow online tools operated by market surveillance authorities to access their interfaces to identify non-compliant products. Online marketplaces would be required to design and organize their online interfaces in a way that would enable dealers to comply with the requirements.

EU Corporate Sustainability Reporting Directive

Frequently Asked Questions (FAQ)

1)What is the EU Corporate Sustainability Reporting Directive (CSRD) and what are its key requirements?

The CSRD, effective from 5 January 2023, expands sustainability reporting requirements across a broader range of companies in the EU. Although reporting starts from the 2025 financial year, it mandates companies to disclose detailed qualitative and quantitative information on their environmental and social performance. These disclosures must follow the European Sustainability Reporting Standards (ESRS), developed by the European Financial Reporting Advisory Group (EFRAG), which outline what must be reported and how.

2)When will different categories of companies be required to start reporting under the CSRD?

The CSRD will apply to companies in a staggered manner:

- **From 2025:** Companies already subject to the Non-Financial Reporting Directive (NFRD), i.e., large public-interest EU companies with over 500 employees.
- **From 2026:** Other large EU companies and EU subsidiaries of non-EU parent companies meeting at least two of the following: EUR 20 million in assets, EUR 40 million in net turnover, or 250 employees.
- **From 2026:** EU-incorporated SMEs listed on EU-regulated markets (excluding micro-enterprises) that meet at least two of the following: EUR 4 million in assets, EUR 8 million in turnover, or 50 employees.
- **From 2028:** Non-EU parent companies with significant EU operations—i.e., those with EUR 150 million turnover in the EU and at least one qualifying large subsidiary or branch in the EU.

3) How broad is the scope of the CSRD compared to the NFRD?

The CSRD significantly broadens the scope of sustainability reporting requirements. While the NFRD applied to around 11,600 companies, the CSRD is expected to cover approximately 49,000 companies. This expansion means many more companies across the EU and beyond will now be required to disclose detailed sustainability information.

4) What detailed information must companies include in their management report under Article 19a of the CSRD regarding sustainability reporting?

Under Article 19a of the CSRD, large undertakings and certain SMEs must include a dedicated sustainability section in their management report. This section must provide:

- A description of the company’s business model and strategy, including its resilience to sustainability risks, opportunities, alignment with the Paris Agreement, and consideration of stakeholders’ interests.
- Time-bound sustainability targets, including greenhouse gas reduction goals for 2030 and 2050, and progress made.

- The role and expertise of the company's administrative, management, and supervisory bodies in sustainability.
- Company policies and incentive schemes linked to sustainability matters.
- Details on the due diligence process, actual or potential adverse impacts in operations and value chains, actions taken, and outcomes.
- Principal sustainability-related risks and dependencies, and how these are managed.

All disclosures must be clearly identifiable and based on verifiable, science-based information where applicable.

5)What does Article 29b of the Corporate Sustainability Reporting Directive (CSRD) state regarding the development and application of sustainability reporting standards?

Article 29b of the Corporate Sustainability Reporting Directive (CSRD) sets out the framework for the development and adoption of sustainability reporting standards by the European Commission. These standards are intended to guide undertakings in reporting information related to environmental, social, and governance (ESG) factors as required under Articles 19a and 29a of the Directive.

To ensure high-quality and effective sustainability reporting, the standards must mandate that the disclosed information is understandable, relevant, verifiable, comparable, and faithfully represented. At the same time, they must minimize administrative burdens, especially for smaller undertakings, by considering global standard-setting initiatives and proportionality principles.

The content of the reporting standards must address three major areas:

Environmental factors, including:

- Climate change mitigation and adaptation (covering Scope 1, 2, and where relevant, Scope 3 GHG emissions)
- Water and marine resources
- Resource use and the circular economy
- Pollution
- Biodiversity and ecosystems

Social and human rights factors, including:

- Equal treatment and opportunities (e.g. gender equality, inclusion of persons with disabilities, anti-harassment)
- Working conditions (e.g. job security, wages, work-life balance, collective bargaining)
- Respect for human rights, aligning with international instruments like the International Bill of Human Rights, UN conventions, ILO standards, and EU charters

Governance factors

- The roles and skills of administrative, management, and supervisory bodies regarding sustainability
- Internal control and risk management systems related to sustainability
- Corporate ethics, anti-corruption measures, whistleblower protection, and animal welfare
- Political influence and lobbying activities
- Relationship management with stakeholders such as customers, suppliers, and communities, including fair payment practices

The standards must also specify forward-looking and retrospective, qualitative and quantitative information as appropriate. They must address the challenges of collecting data from the value chain, particularly where suppliers or partners are not directly subject to CSRD obligations, such as SMEs in emerging markets. In such cases, disclosures must remain proportionate and relevant to the reporting undertaking's scale and complexity, without placing excessive demands on upstream or downstream actors.

6)What are the potential implications of the Corporate Sustainability Reporting Directive (CSRD) for suppliers to companies that fall within its 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

EU Corporate Sustainability Due Diligence Directive

Frequently Asked Questions (FAQ)

1) What is the Corporate Sustainability Due Diligence Directive?

The Corporate Sustainability Due Diligence Directive (the Directive) sets out a corporate due diligence duty for large companies to identify and address adverse human rights impacts (such as child labour) and environmental impacts (such as pollution) in their own operations, those of their subsidiaries and in their "chain(s) of activities".

In addition, the Directive sets out an obligation for large companies to adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy.

2)What are the basic due diligence duties for companies?

The core due diligence duties for companies in the scope of the Directive include the following actions:

- Integrating due diligence into the corporate policies and risk management systems.
- Identifying adverse human rights and environmental impacts in the company's operations as well as those of its subsidiaries and of its business partners in the chain of activities; and prioritising them according to their severity and likelihood.
- Addressing negative impacts that have been, or should have been, identified (where necessary, in the order of prioritisation). Companies have to prevent and/or mitigate potential impacts and, when negative impacts have already occurred, bring them to an end or, if not immediately possible, at least minimize their extent. Companies also have to provide remedies if they caused the adverse impact or contributed to it through acts or omissions.
- As a measure of "last resort" when all other actions have failed, and where severe impacts are at stake and only where these impacts outweigh the foreseeable negative consequences of disengagement, companies are required to suspend or terminate a business relationship

Companies are also required to:

- engage with stakeholders, i.e. consult them at certain stages of the due diligence process (in particular during the identification of impacts), based on meaningful information (i.e. of sufficient quality and level of detail to allow them to fully participate) provided to stakeholders; companies may do so through industry or multi-stakeholder initiatives (except for the consultation of their own employees and their representatives);
- establish and maintain a complaints and notification procedure;
- monitor the effectiveness of due diligence measures;
- communicate publicly on due diligence according to the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards (with some exceptions).

3)When will the rules start applying?

- The Directive was published in the Official Journal of the European Union on 5 July and entered into force on 25 July 2024.
- Member States have until 26 July 2026 to transpose the Directive into national law.
- One year later, on 26 July 2027, the rules will start to apply to companies, with a gradual phase-in between 3 and 5 years after entry into force.
- 3 years (26 July 2027): EU companies with more than 5 000 employees and €1 500 million worldwide turnover, as well as non-EU companies with more than
  €1 500 million turnover generated in the EU.
- 4 years (26 July 2028): EU companies with more than 3 000 employees and
  €900 million worldwide turnover, as well as non-EU companies with more than €900 million turnover generated in the EU.
- 5 years (26 July 2029): All other companies in scope

4)Which companies are covered by the obligations in the Directive?

- EU-based companies: approx. 6 000 companies in total limited liability companies and partnerships with more than 1 000 employees and a net worldwide turnover of more than EUR 450 million (in any sector); ultimate parent companies of a corporate group that meets the thresholds on a consolidated basis;

franchisors/licensors meeting certain conditions and thresholds, namely:

- the underlying agreements ensure a common identity, a common business concept and the application of uniform business methods; and
- they generate royalties of more than EUR 22 500 000 in the last financial year; and
- the company had or is the ultimate parent company of a group that had a net worldwide turnover of more than EUR 80 million in the last financial year.

Non-EU companies: approx. 900 companies in total

- companies of a legal form comparable to LLCs/partnerships with a net turnover of more than EUR 450 million generated in the European Union (in any sector);
- ultimate parent companies of a corporate group that meets the threshold on a consolidated basis;

franchisors/licensors meeting certain conditions and thresholds, namely:

- the underlying agreements ensure a common identity, a common business concept and the application of uniform business methods; and
- they generate royalties of more than EUR 22 500 000 in the Union in the last financial year; and
- the company had or is the ultimate parent company of a group that had a net turnover of more than EUR 80 million in the Union in the last financial year.

The Directive only applies if the above conditions are met in two consecutive financial years. Specific rules apply to the calculation of the number of employees: part-time employees are considered on a full-time equivalent basis and temporary agency workers and other workers in non-standard forms of employment are included if they fulfil the criteria for determining the status of worker as established by the Court of Justice of the European Union.

5)How are SMEs affected by the new rules?

- SMEs do not directly fall under the scope of the Directive. They therefore do not have obligations and cannot be subject to public enforcement or civil liability under the Directive.
- However, they may be impacted as direct or indirect business partners in the chain(s) of activities of larger companies in scope. As such, they may receive requests to collect and share information on adverse actual or potential impacts, and to address those in line with the obligations of the company in scope.
- To protect SMEs and minimize their burden, the Directive includes both provisions aimed at supporting them and safeguards against the shifting of compliance burdens by large companies. For instance, in-scope companies are required to direct their information requests to business partners at the level of the chain of activities where impacts are most likely to occur. Also, they will have to adapt their purchasing practices (where these contribute to negative impacts), make investments in their chain of activities, build capacity and provide (financial or non-financial) support to the SME partner.
- To help them integrate sustainability considerations into their business operations, specific support such as information and guidance about due diligence steps, tools and capacity building will be made available for SMEs.

6)Which business activities are covered by the due diligence duty?

- To foster sustainable and responsible corporate behavior and advance the sustainability transition, it is necessary to cover global 'chains of activities' where most adverse human rights and environmental impacts occur.
- Under the Directive, the concept of "chain of activities" covers both upstream and downstream activities:
- The activities of upstream business partners related to the production of goods or the provision of services by the company, including the design, extraction, sourcing, manufacture, transport, storage and supply of raw materials, products or parts of products and the development of the product or the service. For instance, for a clothing manufacturer the example of an upstream business partner would be a textile factory that produces fabric used in the manufacturing of cloths.
- The activities of downstream business partners related to the distribution, transport and storage of the product, where the business partner carries out those activities "for the company or on behalf of the company". Using the same clothing manufacturer example, a

downstream business partner might be a retail store that sells the finished clothing products to consumers. As regards the impacts of the products or services through their use, companies in scope are required to identify adverse impacts linked to their own operations, and make the necessary modifications to their business plan, overall strategies and operations, including the design of products/services, purchasing and distribution practices.

7) What practical measures do companies need to adopt to prevent, mitigate and end adverse impact?

- Companies are required to take the following measures, where relevant:
- developing and implementing prevention and corrective action plans (only for complex issues); seeking to obtain contractual assurances from a direct business partner, including cascading requirements through the chain of activities;
- making the necessary financial or non-financial investments, including in their chains of activities (for example, upgrading infrastructures);
- providing support (such as capacity building) to their SME business partners where necessary considering the resources, knowledge, and constraints of the SME;
- providing financial support (such as direct financing, low-interest loans, guarantees of continued sourcing, or assistance in securing financing) to their SME business partners where compliance with the code of conduct or the prevention action plan would jeopardize the viability of the SME;
- adapting their business plans, strategies, and operations (including purchasing practices, design, and distribution practices); and
- collaborating with other entities to resolve the issues including with a view to increase their leverage over business partners.

8) What are companies' obligations regarding the transition plan for climate change mitigation?

- Companies have a legal obligation adopt and put into effect a transition plan for climate change mitigation which aims to ensure, through best efforts, that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1,5° C in line with the Paris Agreement and the objective of achieving climate neutrality as established in Regulation (EU) 2021/1119 (European Climate Law), including its intermediate and 2050 climate neutrality targets.
- Companies are required to set time-bound targets related to climate change for 2030 and in five-year steps up to 2050 based on conclusive scientific evidence and, where appropriate, absolute emission reduction targets for greenhouse gas for scope 1, scope 2 and scope 3 greenhouse gas emissions for each significant category, set decarbonization levers and implement key actions to reach their targets, including, where appropriate, changes in the product and service portfolio of the company and the adoption of new technologies.

- For companies that publish a transition plan in accordance with the Corporate Sustainability Reporting Directive (CSRD), the obligation to "adopt" a plan is met.
- If a company fails to adopt a transition plan with the required content, or to update the plan, including the actions to reach the targets, it may face administrative sanctions.

9) What are the costs for companies?

- To comply with the new rules, companies may incur costs related to establishing and operating due diligence processes and procedures.
- In addition, companies may also incur additional transition costs, including expenditure and investments to adapt a company's own operations and value chains to comply with the due diligence obligation, if needed.

10) How is compliance facilitated and burden reduced for companies?

A range of measures facilitate compliance by, and limits the burden on, the large companies in scope:

- The risk-based approach to due diligence allows companies to limit in-depth assessments of adverse impacts to those areas identified as high risk. Where it is not feasible to prevent, mitigate, bring to an end or minimize identified adverse impacts at the same time, companies are allowed to priorities, i.e. focus their due diligence on high-risk areas.
- Resource and information sharing within corporate groups and with other legal entities as well as through industry initiatives allows for burden sharing. The Commission will issue guidance on fitness criteria for industry schemes, multi-stakeholder initiatives and third-party verifiers.
- Termination of the business relationship is only required as a last resort and under strict conditions.
- No new reporting requirements are created for companies already reporting under the Corporate Sustainability Reporting Directive (CSRD). Only for companies not reporting under the CSRD will there be a simplified and aligned reporting standard as regards corporate sustainability due diligence (to be adopted as a delegated act by the Commission by 31 March 2027).
- The use of digital tools and technologies, on which the Commission will issue guidelines, will facilitate due diligence.
- Aside from limiting burdens on companies in scope, the Directive clarifies that Member States may take a company's due diligence performance into account as part of the award criteria in public procurement and for concession contracts.

11) What is the role of industry and multi-stakeholder initiatives?

- Industry and multi-stakeholder initiatives are expected to play an important role in facilitating compliance with companies' obligations under the Directive. They will allow companies to pool resources, act jointly, and thus increase their leverage to effect meaningful positive change across their value chains.

- However, it is important to note that companies will remain responsible for the selection of specific initiatives and ultimately for compliance with their own due diligence obligations.
- The Commission will issue guidance setting out fitness criteria and a methodology for companies to assess the fitness of industry and multi-stakeholder initiatives.

12) What are the impacts on individuals?

The main benefits for individuals are:

- Better protection of human rights.
- Contribution to a healthier environment for present and future generations, including climate change mitigation.
- Involvement in corporate decision-making through meaningful stakeholder engagement.
- More rights to hold companies to account (through complaints processes to the company, supervisory authority, or courts).
- Better access to remedy for victims of human rights or environmental abuses, through judicial (civil liability) and non-judicial mechanisms (complaints mechanisms established by the companies).

13) What are the impacts on companies?

For the first time ever, companies operating in the EU market will have common and clear rules on corporate sustainability due diligence. The main benefits will be the following:

- Harmonized legal framework in the EU, creating legal certainty and a level playing field.
- Greater customer trust and employee commitment.
- Better awareness of negative human rights and environmental impacts.
- Better risk management (including of liability risks), enhanced resilience, increased innovation, and competitiveness.
- Increased attractiveness for employees who prioritize sustainability performance, sustainability-oriented investors and in public procurement procedures.

Thank You

For any query / suggestion please feel free to contact

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