



**WORLD
SUSTAINABLE
PROCUREMENT DAY**

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PROFESSION

New Rules, New Regulations: What can procurement do to achieve compliance?

Key learning objectives:

- Educate on US and EU sustainability rules
- Identifying the “No Regrets Action” that sustainable procurement practitioners can take

Session Type & Maturity:

Equip

Intermediate

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to you by the



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Procurement
Pledge

Before we get going...

This session will be recorded

- Subscribe to our YouTube channel for all recordings

We encourage interaction & questions

- Please use the tools on the right to ask questions etc.

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Agenda

- **Introductions**
- **Overview of Regulations**
- **Q & A**
- **Closing**

Your Speakers



Lauren Rogge
Partner, Climate Change
and Sustainability Services,
Ernst & Young LLP



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Vice President, Direct
Procurement
Mark Anthony Brewing
Inc.



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New rules, new regulations

What procurement can do to achieve compliance

March 21, 2024

World Sustainable Procurement Day



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Overview of regulations





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Poll Question

Market forces are driving a focus on creating and protecting sustainable, long-term value across stakeholders



Market forces driving the focus on long-term value

1

Evolving compliance obligations with regulatory risks associated with responding to new taxes

2

Disruptions from climate change are increasingly difficult to predict and plan for

3

Financial incentives to support companies in meeting their sustainability obligations

4

Rising demands for human rights, racial equity, economic equality and social justice

5

Rising customer, consumer, stakeholder and employee expectations for trust and transparency

6

Rapid technological advancements and competition in a time of disruption

Global sustainability regulations are rapidly changing



Updated February 2024

Sustainability regulations with supply chain implications for US companies

Forced Labor Regulation



Uyghur Forced Labor Prevention Act



Corporate Sustainability Reporting Directive (CSRD)



Corporate Sustainability Due Diligence Directive (CSDDD)



SEC Climate Disclosure Rule



California Climate Corporate Data Accountability Act (253)



California Greenhouse Gases: Climate-Related Financial Risk (261)



Voluntary Carbon Market Disclosures Act (1305)



California Transparency in Supply Chains Act



Federal contractor greenhouse gas (GHG) and climate risk disclosure requirements



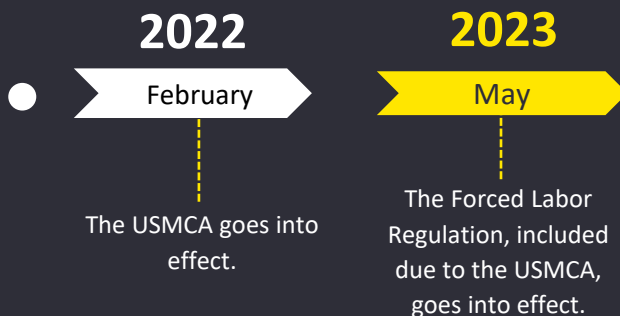
Forced Labor Regulation



General information

- The Forced Labor Regulation, effective from May 18, 2023, enacts an obligation from the United States-Mexico-Canada Agreement (USMCA).
- The obligation prevents the import of goods produced fully or partially by forced or compulsory labor.
- This includes goods produced by forced or compulsory child labor.
- It is applicable to all Mexican importers.

Timeline



Key takeaway

- Companies will need to **maintain proper documentation** that demonstrates that imported goods are not produced via forced or compulsory labor. By having the necessary documentation readily available, companies will gain a **better understanding of the company's supply chain** to promote responsible sourcing practices.

USMCA cases

A multinational tire manufacturer's facility in Mexico **resolved a labor rights issue in 2024**. This was achieved through a remediation plan that secured **\$4 million in back pay for more than 1,300 workers** and improved wage benefits.

A Mexican cargo air carrier **resolved a labor rights violation in 2023**. The resolution included **reinstating dismissed pilots**, issuing company guidelines on **neutrality, good-faith bargaining** and publicizing an upcoming **union representation vote**.

Uyghur Forced Labor Prevention Act



General information

- The Uyghur Forced Labor Prevention Act (UFLPA), effective from June 21, 2022, **presumes that goods from the Xinjiang Uyghur Autonomous Region (XUAR) in China are made with forced labor.**
- It authorizes the US Customs and Border Protection (CBP) **to seize goods made in XUAR** or by specific entities.
- Companies can only prevent seizure by proving that forced labor was not used in production.

Timeline



Source: US Homeland Security, 2022, [Uyghur Forced Labor Prevention Act](#)

Key takeaways

- Applicable companies **must provide proof** that their **imported goods were made wholly or in part without forced labor**, which can include due diligence, supply chain tracing and measures to avoid forced labor.
- Companies should consider **enhancing their due diligence**, like conducting extensive supply chain tracing, monitoring supplier compliance, etc., to align with UFLPA rules. Awareness of UFLPA enforcement expansions, such as investigations of high-risk commodities, is critical.

Applicability requirement

Importers of goods, wares, articles and merchandise mined, produced or manufactured wholly or in part in the Xinjiang region

Penalties for non-compliance

Importations determined to be in violation of the UFLPA may be subject to seizure and forfeiture.



Corporate Sustainability Reporting Directive

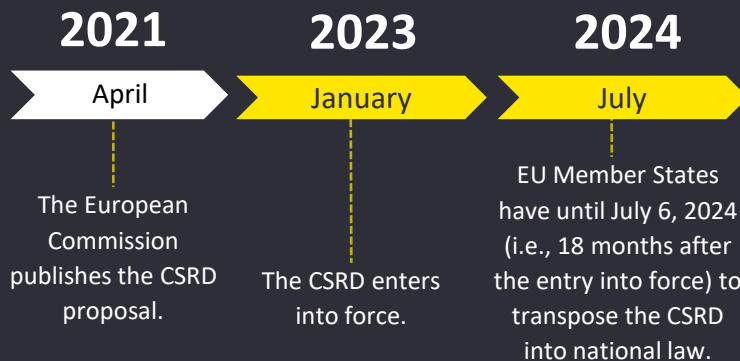
General information

- Under the **European Green Deal**, EU introduced the **Corporate Sustainability Reporting Directive (CSRD)**.
- CSRD mandates **disclosure and assurance** on ESG matters.
- It became **effective on January 5, 2023**.
- **It strengthens** the existing non-financial reporting rules introduced in the 2014 Non-financial Reporting Directive (NFRD).

Key takeaways

- Applicable companies are **required to publish a consolidated sustainability report**, including disclosure of **potential adverse supply chain impacts and corresponding actions**.
- An **external assurance review** of sustainability information is advised in preparation for CSRD.

Timeline



Applicability requirement

EU companies (including EU subsidiaries of non-EU companies) that satisfy at least two of these criteria:

- A balance sheet total of **€20 million**
- A net turnover of **€40 million**
- **250 employees** on average over the financial year

Non-EU companies that have a turnover of above **€150 million** in the EU will have to comply.

Penalties for non-compliance

- The CSRD does **not directly stipulate sanctions for non-compliance**.
- It does provide that Member States should impose administrative pecuniary sanctions and penalties that are **“effective, proportionate and dissuasive.”**



Corporate Sustainability Due Diligence Directive - *Proposed*

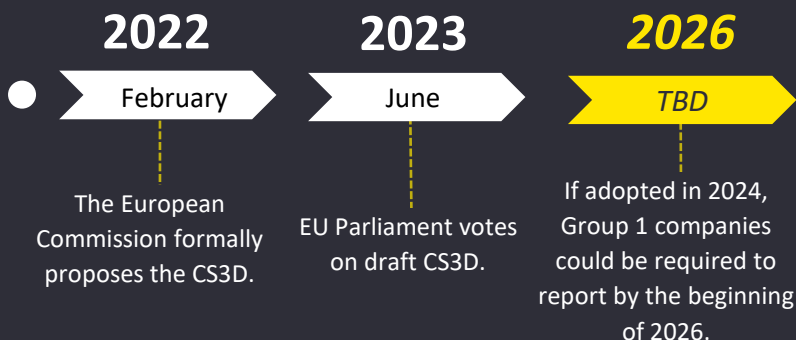
General information

- The CS3D, **currently under review**, will require companies to **address negative human rights and environmental impacts**.
- It applies to a company's operations, subsidiaries and supply chains.
- Companies will also need to **align their strategies with the 1.5°C global warming limit** per the **Paris Agreement**.

Key takeaways

- Applicable companies will be required to **conduct due diligence, implementing preventive measures for identified adverse impacts and ensure responsibly sourced materials**.
- Directors will be mandated to incorporate due diligence into corporate strategy, ensuring **robust supply chain management**.
- Companies should **proactively assess** their due diligence reporting and gap analysis for CS3D compliance.

Timeline



Source: European Commission, [Corporate sustainability due diligence](#)

Applicability requirement

Group 1: EU companies with **>500 employees** and a net worldwide turnover of **> €150 million** in the last financial year

Group 2: EU companies **with >250 employees and net > €40 million turnover** worldwide and operating in defined high-impact sectors

Penalties for non-compliance

- A relevant regulatory authority (designated by the EU Member States) will be able to impose sanctions, including fines and compliance orders.
- Any victims of noncompliance with CS3D obligations will have a right to apply for compensation for damages.



California climate legislation



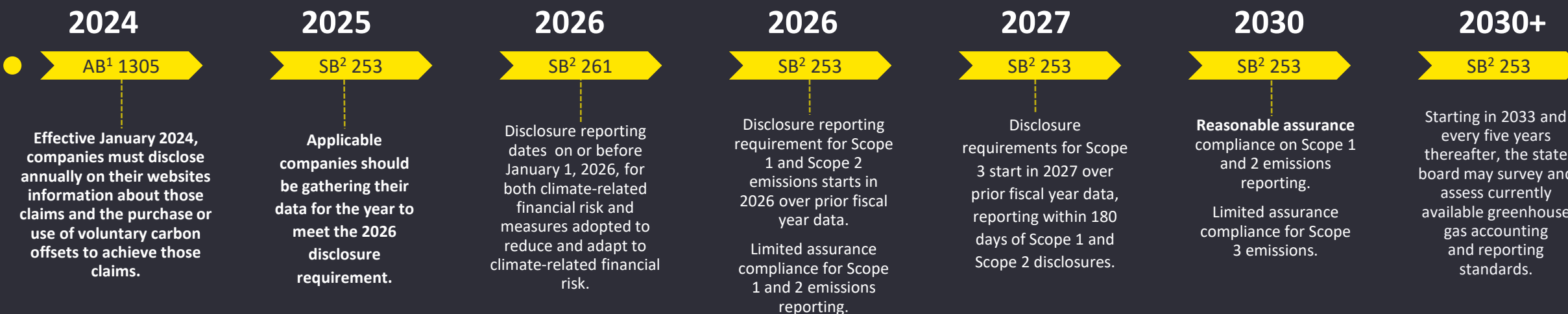
General information

- Governor Gavin Newsom enacted three pioneering climate disclosure laws on October 7, 2023. Non-compliant companies operating in California may face administrative fines up to \$500,000 in a reporting year under laws such as SB 253.

Key takeaways

- Applicable companies will soon be **required to publish emission data and mitigation plans for Scopes 1,2 and 3.**
- An **external assurance review** of sustainability information is advised in preparation for reporting.

Timeline



¹ AB stands for Assembly Bill
² SB stands for Senate Bill

California Transparency in Supply Chains Act

General information

The California Transparency in Supply Chains Act (CTSCA), effective January 1, 2012, focuses on ensuring that companies are **transparent and open to their consumers about the potential of modern slavery** being used to create their products. The California Franchise Tax Board is required to give the attorney general a list of companies covered by the act.

Timeline



Key takeaways

- This act requires applicable businesses to disclose on their websites their efforts to eradicate slavery and human trafficking from their direct supply chain for tangible goods offered for sale.
- Companies must disclose the extent of their efforts in five areas: verification, audits, certification, internal accountability and training.

Applicability requirement

Retailers and manufacturers doing business in California with annual gross revenue exceeding \$100 million

Penalties for non-compliance

The exclusive remedy for a violation of the act is an action brought by the attorney general for injunctive relief.

2

What can procurement do to achieve compliance?

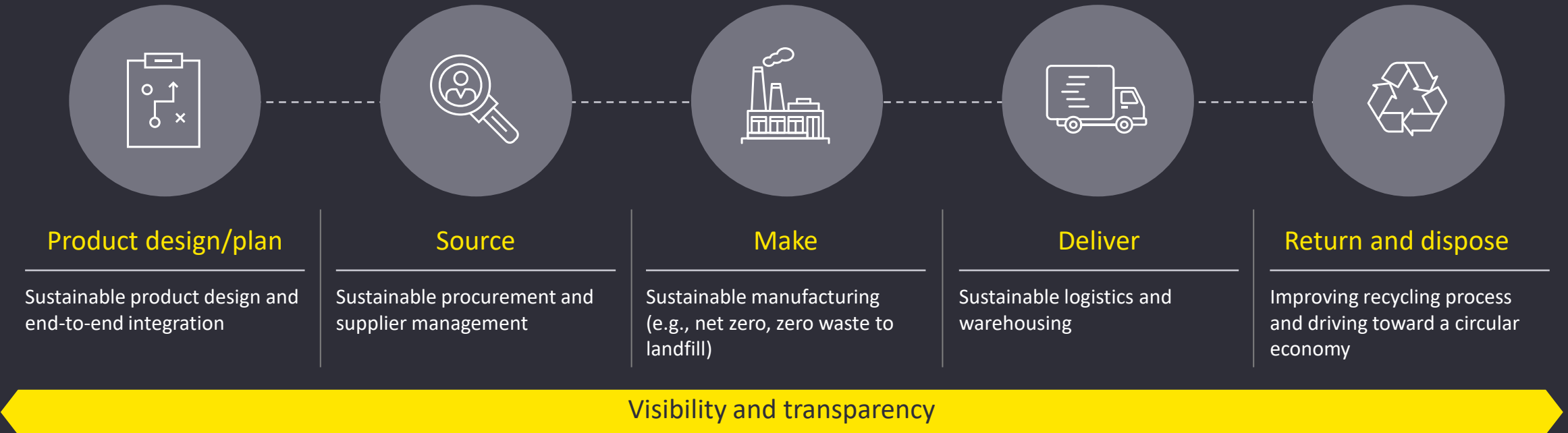


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Poll Question

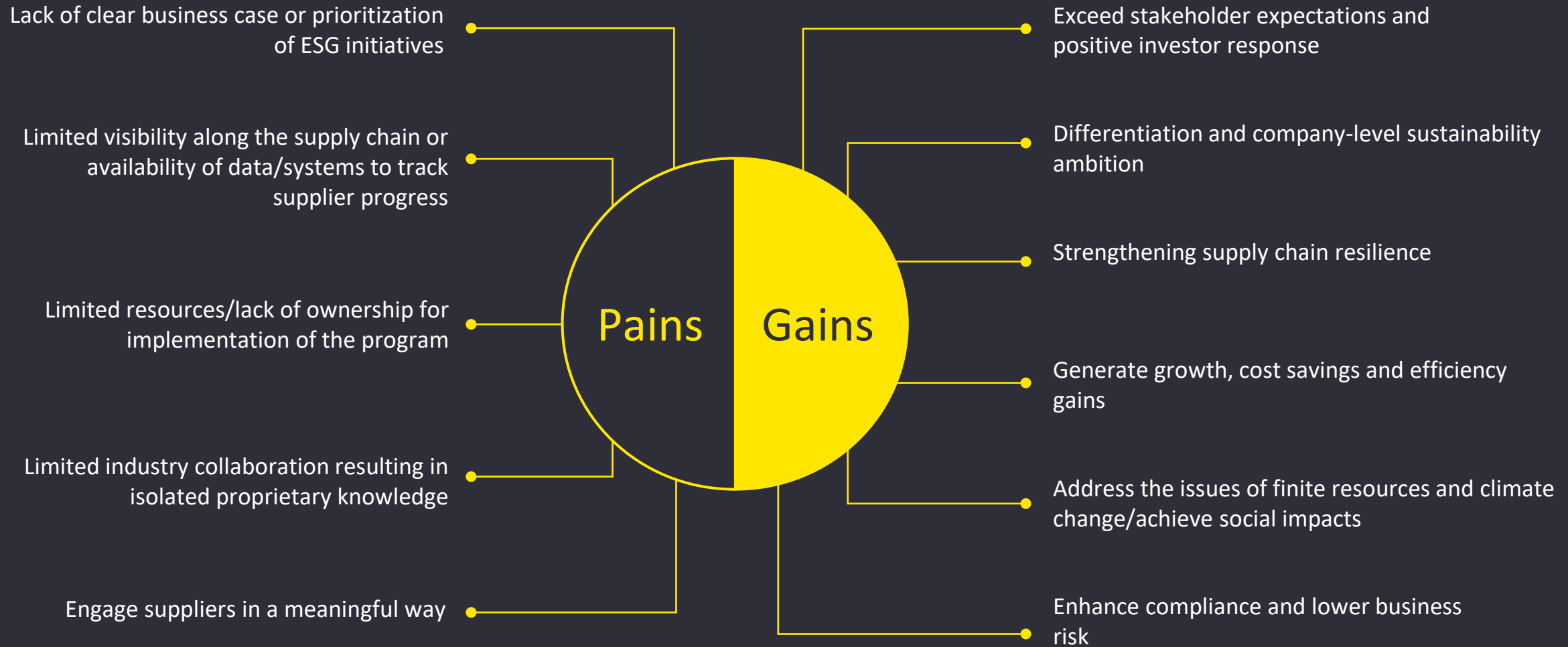
These regulations require companies to consider how sustainability is embedded into their procurement processes



Across a broader range of sustainability risk and opportunity:

Greenhouse gas emissions	Energy	Human rights and labor	Data privacy and cybersecurity
Water and waste management	Anti-corruption and anti-trust	Diversity, equity and inclusion	Circular economy

There are internal challenges companies need to overcome to embed sustainability



To prepare, companies will likely need to upgrade processes, procedures and systems across risk and supply chain



STAKEHOLDER ENGAGEMENT

What is your sustainability ambition, readiness and maturity?

Complying with regulations and standards



Supporting your reporting goals by meeting applicable sustainability standards, guidelines and regulations

Optimizing the efficiency and impact of your supply chain



Improving the overall performance of your supply chain in terms of sustainability, cost-effectiveness and operational efficiency through data-driven decision-making

Transforming the entire supply chain ecosystem



A comprehensive and strategic change to reimagine your supply chain and ecosystem to achieve sustainability goals creating long-lasting positive impacts and generating long-term value

Five actions to take to kick-start the journey

1

Understand the shifting regulations, stakeholder expectations, and risks and opportunities in your supply chain

2

Improve the visibility and traceability of your supply chain and understand your primary risks and opportunities

3

Develop your baseline of scope 1, 2 and 3 emissions and conduct a TCFD-aligned risk assessment for climate risk

4

Educate internal stakeholders and assign roles and responsibilities

5

Develop supplier engagement processes, including remediation and grievance processes

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Q & A



Thank You!



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- Connect with like-minded people via our SPP Ambassadors LinkedIn group





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Appendix

Speakers' Bios

Speakers' Bios

Lauren Rogge is a Partner in EY's Climate Change and Sustainability Services team, based in New York, where she leads EY's solution for sustainable supply chain, responsible sourcing, and human rights. Lauren has worked at the interface of business and sustainability her entire career and has a particular passion for understanding and managing social and environmental impacts across complex value chains. She works with companies in a range of sectors to embed these topics into their strategy, supply chains, risk management processes and disclosures. She has provided sustainability and supply chain consulting services to clients across Australia, Asia-Pacific, Europe and the Americas. She holds a Bachelor of Commerce and Laws and is admitted as an attorney in Australia.

Ryan Nied is Vice President, Direct Procurement at Mark Anthony Brewing and has served as a Co-Chair of the USA Chapter for the Sustainable Procurement Pledge since 2021. In his current role, Ryan is leading a newly expanded Procurement organization that drives category strategies, supplier innovation and sustainability initiatives that align with the Company's purpose to "Unearth the Extraordinary". Ryan has 26 years of Procurement experience gained across the Food, Beverage, CPG and Oil & Gas industries. Prior to Mark Anthony Brewing, he has held increasingly responsible Procurement leadership roles in large global companies such as BP, Diageo and Heinz.

Speakers' Bios

Anthony Fuller is Co-Chair of the SPP USA Chapter. He works as Global Head of Sourcing at Mitsubishi Tanabe, a Japanese pharmaceutical company, based out of their Jersey City office. Prior to joining Mitsubishi, Anthony worked at Eli Lilly and Bristol-Myers Squibb, following several years spent on the supplier side. He currently lives with his family in New Jersey. Anthony is an alumnus of the Universities of Oxford, Sheffield and Northumbria, holding graduate degrees in business and politics, as well as law. Anthony is a CPSM from the Institute for Supply Management and a Fellow of the Chartered Institute for Procurement and Supply. He has studied with the Cambridge Institute for Sustainability Leadership and is a GRI certified professional.

Augustina Kydonieus joined the Sustainable Procurement Pledge in 2022 and currently serves as coordinator/ interim Co-Chair for the USA Chapter. For 20+ years she has served in strategic roles from mid to senior levels as a procurement business partner across diverse industries including Commercial Real Estate, Financial Services, Integrated Facilities Management, and Technology. Augustina is an active Member of the Chartered Institute for Procurement and Supply (MCIPS). She lives with her husband in San Francisco, California.