

Update on corporate sustainability due diligence reporting legislation

Many companies are affected by increasing legislation requiring organisations to report their climate action, evidence for sustainability claims, and Human Rights Due Diligence (HRDD). Verified, sustainable supply chain practices, together with traceability, will be vitally important for companies reporting their corporate sustainability due diligence.

CottonConnect has reviewed the legislation which especially relates to cotton and textiles production, in order to identify the requirements companies will need to meet. Some of these are already in force, with stipulated dates by which companies need to comply.

HOW COTTONCONNECT SUPPORTS CUSTOMERS TO MEET THE NECESSARY REQUIREMENTS



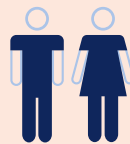
Environmental data: CottonConnect collects programme data on a range of environment and climate indicators, for example: REEL KPI data (chemical pesticide use, chemical fertiliser use, water use, yield, input costs, profitability); Cool Farm Tool data (greenhouse gas emissions, water use efficiency, biodiversity); LCA data (climate change potential, water use, water consumption, acidification, abiotic depletion – fossil fuel, ecotoxicity).



Traceability: To ensure traceability, CottonConnect uses its own traceability software tool, TraceBale, to give brands a clear and consistent, near-real-time overview of all stages of their supply chain – from the farmer's field to the finished garment – capturing every transaction flow along the way.



Sustainability claims: CottonConnect has updated its claims process to ensure that sustainability claims allowed about REEL Cotton are substantiated by verifiable data. The process will only allow verified claims in accordance with the regulations for sustainability claims.



HRDD: CottonConnect worked with external advisors to review its HRDD strategy, map human rights risks in the countries of operation, develop an HRDD framework and roadmap, and publish an HRDD policy alongside existing workers' rights policies. It can provide HRDD updates to customers to include in their supply chain HRDD risk assessment reports.



Verification: To provide accurate, verified impact data for its programmes, CottonConnect has a comprehensive monitoring, evaluation and learning (MEL) system in place, with strengthened second-party verification, and works with FLOCERT and other verifiers for third-party verification of the REEL Cotton Programme. Where required, additional audits, for example for HSSE and HRDD, will be introduced.



Providing data to customers: Global aggregated impact data is reported annually in CottonConnect's Impact Report. Customers are provided with data specific to their programmes and will be provided with the information needed to respond to the regulatory reporting requirements.

CottonConnect has identified the specific requirements for each legislation listed, and where there are comparable requirements across several different legislations. This will help ensure companies are provided with the necessary data they need to report about their cotton sourcing.

The environment and climate requirements range across:

- Climate change mitigation
- Climate change adaption
- Greenhouse gas emissions
- Water and marine resources
- Resource use
- Pollution
- Biodiversity
- Ecosystems degradation
- Mercury products, chemicals, hazardous waste
- Life Cycle Assessment (LCA)

The Human Rights Due Diligence (HRDD) requirements range across:

- Forced and compulsory labour
- Bonded labour and debt bondage
- Slavery, domestic servitude
- Human trafficking, sex trafficking
- Exploitation of workers
- Child labour
- Minimum age for employment
- Equal treatment and opportunities
- No discrimination
- Equal remuneration
- Freedom of association
- Civil and political rights
- Social and cultural rights
- Access to clean and hygienic living conditions

CottonConnect is also monitoring the emerging legal landscape across other commodities and regions, with regard to environmental, HRDD, and reporting requirements, to understand how they may affect cotton production and customers' supply chain due diligence in the future.

- **EU** – Regulation on Deforestation-free products. Status: Adopted
- **USA** – Fostering Overseas Rule of Law and Environmentally Sound Trade Act of 6 2023 ("FOREST Act of 2023"). Status: Proposed
- **India** – Business Responsibility and Sustainability Reporting (BRSR). Status: Adopted
- **South Korea** – Act on Human Rights and Environmental Protection for Sustainable Business Management. Status: Proposed

Regulation	Climate/ environment	Sustainability claims	HRDD	Status
EU Corporate Sustainability Due Diligence Directives (CSDDD)	✓		✓	In force
EU Corporate Sustainability Reporting Directive (CSRD)	✓		✓	In force
German Supply Chain Due Diligence Act (SCDDA)	✓		✓	In force
EU Empowering consumers for successful green transition directive (EU ECGT)	✓	✓		Adopted, progressing to in force
EU Green Claims Directive (EU GCD)	✓	✓		Proposed
Textile Labelling Regulation	✓	✓	✓	Proposal expected
Eco-design for Sustainable Products Regulation (ESPR) & Digital Product Passport	✓	✓		In force
Product Environmental Footprint Method (PEF)	✓		✓	Being developed
UK Modern Slavery Act			✓	In force
EU Forced Labour Ban			✓	Adopted, progressing to in force
US Modern Slavery Act			✓	In force
Canada Modern Slavery Act			✓	In force
Canada Environmental claims and greenwashing	✓	✓		In force