

CSR & Sustainability Handbook:

A Comprehensive Guide to
CSR legislation and terminology.



Let's start!



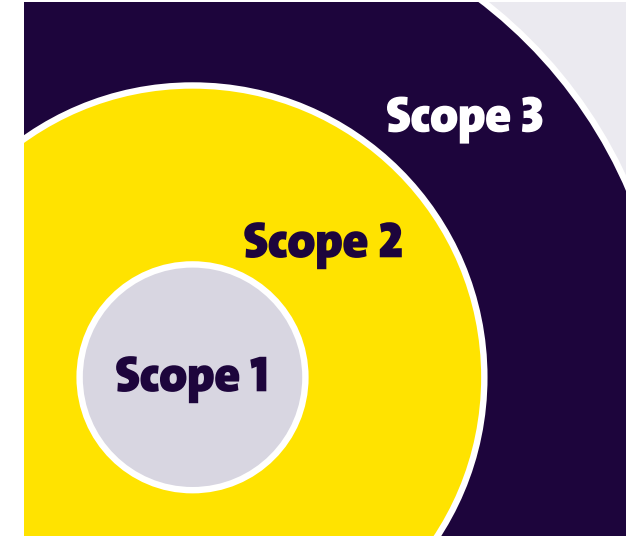
CSR vs ESG



European Green Deal



CSRD



SCOPE



ESRS



CSDDD



EUDR

Index.



Introduction.

In the dynamic landscape of CSR and sustainability, Zeelandia Group plays a pivotal role at the intersection of compliance and commercial strategy. Acknowledging the evolving regulatory framework encompassing ESG, CSRD, EUDR, ESRS, and CSDDD, we recognize the significant changes that demand our continuous attention.

Two forces shape our future plans: **Regulatory landscape** (compliance) and **Commercial Strategy**. Navigating this demands our proactive approach, recognizing constant shifts in requirements. Zeelandia Group's commitment extends beyond compliance; we take the "necessary" measures, aligning with customer expectations, and adapting to constant updates in legislation.

With this handbook, we aim to provide a clear view on upcoming legislation and regulations, simplifying terminology for our colleagues. This will impact us all, as we strive to thrive as a responsible and forward-thinking business, contributing to a sustainable future and shaping industry standards.

Ibai Jimenez

CSR & Sustainability Program Lead



CSR: Corporate Social Responsibility.
ESG: Environmental, Social & Governance.

CSR

vs

ESG





The difference: the metrics

While **ESG** and **CSR** share a connection, they remain distinct concepts. **ESG** serves as evaluative tools for investors to evaluate a company's performance (it is measured in numbers), **CSR** reflects a company's dedication to ethical and responsible business practices that make positive contributions to society and the environment.



European Green Deal.

The European Green Deal is a broad set of European Union (EU) policy initiatives and measures aimed at making Europe climate neutral by 2050. The European Green Deal aims at a sustainable, green transition of the European economy.

The primary goal of the Green Deal is to make the EU's economy sustainable, turning climate and environmental challenges into opportunities.





Sustainability Reporting Landscape.



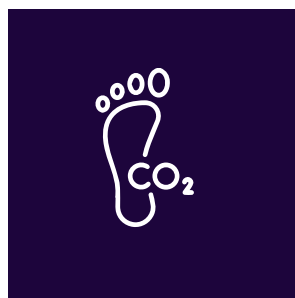


CSR Corporate Sustainability Reporting Directive.

The Corporate Sustainability Reporting Directive (CSRD) is a significant regulatory framework within the European Union (EU) aimed at advancing sustainable and responsible business practices. Its primary focus is to enhance transparency and the quality of sustainability reporting by businesses operating within the EU.

The European Union is taking a significant step towards a sustainable future with the adoption of the Corporate Sustainability Reporting Directive (CSRD). As a crucial component of the EU's Green Deal, the CSRD aims to promote transparency and improve the quality of sustainability information.

Under the CSRD, companies are required to report on various aspects, including their:



Carbon emissions.



Social capital.



Impact on biodiversity.



Human rights violations within their supply chains.



Employee practices.



Other relevant sustainability indicators.



Environment.



The **CSRD** timeline.

'24

'25

'26





Definitions.

Large Companies

Standards and Audit

General **Risks**



Scopes.

Scopes 1, 2 and 3 are a way of categorizing the diverse kinds of carbon emissions a company creates in its own operations, and in its wider value chain.

Scope 1.

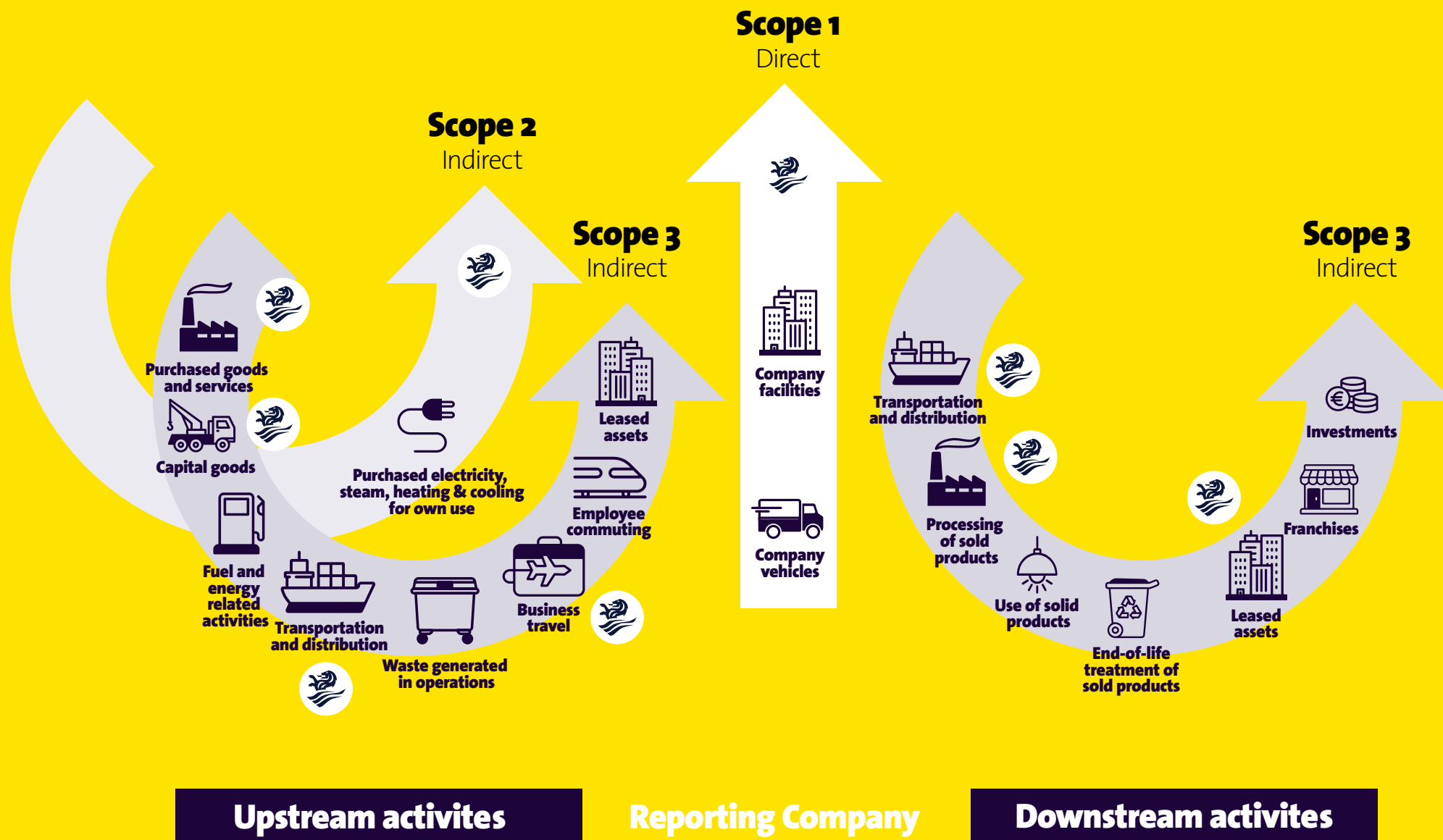
Scope 2.

Scope 3.



How do **Zeelandia's operations** incur on the Scopes?

CO₂ emissions scopes 1, 2 and 3 explained.



Scope 1
Direct emissions from burning fuel
 - 50% Transport (goods & passengers)
 - 50% Production heat & building heating

Scope 2
Indirect emissions from purchased energy
 - 99% Purchased electricity

Scope 3
Indirect emissions from upstream or downstream activities



European Sustainability **Reporting Standards.**

The European Sustainability Reporting Standards (ESRS) are crucial for the Corporate Sustainability Reporting Directive (CSRD), outlining the framework and disclosure requirements for companies, banks, and insurance firms. Unlike its predecessor, the Non-Financial Reporting Directive (NFRD), the CSRD integrates sustainability information into management reports, aligning with the EU's move to a digitalized reporting framework.

The ESRS, comprising 12 standards, covers environmental, social, and governance aspects, shaped through a comprehensive drafting process with public input (consultation and feedback collection). Aligned with the CSRD's ESG categories, the ESRS introduces new components like double materiality, prospective information, value chain details, and sustainability due diligence. These changes also anticipate the coming Corporate Sustainability Due Diligence Directive (CSDDD) expected in 2023.



Disclosure stages of the ESRS.

There are 4 stages where the CSRD will be phased in to substitute the NFRD:

1 January '25

1 January '26

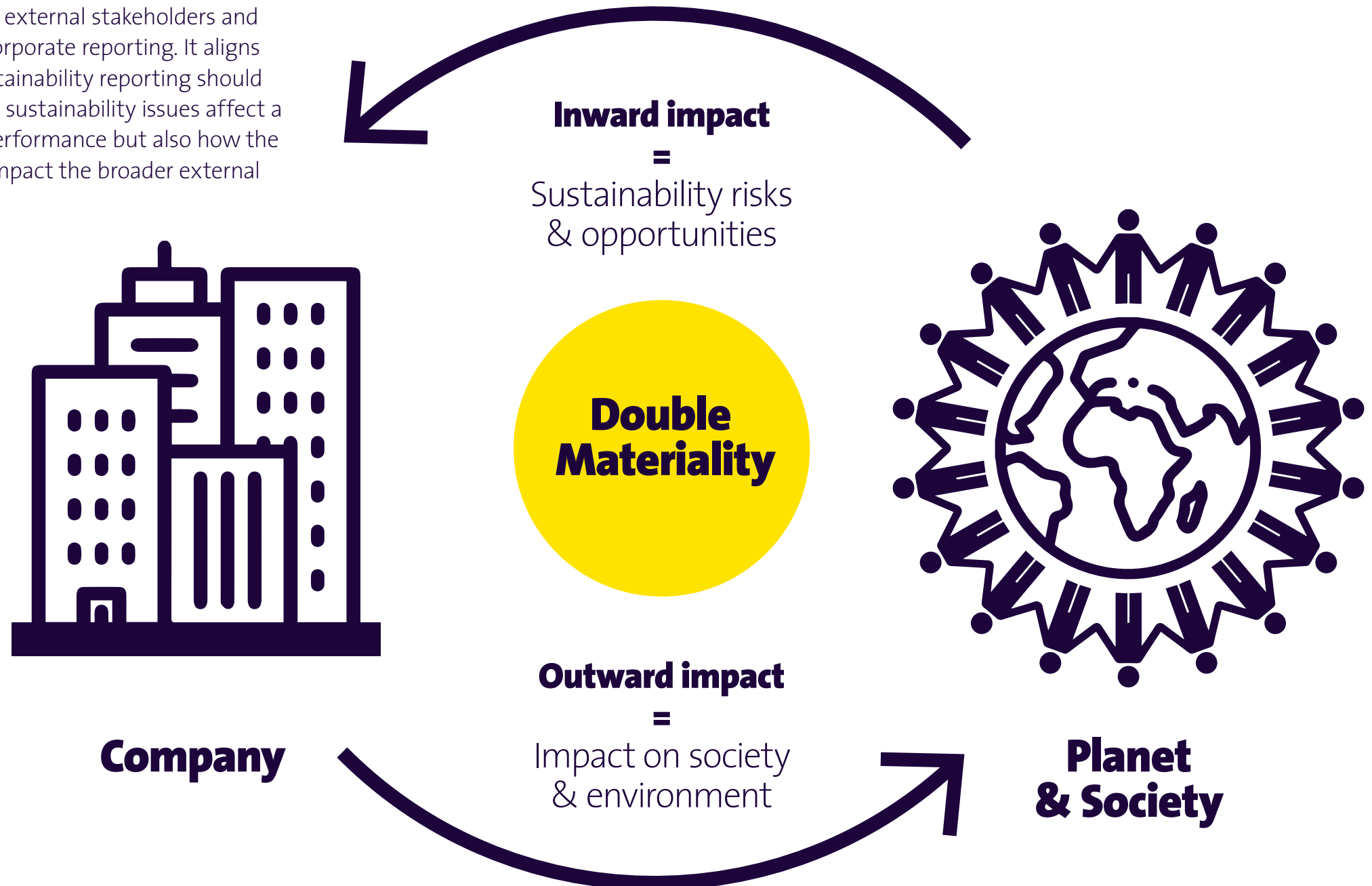
1 January '27

1 January '29



Double Materiality Matrix.

The double materiality concept generally refers to the consideration of both financial materiality (impact on the company) and broader societal materiality (impact on external stakeholders and the environment) in corporate reporting. It aligns with the idea that sustainability reporting should not only focus on how sustainability issues affect a company's financial performance but also how the company's activities impact the broader external environment.





Corporate
Sustainability
**Due Diligence
Directive**

The CSDDD will introduce requirements for companies to identify and prevent the potential and actual impact of their activities on the environment and on human rights abuses. It obliges them to conduct due diligence not just on their own operations, but also on the activities of their subsidiaries and others in their value chain with whom they have direct and indirect business relationships. They would need to develop and implement 'prevention action plans', obtain contractual assurances from their direct business partners that they will comply with the plans, and subsequently verify compliance.

The directive captures four groups:





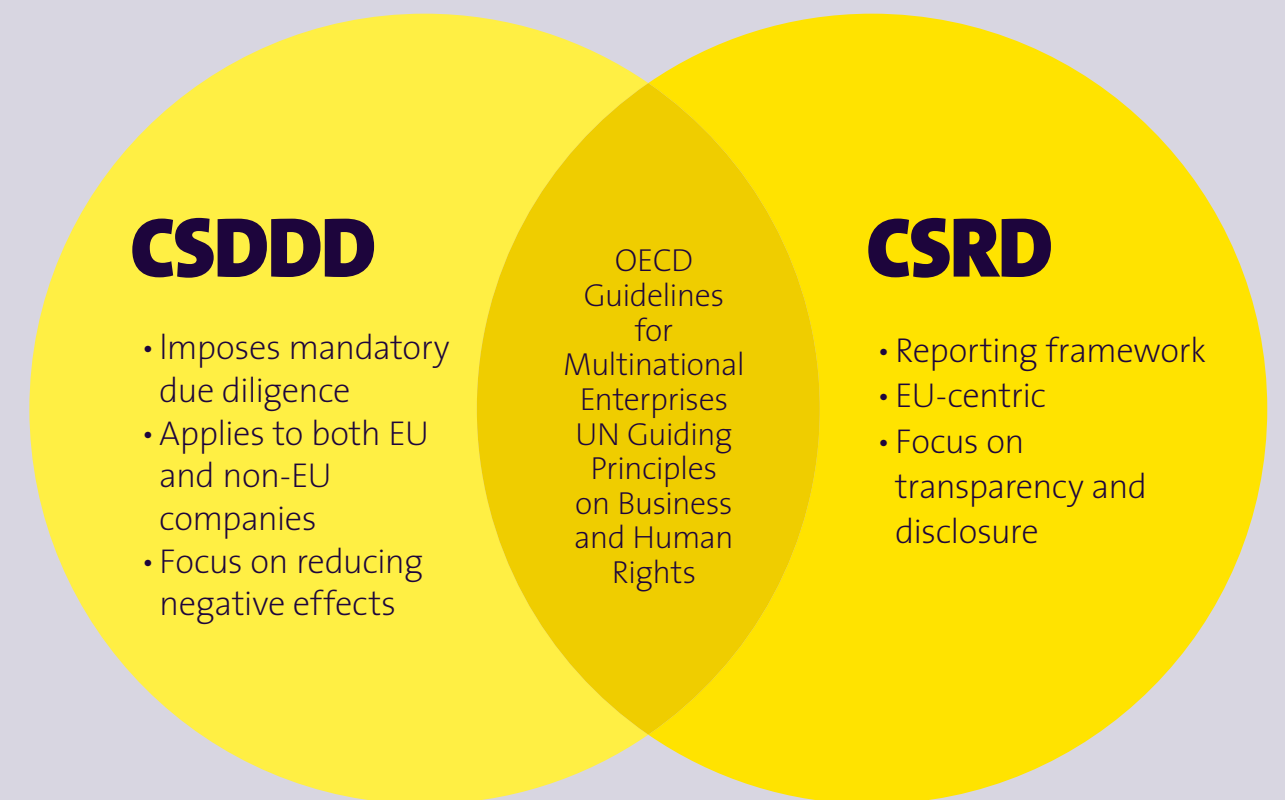
Responsibilities and Actions

Companies falling within the scope of the CSDD directive are obligated to take several actions, including:

- **Conduct Due Diligence:** They are required to conduct due diligence to assess the potential and actual impacts of their complete operations (from purchasing to sales) on the environment and human rights.
- **Preventive Action Plans:** Companies need to develop and implement “preventive action plans” to mitigate and prevent negative impacts. These plans outline the steps they will take to address environmental and human rights concerns.
- **Contractual Assurances:** They must obtain contractual assurances from their direct business partners, ensuring that these partners will comply with the prevention action plans.
- **Verification of Compliance:** Companies must subsequently verify the compliance of their business partners with the agreed-upon prevention action plans.

Timeline

The CSDDD has not yet been fully adopted and published: full implementation is expected to happen by the end of 2024. After that, EU-member countries need to incorporate the directive into their national law. The coming into force date is not yet known, but a transition period of 18 months after publication is quite common. Given the amount of effort needed to comply, waiting for the final publication will cause timing constraints.



EU Green Deal



European **Deforestation** Regulation.

The EU Deforestation-free Regulation (EUDR) is a specific due diligence regulation designed to address environmental and sustainability concerns related to the production and trade of commodities linked to deforestation and forest degradation.





Potential challenges for Zeelandia.

1

Sourcing raw materials will likely be more challenging due to the supplier's ability to comply with the regulation.

2

Screening the supplier base and (re)developing a policy framework will be required

3

Production of products in scope outside of the European Union (e.g. Ukraine) to be imported into the European Union can be challenging in terms of compliance with this regulation.

4

Internal IT systems may not support the data storage requirements from this regulation.



keep **exploring.**

Find out more at

www.zeelandia.com/sustainable-commitments