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By SUPPLY CHAIN CONNECT STAFF

New ESG Requirements Kick Into Gear in 2024

A new round of ESG rules will go into effect this year. Here are some of the key developments that are taking place.

This is the year that a new round of environmental, social and governance (ESG) reporting requirements go into effect, impacting many U.S. companies that are doing business domestically and abroad. These organizations' subsidiaries and supply chain partners may also be impacted by the new compliance dates, which are staggered throughout the year.

"In 2023, several major regulators and governments passed climate bills and reporting requirements into law, setting up 2024 to be an important year for ESG and corporate sustainability," Amelia Zimmerman writes in "Top 5 ESG Trends to Watch in 2024".

"The demand for better corporate transparency, particularly around environmental impact and exposure to the physical and transition risks of a changing climate, came to a head in 2023, she continues. "New reporting and disclosure requirements will create a new wave of sustainability and ESG reporting for 2024 and beyond."

4 New Rules to Watch

Here are some of the key domestic and global disclosure rules and requirements that go into effect this year (this list isn't exhaustive):

- California Voluntary Carbon Market Disclosures Act. California's Voluntary Carbon Market Disclosures Act (Assembly Bill 1305) was signed into law in October 2023. It requires website disclosures by companies making net zero claims at the enterprise or product level. It went into effect earlier this month, but the specific requirements have yet to be published.

- U.S. Conflict Minerals Rule. This rule goes into effect on May 31 and applies to U.S. public companies that use tin, tantalum, tungsten or gold (3TG) to make their products. According to law firm Ropes & Gray, such companies must conduct a reasonable country of origin inquiry (RCOI) to determine whether the necessary 3TG minerals in the products originated in the Democratic Republic of the Congo or an adjoining country. "If the minerals originated outside of the DRC region or are from recycled or scrap sources, the registrant is required to disclose on Form SD its determination and describe its RCOI and the related results," the firm explains.

- Canadian Fighting Against Forced Labor and Child Labor in Supply Chains Act. As of May 31, companies that have a place of business in Canada, do business there or have assets there must report annually on the steps they're taking to address forced and child labor in supply chains. Ropes & Gray says companies must meet at least two of the three following conditions for at least one of their two most recent financial years: $20 million (CDN) in assets; $40 million (CDN) in revenue; and/or an average of at least 250 employees.

- UK Modern Slavery Act. Beginning on June 30, commercial organizations that supply goods or services, do business in the UK and have an annual turnover of at least €36 million will have to prepare an annual statement indicating the steps taken to ensure that modern slavery is not occurring in their supply chain or business. The Act does not contain a required publication date for the statement, Ropes & Gray points out, but the guidance indicates that companies should publish the statement on their website as soon as possible after the end of the applicable fiscal year.

A Defining Year for ESG

Calling 2024 a "defining year for ESG," Zimmerman says the rapid rollout of mandatory climate disclosures is significant not just for the number of companies that will soon be required to report against standardized frameworks, but also for the depth and scope of these reporting requirements.

"2024 will be the year we see companies begin to take ESG seriously, not simply as an exercise in compliance and risk management, but as an opportunity to redesign their business models from the ground up," she writes. "True integration of ESG will mean design processes are remade, procurement strategies are rewritten, and marketing and communication efforts change for good. ESG will no longer be simply an 'add-on', but rather a core part of business strategy."