

Do you speak compliance?

Your guide to navigating the maze of abbreviations that you need to know for today's compliance landscape.

Qarma

Stay on top of your compliance

Abbreviations are very common in the sustainability and compliance field, and lately it seems that the amount has increased rapidly.

Can you keep track?

In this eBook we will provide you with an overview of some of the abbreviations that you need to know to navigate in today's compliance landscape.

And hey – it's totally okay to use this guide to look them up if you forget them later on.

Abbreviation overview

In this eBook we have compiled some of the most common used abbreviations you need to know to navigate the compliance landscape.

Abbreviation	Term	Where	Type	Page
HRDD	Human Rights Due Diligence	Global	#Due diligence	2
CSDDD	Corporate Sustainability Due Diligence Directive	EU	#Due diligence	3
LkSG	Lieferkettensorgfaltspflichten gesetz	Germany	#Due diligence #Legislation	4
EUDR	European Deforestation Regulation	EU	#Due diligence #Legislation	5
CSRD	Corporate Sustainability Reporting Directive	EU	#Reporting #Legislation	9
IRO	Impact, Risks & Opportunities	EU	#Reporting	10
DMA	Double Materiality Assessment	EU	#Reporting	11
ESRS	European Sustainable Reporting Standards	EU	#Reporting	12



Due diligence

- **Human Rights Due Diligence**
- **European Deforestation Regulation**
- **Corporate Sustainability Due Diligence Directive**
- **Lieferkettensorgfaltspflichtengesetz**

HRDD

Human Rights Due Diligence

HRDD stands for **Human Rights Due Diligence**. It's a process that companies use to take accountability for the potential human rights impacts of their company. Perhaps the most, important thing to remember about due diligence, is that it is an ongoing process.

You make sure the necessary actions and policies are embedded in your company to begin with.

Followingly, you put an effort into exploring your supply chain and business for any human rights related issues.

When you find something, because you will, nobody's perfect, you must do what you can to rectify or prevent anything from happening, however that may look in your situation.

Afterwards, you make sure to follow up and see if your efforts have been successful.

Lastly you communicate your discoveries, efforts and outcome.

CSDDD

Corporate Sustainability Due Diligence Directive

The **Corporate Sustainability Due Diligence Directive** is an EU directive, that introduces a due diligence duty. This makes it a requirement for in-scope companies to check how their actions (or inactions) negatively affect people and the environment in their own operations and value chain, both inside and outside Europe.

The CSDDD draws heavily from the principles outlined in the OECD's Due Diligence Guidance for Responsible Business Conduct (OECD Guidelines). These guidelines provide companies with practical support on how to minimize the adverse impacts of their operations and supply chains.

Requirements

- Spot impact
- Reduct & prevent risks
- Set action plan
- Align business strategy with the Paris Agreement
- Continuously track the effectiveness of the human rights environmental policies and measures
- Report efforts & findings
- Grievance mechanisms

Lieferkettensorgfalts- pflichtengesetz

Translates to the Supply Chain Due Diligence Act. It's a German law that came into effect on January 1, 2023. The LkSG focuses on improving human rights and environmental standards within global supply chains.

The law applies to large companies with over 3,000 employees (or 1,000 employees starting in 2024) that are based in Germany. It affects both domestic and international supply chains.

Requirements

Due Diligence, companies must conduct due diligence to identify, prevent, and mitigate human rights and environmental risks within their supply chains.

Risk Management, implement measures to manage and address identified risks. This includes setting up grievance mechanisms for affected parties.

Reporting, companies are required to publicly report on their due diligence activities and the steps taken to manage risks.

EUDR

European Deforestation Regulation

The **EU Deforestation Regulation** (EUDR) is an EU initiative to fight deforestation. The EUDR will replace EUTR (EU Timber Regulation).

Companies who make, import, or sell products made of or made with cattle, cocoa, coffee, palm oil, rubber, soya and wood on the EU market must follow the regulation. The same goes for companies who export these products from the EU.

The EUDR will apply to large and medium companies from December 30th 2024. Small and Micro sized companies have an additional six months, until June 30th 2025.

Requirements

- Ensure the products are deforestation-free.
- Companies which are not SMEs must collect GPS coordinates of the plots of land where the products were produced.
- Operators (and traders which are not SMEs) will have to set up and maintain a three step Due Diligence System.



Due Diligence with Qarma

All of the abbreviations and legislations in the previous sections have one thing in common: they are due diligence based. And before you get worried, remember this: You are probably already doing some due diligence, without calling it so. The challenge is often to get the right scope and structuring the process to prepare for reporting requirements.

With Qarma Quality we have always been at least one step into the supply chain, with inspections happening at the point of production. With Qarma Audits & Supplier Compliance we have changed our scope from products to production facilities to simplify due diligence.

Supplier Information is the foundation for all other due diligence activities. If you don't know who to talk to or where to look you aren't getting very far. Therefore, we support mapping and storage of detailed information suppliers and production facilities on supplier and production unit pages.

Assess is all about gaining information to assess the risks and discover impacts in your supply chain. In Qarma, that is done through our audits feature, where you can collect information with build in safeguards such as real-time images and videos and GPS locations.

Correct with the Qarma Corrective Actions feature. With one click, you can turn a finding into a corrective action. It is possible to collect evidence, communicate, approve and follow up to ensure compliance in time.

Track the efforts and progress within the system or through an integration with your preferred system. We have build in visuals that help you quickly overview progress and investigate what may be stalling.

Report efforts, trends and progress by exporting information to your preferred BI tool or spreadsheets and use in your ESG, transparency or CSR reporting.





Reporting

- **Corporate Sustainability Reporting Directive**
- **Impact, Risks & Opportunities**
- **Double Materiality Assessment**
- **European Sustainable Reporting Standards**

CSRD

Corporate Sustainability Reporting Directive

The **Corporate Sustainability Reporting Directive** replaces the Nonfinancial Reporting Directive (NFRD). The CSRD requires large and listed companies to disclose information on the way they operate and manage social and environmental challenges. The CSRD aims to improve the availability and materiality of sustainability information for investors and the society.

Sustainability reporting needs to follow the European Sustainability Reporting Standards (ESRS).

A double materiality assessment (DMA) is a key element in CSRD reporting and determines to a large extent the reporting scope.

The CSRD will impact EU entities – starting from large undertakings already subject to NFRD to all large undertakings and public interest entities, and at a later stage, listed SMEs. The CSRD will also apply to certain non-EU entities. For non-EU entities that operate within the EU, their EU subsidiaries will also be obliged to comply with the requirements of the CSRD.

IRO

Impact, Risks & Opportunities

IRO stands for **Impact, Risk and Opportunity**, a framework used in double materiality assessments to evaluate a company's sustainability impacts and related financial implications.

IRO in Double Materiality

The IRO framework integrates these considerations:

Impact, assesses the company's effects on external stakeholders and the environment, essential for understanding impact materiality.

Risk, evaluates sustainability risks to the company, relevant to financial materiality.

Opportunity, identifies potential benefits from addressing sustainability challenges, important for strategic growth.

DMA

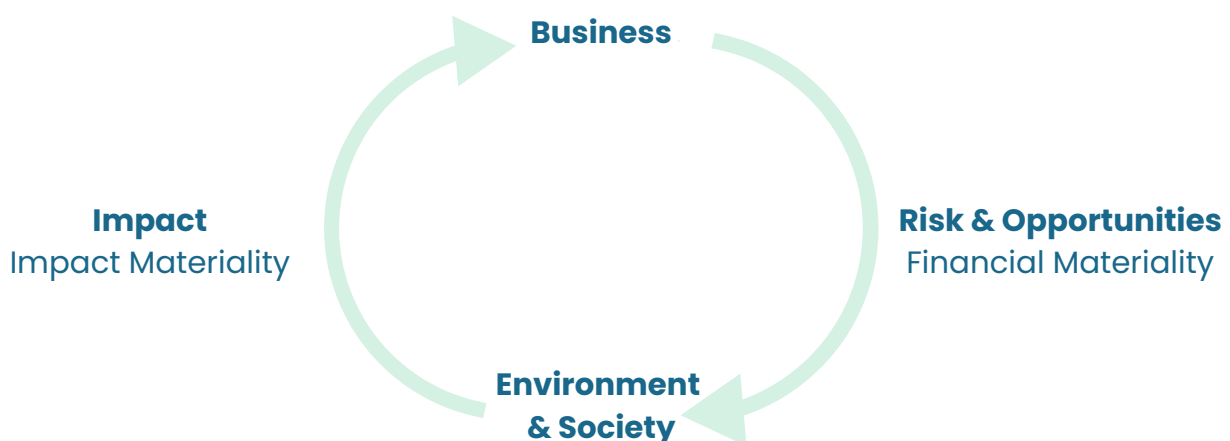
Double Materiality Assessment

Double Materiality Assessment is a key part of the ESRS and CSRD. It requires companies to report not only on how sustainability issues affect their financial performance (financial materiality) but also on how their operations impact the environment and society (impact materiality).

Sustainability reporting needs to follow the European Sustainability Reporting Standards (ESRS). Double materiality considers two aspects:

Financial Materiality, how ESG factors (environmental, social, and governance) affect the company's financial performance.

Impact Materiality, how the company's activities impact the environment, society, and the economy.



ESRS

European Sustainable Reporting Standards

ESRS stands for **European Sustainability Reporting Standards**. These are a set of guidelines developed to standardize how companies report on environmental, social, and governance (ESG) factors to comply with CSRD.

ESRS adopts a double materiality approach, requiring companies to report not only on how sustainability issues affect their financial performance (financial materiality) but also on how their operations impact the environment and society (impact materiality).

ESRS is divided into the following categories:

Crosscutting standard (Mandatory)	Environmental standard	Social standard	Governance standard
ESRS1 General Principle	ESRS E1 Climate Change	ESRS S1 Own workforce	ESRS G1 Business conduct
ESRS2 General Disclosure	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and ecosystem	ESRS S4 Consumers and end-users	



Reporting supply chain data with Qarma

A great deal of the legislation we have seen introduced in the previous years have been related to disclosures and reporting. It is undoubtedly a big task for those who haven't done it before. The importance is to know where to start. And that place is data.

Data for scoping

In CSRD, a double materiality assessment determines what datapoints your report should include. As this guide shows, a double materiality assessment also requires a certain level of information, and especially information from your supply chain to determine your IROs. The audits feature in Qarma can be used as a direct link to information from your supply chain. You just build the checklist with the information you want to ask for, and use the answers in your DMA, to figure out what datapoints to include.

Workers in value chains and due diligence documentation

After you have determined what parts of the ESRS you need to report on, it is time to start collecting the needed data and gain an overview of your due diligence efforts and results. Once again, you can use the Audits feature to send out assessments or surveys as far into your supply chain as you have mapped. Assessments can be used to collect numerical values but also more narrative replies. Furthermore, as described in the due diligence section it can be used to document your due diligence process as is needed for reporting.

Collecting data from complex supply chains with Qarma

A mapped-out supply chain is a must-have. If you need to know what happens in your supply chain and report on it, you need to know where to look. In Qarma Audits & Supplier Compliance you can send assessments and surveys to every supplier or production unit that has an e-mail and a smartphone. The information they disclose can automatically enter Qarma and thereby you can relatively simply map out your supply chain and build your foundation for data collection.

Thank you

Thank you for diving into the abbreviations with us. We are continuously looking into the development we see within the sustainability and compliance field as the amount of abbreviations are increasing.

Now that you have a deeper understanding of these key abbreviations, we hope that you feel confident navigating the compliance field.

Want to learn more about how you can map out your supply chain and build your foundation for data collection with Qarma? Book a demo right here

