

Snapshots on selected ESG regulations for 2026 and beyond

Part #1

Carbon Border Adjustment Mechanism (CBAM)

Deadline for implementation

The transitional period of the Carbon Border Adjustment Mechanism (“**CBAM**”) began on 1 October 2023. During this phase, importers, their representatives, brokers and other supply chain actors must comply with reporting and other obligations that can differ by Member State.

As of 1 January 2026, importers of CBAM goods must also purchase CBAM certificates to cover the embedded emissions in imported goods.

Scope - why is it relevant to you?

CBAM covers EU imports of high-emissions product categories such as **iron and steel, aluminum, cement, fertilizers, electricity and hydrogen, plus certain precursors and selected downstream products**.

Key obligations - why is it important for your business?

CBAM prices carbon on imports of specified carbon-intensive goods to align them with EU producers and curb carbon leakage. Importers must calculate embedded emissions and buy and surrender CBAM certificates; from 2026, only authorized CBAM declarants may import in-scope goods and must file annual declarations.

What should you do to prepare for the CBAM?

Companies should **confirm** whether their EU-bound products fall within scope, **assess** potential impact by **mapping** covered volumes, origins, and production sites, **build** supplier data pipelines to obtain reliable embedded-emissions figures, and **set up** robust systems for standardized reporting.



What if you don't comply?

From 2026, failing to hold authorized declarant status, file a compliant annual declaration, or surrender sufficient CBAM certificates may result in **financial penalties, limitations on import activities** (such as being unable to clear in-scope goods through customs), potential suspension from the CBAM registry, and related remediation obligations.



Why is it advisable to start preparations early?

Data collection at product level across complex global supply chains is time-consuming, supplier readiness is uneven, methodologies and verification require iteration, and systems and contracts need lead time.

Early action therefore **reduces penalty risk**, supports uninterrupted imports from 2026, and creates cost visibility for pricing and negotiations.

EU Pay Transparency Directive (Gender Pay Gap)

Deadline for implementation

EU Member States must implement the Directive **by 7 June 2026** at the latest. Employers should begin preparations now.

Scope - why is it relevant to you?

The Directive **applies across the EU** and introduces **harmonized pay transparency and gender pay gap ('GPG') reporting** obligations for employers, which will increase legal, financial and reputational risks if not met.

Key obligations - why is it important for your business?

The EU's average **gender pay gap is 12%**. The Directive requires gender-neutral pay structures and **core transparency measures**: publish starting salaries or **pay ranges in job ads**, ban salary-history questions, **inform employees** annually of pay-information rights, **disclose** average pay by gender for comparable groups, and **report overall and median gaps** (including variable/supplementary pay). Persistent unexplained gaps will trigger joint pay assessments with employee representatives.

What should you do to prepare?

Map scope and headcount; set comparison groups; and build end-to-end systems to **collect, analyse and report gender pay gap data**. Publish gender-neutral pay/progression criteria; **align recruitment and pay policies**; train HR and leaders; track national transposition; and **prepare for joint assessments and action plans**. Use clear documentation, templates and dashboards to streamline execution and reduce legal exposure.



What if you don't comply?

Non-compliance may lead to:

- › **Administrative fines**;
- › **Compensation** and reparation (including back pay and variable remuneration) for affected employees;
- › **Exclusion** from public procurement;
- › **Reputational** damage;
- › **Litigation risk**, among others

The **burden of proof shifts to the employer** to demonstrate that no gender-based pay discrimination exist

Why is it advisable to start preparations early?



Early preparation is critical: some Member States have already local legislation, discretion to transpose is limited and first reports will likely cover 2026 data;

Prevention and mitigation: Creating an immediate data-readiness is imperative. The breadth of disclosures, the **complexity** of gender-neutral comparators, and the **risk** of joint pay assessments mean **employers need time to build systems**, align policies, and communicate with stakeholders to ensure accuracy and mitigate risk.

Textile products regulations (DPP, TLR, ESPR)

Deadline for implementation

Regulation (EU) 2024/1781 establishing a framework for the setting of **Ecodesign requirements for sustainable products (ESPR)** was adopted on 13 June 2024

Adoption of a delegated act for textile products would be expected in 2026.

In addition, a revised **Textile Labelling Regulation (TLR)**, which would be expected in the second quarter of 2026, may require to adapt the labelling of textile products with environmental information.

Scope - why is it relevant to you?

The **Digital Product Passport (DPP)** created by the **ESPR** will be made mandatory in priority for textiles, in particular garments and footwear.

The future delegated act will specify the exact scope in terms of products and content of the **DPP** in terms of mandatory information

Key obligations - why is it important for your business?

Manufacturers, importers and distributors will need to ensure that a **DPP** is available for products placed / made available on the market.

Creating the **DPP** will impose to collect and publish various information on textile products, notably environmental characteristics. The labelling may also need to be adapted,

What should you do to prepare?

As soon as the delegated act of the **ESPR** and new **TLR** are adopted, collect all mandatory information.



What if you don't comply?

If the competent authority establishes during an investigation that a **DPP** is not available for a product, it will be entitled to adopt dissuasive penalties.

The penalty regime will be defined by each Member State.



Why is it advisable to start preparations early?

- › **Application** of the future rules may be **relatively quick** after the adoption of the delegated act, in principle at least 18 months
- › **Collecting** all the mandatory information may take **a lot of time**, especially if information is required per product or per model and if, for instance, information on geographical origin of the manufacturing stages is required, such as what is currently in place in France with the digital environmental qualities and characteristics sheets

EU ESG Ratings Regulation (ERR)

Deadline for implementation

The ERR **applies from 2 July 2026**. Although transitional provisions are in place for firms to continue business while awaiting authorisation.

Scope - why is it relevant to you?

The **ERR is applicable to any person who produces ESG ratings**, regardless of whether this is intentional or not. It applies to both EU and non-EU persons:

- › EU based firms are in-scope where they publish ESG ratings (e.g. on a website) or distribute ESG ratings to certain firms.
- › Non-EU firms are also in-scope where they distribute ESG ratings to certain firms.
- › Importantly, some of these firms to whom distribution is in scope do not necessarily have to have the ESG ratings distributed to them in the EU.

Key obligations - why is it important for your business?

- › Firms producing ESG ratings without an exemption **need to become authorised** and comply with detailed regulatory requirements.
- › Firms not intending to become authorised need to assess whether they are producing ESG ratings and whether they benefit from exemptions.
- › Certain exemptions require firms using them to comply with requirements of the ERR – such as making additional disclosures.



What if you don't comply?

The **European Securities and Markets Authority (ESMA)** is able to take enforcement action for infringements of the ERR. Actions could include **fining up to 10% of total annual net turnover**, and periodic penalty payments.



What should you do to prepare?

- › Firms **should assess** whether any of their products or services could constitute an “ESG rating”.
- › Where a firm is producing an ESG rating – it should carefully assess whether it is **within the jurisdictional scope** of the ERR.
- › If it is, the firm will need to **become authorised as an ESG ratings provider**, or adjust its business model to avoid producing ESG ratings or to fall into an exemption.
- › Either way, firms will **need to adopt the right systems and controls** to support this compliance approach.

Packaging and Packaging Waste Regulation (PPWR)

Deadline for implementation

The Packaging and Packaging Waste Regulation (PPWR) will enter into force on **12 August 2026**.

However, the implementation of the obligations imposed by this Regulation will be gradual, with **different deadlines between 2026 and 2040**.

Scope - why is it relevant to you?

The PPWR concerns **various categories of economic operators** involved in the placing on the market of packaging or packaged products (manufacturers, importers, suppliers, distributors).

Key obligations - why is it important for your business?

The PPWR :

- › **Prohibits certain types of packaging** (food-contact packaging and polyfluorinated alkyl substances (PFAS) above certain limits etc.)
- › Reduces **unnecessary packaging**.
- › Imposes that all packaging placed on the EU market are **designed to be recyclable**.
- › Obliges the marking of packaging with a **harmonized label**.
- › Obliges producers to register in the **national EPR register**.



What if you don't comply?

On 12 February 2027 Member States shall provide at the latest in their national law for effective, proportionate, and dissuasive penalties in the event of non-compliance with the PPWR.



What should you do to prepare?

Companies should introduce or adjust due diligence measures in order to identify and anticipate their obligations with respect to all packaging.

Why is it advisable to start preparations early?

The PPWR will have a **considerable impact** on companies operating in the EU market – who will have to **reconsider the design of their packaging** to make them more sustainable and circular.

Empowering Consumers for the Green Transition Directive

Deadline for implementation

The Empowering Consumers for the Green Transition Directive (EmpCo) will start to apply from **27 September 2026**.

Scope - why is it relevant to you?

The EmpCo applies to companies of **all sizes** that operate in the EU and make sustainability claims or use corresponding labels.

The EmpCo **aims to bring about significant cleanup among environmental and sustainability labels**.

Key obligations - why is it important for your business?

The EmpCo targets greenwashing and aims to ensure greater **transparency** in **environmental labels**. Non-verifiable general environmental claims will be classified as unfair. Sustainability labels may only be used if they are based on a **certification system** or have been established by **government agencies**.

What should you do to prepare?

Companies should review their current **sustainability communication** and collect concrete, verifiable **data** on their environmental performance.



What if you don't comply?

If the competent **authority** establishes that an environmental label breaches the regulations of the EmpCo the company can be obliged to pay a **substantial fine**.

The exact sanction mechanisms will be determined when the EmpCo is transposed into national law.



Why is it advisable to start preparations early?

- › Extensive responsibilities: The **entire sustainability communication** must be checked in order to comply with the EmpCo.
- › Challenging review: Intransparent environmental labels are sometimes **hard to identify**.
- › Labels without **genuine certification system** behind them will no longer be permissible.

European Deforestation Regulation (EUDR)

Deadline for implementation

The EUDR applies for **large and medium undertakings** as of **30 December 2026**, and for micro and small undertakings as of **30 June 2027**.

Scope - why is it relevant to you?

The EUDR is applicable to companies of all sizes and affects various industries. It concerns **the entire supply chain** until the very first producer of the relevant commodity. Commodities under the regulation are cattle, cocoa, coffee, palm oil, rubber, soya, wood.

Key obligations - why is it important for your business?

There are significant obligations on companies **importing, trading, or exporting covered products**, requiring robust due diligence. Affected companies must **ensure products are deforestation-free** and legally produced in the country of origin.

EUDR will reshape how companies manage and document supply chains, with EU market access **depending on proof** that products are deforestation-free and sourced in accordance with the relevant legislation of the country of production. Early preparation can strengthen transparency, reduce risk and **offer a competitive advantage**.

What should you do to prepare?

Companies should assess whether the regulation applies to their products and role in the supply-chain. It is important **to engage suppliers early** and make **use available simplifications**. A **coordinated approach** across purchasing, quality assurance, contract management, and operations is essential to ensure compliance.



What if you don't comply?

If companies fail to implement the requirements, they face **heavy penalties**:

- › Non-compliance can result in minimum **fines of up to 4 %** of total Union-wide turnover.
- › Further penalties include **confiscation of products** and revenues, or temporary bans of products from the EU market.



Why is it advisable to start preparations early?

- › **EUDR compliance takes time**: The one-year extension which was recently adopted should be seen as an opportunity to **strengthen internal processes**, analyze **supply chain risks**, **train suppliers** and fine-tune control mechanisms.
- › The remaining time until application of the EUDR can be used by affected companies to **prepare for the new obligations without pressure**, and to **reorganize internal workflows** to ensure smooth EUDR implementation on time and ensure competitive advantages by EUDR-compliance.

Corporate Sustainability Reporting Directive (CSRD)

Deadline for implementation

The **Corporate Sustainability Reporting Directive (CSRD)** applies in phases - for **EU companies** and groups, reporting will start from financial years starting **on or after 1 January 2027**. For **non-EU companies** reporting will start from financial years starting **on or after 1 January 2028**.

Scope - why is it relevant to you?

The revised CSRD scope covers:

- › **EU companies** with more than 1,000 employees and a €450 million net turnover
- › **non-EU companies** generating over €450 million in EU turnover with at least one EU subsidiary or branch over €200 million.

Key obligations - why is it important for your business?

The CSRD requires **detailed sustainability reporting across environmental, social and governance areas** based on the European Sustainability Reporting Standards (ESRS). Reports must reflect the principle of double materiality and be assured by an independent auditor.

What should you do to prepare?

Companies should **map ESG data**, conduct **double materiality assessments**, set sustainability strategies and ensure reporting systems **comply with ESRS requirements**.



What if you don't comply?

Non-compliance may lead to regulatory action at national level, heighten reputational risk and make it more difficult for organisations to secure financing, particularly where ESG disclosures are considered insufficient or incomplete.



Why is it advisable to start preparations early?

- › **Extensive reporting requirements:** companies must gather robust, verifiable ESG data.
- › **Operational impact:** implementing ESRS and double materiality takes time.
- › **Market expectations:** investors increasingly rely on CSRD-aligned disclosures.

UK Carbon Border Adjustment Mechanism (CBAM)

Deadline for implementation

UK CBAM is **set to apply from 1 January 2027** to goods from the following industrial sectors: aluminium; cement; fertiliser; hydrogen; iron; and steel (although the exact scope is yet to be confirmed). A staged implementation before 2027 is expected as the regime is operationalised. Note however that the legislation providing for CBAM's introduction **has not yet been enacted**.

Scope - why is it relevant to you?

UK CBAM will **directly affect businesses who import £50,000 or more** of specified goods over a 12-month period. CBAM is targeted at imports of emissions-intensive goods that are at higher risk of carbon leakage. There are **potential impacts for other businesses** using specified goods in their supply chain, and overseas businesses that supply goods to the UK.

Key obligations - why is it important for your business?

It **will impose a carbon tax** on highly traded, carbon-intensive goods imported into the UK and an obligation to keep records, substantiate emissions data, and comply with audit, assurance and verification requirements.

What should you do to prepare?

It is important to **take steps to assess the likely impact** of CBAM, including (but not limited to) the potential financial ramifications. **Administrative preparations** for compliance (for example, trace supply chains and updating supply-chain contracts and ensuring you can obtain and report emissions data) should also be made.



What if you don't comply?

The draft legislation provides for a **range of penalties** for non-compliance (for example, failures to register, submit returns, pay CBAM, or keep records). There are also **criminal offences** for fraudulent evasion and misstatement.



Why is it advisable to start preparations early?

- › Ensures sufficient time to comprehensively **assess the extent to which CBAM could affect** your business.
- › Ensures sufficient time to **make the necessary administrative preparations**, for example preparing data collection and reporting systems.
- › Ensures sufficient time for you to assess your supply chain and **consider lower-carbon opportunities** that will reduce exposure under CBAM.

UK Deposit Return Schemes (DRS)

Deadline for implementation

Separate DRS's for (1) England and Northern Ireland, (2) Scotland, and (3) Wales are all set to be introduced **from 1 October 2027**. Note however that Wales is yet to enact legislation to establish its DRS.

Scope - why is it relevant to you?

Under the DRS's, **customers will pay** a refundable **deposit for certain single-use drink containers**. All those in the drinks supply chain (including suppliers, producers, importers and retailers) may be affected.

Key obligations - why is it important for your business?

The core obligations on those in the drinks supply chain are likely to be similar across the different DRS's to be introduced in the UK (for example, the obligation to charge the deposit to buyers of filled drinks containers covered by the DRS), however the specific national regulations should be consulted. Unlike the other nations, Wales proposes to include glass within their DRS. The interoperability of the schemes is still under discussion."

What should you do to prepare?

It is important to take steps to **assess the obligations** under the relevant DRS which apply to your position in the drinks supply chain and then plan for these obligations accordingly. Preparations that may be necessary include **ensuring adequate systems for managing deposits** and training staff on handling returns. Administrative steps, such as registering with the Deposit Management Organisation (DMO), will also be necessary.



What if you don't comply?

There will likely be a **range of potential consequences** for non-compliance with the UK DRS's, including **civil sanctions** (such as compliance notices and fixed monetary penalties) and criminal prosecution.



Why is it advisable to start preparations early?

- › Ensures sufficient time to comprehensively **assess the obligations on your business** under the relevant DRS.
- › Ensures sufficient time to make the necessary preparations to meet your obligations; some preparations, such as **establishing infrastructure** for managing returns, may prove time-consuming.

EU Forced Labour Regulation (EUFLR)

Deadline for implementation

The EU Forced Labour Regulation (EUFLR) will start to apply from **14 December 2027**.

Scope - why is it relevant to you?

The EUFLR is applicable:

- › to companies **of all sizes** and **industries**,
- › to **products of all kinds** and **origins**,
- › along the **entire supply chain**.

Many supply chains are affected: About **28 million people worldwide** are estimated to be in forced labour.

Key obligations - why is it important for your business?

The EUFLR introduces an **import and sales ban** in the EU for products made with forced labour.

What should you do to prepare?

Companies should introduce or adjust **due diligence measures** in order to identify, prevent, mitigate, bring to an end or remediate risks of forced labour in their operations and supply chains with respect to all products.



What if you don't comply?

If the competent **authority** establishes during an investigation that a product was made with forced labour, it shall adopt a **decision** following which the product:

- › Cannot be imported into the EU or sold in the EU or exported from the EU.
- › Must be withdrawn from the market.
- › Must be disposed of.



Why is it advisable to start preparations early?

- › **Extensive responsibilities:** The **entire supply chain** must be checked in order to comply with the EUFLR.
- › **Challenging review:** Forced labour is sometimes **hard to identify** and often hard to tackle.
- › **Time pressure:** The company has **30 days to respond to the authority's request** for information as part of an investigation. Relevant information should be ready.

Corporate Sustainability Due Diligence Directive (CSDDD)

Deadline for implementation

Member States must **transpose CSDDD by 26 July 2027**, with phase-in application beginning in 2028 for the largest companies. **Further Omnibus amendments postpone full application** for the remaining in-scope companies until July 2029.

Scope - why is it relevant to you?

The CSDDD applies to:

- › **Large EU companies** with over 1,000 employees and €450m turnover,
- › Large **non-EU companies** meeting EU turnover thresholds,
- › **Value chains** worldwide (upstream and certain downstream).
- › Recent **amendments limit scope** in the phase-in application starting with fewer, larger companies (≥5,000 employees and €1.5bn turnover).

Key obligations - why is it important for your business?

The CSDDD imposes **mandatory human-rights and environmental due diligence duties** across operations, subsidiaries and global value chains. Companies must identify, prevent, mitigate and remedy adverse impacts.

What should you do to prepare?

Companies should **strengthen due diligence systems**, conduct risk assessments, **embed ESG controls** into governance and develop processes for **managing adverse impacts** across value chains.



What if you don't comply?

Non-compliance can lead to **civil liability**, regulatory sanctions and **finances of up to 3%** of global annual turnover.



Why is it advisable to start preparations early?

- › **Complex value chains:** due diligence requires preparatory actions, such as mapping and monitoring global operations.
- › **Legal exposure:** civil liability risks require early alignment.
- › **Time pressure:** implementing due-diligence systems and supplier engagement is resource-intensive.

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