Overview: ESG Compliance Jungle

Legislation	Corporate Sustainability Due Diligence Directive (CSDDD)	Carbon Border Adjustment Mechanism (CBAM)	EU Deforestation Regulation (EUDR)	Forced Labour Product Ban Regulation	Conflict Minerals Regulation	Ecodesign for Sustainable Products Regulation (ESPR)	Corporate Sustainability Reporting Directive (CSRD)	Green Claims Directive (GCD)	EU Taxonomy Regulation (EUTAX)	Nature Restoration Law	Legislation
European Commission Contact	DG JUST	DG TAXUD	DG ENV	DG TRADE and DG GROW	DG TRADE	DG ENV	DG FISMA	DG ENV	DG FISMA	DG ENV	European Commission Contact
Objective	Promoting sustainable business practices and minimizing human rights violations and environmental damage along the supply chain.	Promotion of more environmentally friendly production, creation of a level playing field with third countries without an equivalent ETS system.	Reducing global deforestation and forest degradation through deforestation-free EU supply chains of raw materials and products.	Combating forced labor and its products.	Preventing the financing of conflicts through profits from the extraction and trade of raw materials and the associated human rights violations.	Design and production of physical products sold on the EU-Market should become sustainable throughout their entire life cycle.	Increase accountability of European companies on sustainability aspects and introduce binding reporting standards at EU level.	The creation of clear and uniform standards for the use of environmental claims (products and services) to prevent greenwashing.	To facilitate investment in sustainable projects that contribute to achieving the objectives of the Green Deal.	Restoring degraded ecosystems and habitats to "good" status by 2050.	**Objective**
Process status	In force since July 25, 2024. National implementation by July 2026. First-time application staggered according to size from 2027 to 2029.	In force since October 1, 2023: Importers obliged to report GHG-emissions of certain products, full implementation: January 1, 2026.	To be implemented by December 30, 2025, regulation does not apply to products that were produced before June 29, 2023.	Regulation in force since December 2024 Publication of the database and guidelines: 14 June 2026 Start of application: 14 December 2027	In force since June 2017, implementation since January 2021.	In force since July 18, 2024, the new ESPR replaces the old Eco-design Directive from 2009 (2009/125/EC), work plan for implementation will be published by the EC by April 19, 2025 at the latest.	In force since January 5, 2023, since July 6, 2024: Implementation into national law.	Council adopted its general approach on 17 June 2024. In the new legislature, Sandro Gozi (Renew, France) and Delara Burkhardt (S&D, Germany) have been appointed co-rapporteurs by the IMCO and ENVI Committees.	Since January 2022, two delegated acts were published in November 2023.	In force since August 18, each MS must submit a national recovery plan by September 1, 2026.	**Process status**
Industries/products affected	The law applies: • From July 26, 2028 for companies with > 5,000 employees & € 1.5 billion turnover • From July 26, 2028 from 3,000 employees & € 900 million turnover • From July 26, 2029 from 1,000 employees & € 450 million turnover	Companies that import CBAM goods: Iron and steel, cement, fertilizer, aluminum, electricity, and hydrogen. Extension to all EU ETS-related products expected by 2030.	Companies that import products containing, fed with or manufactured using specific raw materials (= cattle, cocoa, coffee, oil palm, rubber, soy and wood).	Affects all sectors and products.	Importers of tin, tantalum, tungsten, ores and gold from conflict and high-risk areas. Conflict and high-risk areas are defined by the EC as areas in which armed conflicts are being waged or which are in a fragile situation following conflicts.	12 product groups are to be prioritized. The EC has set itself the goal of finalizing 2-3 product groups per year. In future, almost all physical products (with a few exceptions) that are placed on the market or put into operation in the EU will be affected. Intermediate products and components will also be affected by the regulation.	Companies that are subject to the NFRD: since 2025 Large companies that were not subject to the NFRD: According to the Stop-the-Clock Directive from 2028 Definition of large companies (if two of the three size criteria are exceeded): • Net sales of € 50 million • Balance sheet total of € 25 million • 250 employees on average in the financial year	All companies inside and outside the EU, who want to sell their products on the European market.	Capital market-oriented companies and SMEs.	Products associated with affected habitats (forests, moors, rivers, green spaces, insects, agricultural landscapes) will be affected. Mostly impacted: Timber and forestry industry.	**Industries/products affected**
Legal obligations for companies	Companies are obliged to identify, prevent, mitigate and remedy adverse impacts on human rights and environmental assets: • Integration of due diligence obligations into corporate policy • Risk management system & risk-based review and prioritization • Annual report on activities & annual evaluation of the effectiveness of the measures (homepage) • Preparation of a climate transformation plan -> **not if already covered by CSRD** • Introduction of code of conduct & Establishment of complaints procedures	From January 1, 2026: • Admission as CBAM applicant • Annual declaration • Mandatory verification by an auditor Acquisition of certificates	Due diligence declaration pursuant to Article 33 in an EU information system, at least annually (to be updated continuously in the event of changes).	• Due Diligence planning • Obligation to respond to requests from competent authorities and provide relevant information	The Regulation obliges Union importers whose annual imports reach certain volume thresholds to identify risks in their supply chains and to take appropriate measures to minimize them.	• Performance and information obligations for up to 16 ecodesign requirements • Introduction of a digital product passport (DPP) • The DPP must be linked directly to each product. Products without a DPP may not be placed on the market.	• (Group) management report on a variety of sustainability aspects • Report must be included in the management chapter of the annual report (no later than 4 months after the end of the financial year) and must also be submitted in digital form • Also provides for tagging (cf. ESEF) of sustainability information in order to process it centrally in future ("European Single Access Point")	Environmental claims must be clearly substantiated. Verification must be based on the Life Cycle Assessment (LCA) approach and primary data in the respective EU MS before the claim can be used on the product or company website.	• Reporting obligations • Classification of economic activities • Fulfillment of technical evaluation criteria • Compliance with minimum social standards	By 2030, 30% of the area of destroyed habitats must be restored, 60% of the areas by 2040 and 100% by 2050, Impact on companies and legal obligations are still unknown, this will vary depending on the national restoration plan	**Legal obligations for companies**
Details on reporting obligations	Observance of human rights, fair working conditions and the environment along entire supply chain. This applies to own activities, those of subsidiaries and business partners that are part of the upstream and downstream supply chain.	From 2023: Documentation requirements for emissions, quarterly CBAM reports (only for transitional period). From 2026: Declaration with information on emissions of imported CBAM goods in the manufacturing process for the previous calendar year.	• Submission of a due diligence report, product reference number must be transmitted to business partners • Risk assessment and risk reduction measures • Geolocalization of forest areas, quantity/volume of imported goods	• Economic operators making products available on the Union market have to demonstrate/ensure that supply chains are free from forced labor • Risks of forced labor along supply chain must be identified	• Establishment of a management system • Risk assessment along the supply chain • Introduction of a risk management strategy • Regular audits including audit reports by third parties • Disclosure obligations • Necessary documents must be kept for 5 years as proof	• Data on the environmental footprint of a product must be entered and updated in full in the DPP over the expected product life cycle • Data can be collected at model, batch or product level DPP data must be free and generally accessible, but can - depending on the addressees - be provided with limited access rights	• (Group) management report on environmental rights, social rights, human rights and governance factors, ESRS standards must be complied with • **Note: Affected companies must observe the green financial ratios of the EU-Taxonomy Regulation**	• Review and enforcement procedures to be assessed and implemented within 30 days by independent and accredited auditors • Claims must be backed up with scientific evidence	From January 1, 2022, companies subject to reporting requirements must explain three "green" key figures: • Sales revenue • Capital expenditure (CapEx) • Operating expenses (OpEx)	Still largely unknown.	**Details on reporting obligations**
Direct impact on SMEs	**No**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**No**	**Yes**	**No**	**Yes**	**Direct impact on SMEs**
Details affected SMEs	Indirectly affected: Large companies will pass on due diligence obligations to SMEs if they are part of their upstream or downstream supply chain. **The threshold values do not play a role here!**	• Directly affected by law, no exceptions • However, most of the current CBAM goods are not imported by SMEs	• Indirect impact until 30.06.2026: Non-SMEs will request data and information from suppliers • Directly affected: Due diligence obligation for SMEs starting June 30, 2026	SMEs are not exempted from the regulation, but the size and economic resources of companies, as well as the scale of forced labour, should be taken into consideration before initiating formal investigations.	Affected if they exceed certain quantity thresholds when importing these raw materials.	There is no exception for SMEs; implementation is to be facilitated in individual cases.	Not directly affected, except for listed SMEs, but with special regulations: • Financial years beginning on or after January 1, 2027, first reporting in 2028	• Exceptions exist for micro-enterprises • SMEs with fewer than 250 employees and an annual turnover of < €50 million are provided with special support measures	Indirect, obligations will likely be outsourced to SMEs ("trickle-down" effect), can be used on a voluntary basis.	Affected if they are active in nature-related sectors (tourism, agriculture, ...).	**Details affected SMEs**
Legal consequences of non-compliance	Investigations can be initiated and sanctions (up to 5% of global net annual turnover) can be imposed in the event of violations; these can also be published. In addition, the Directive also lays down rules for civil liability.	Transitional phase: €10 to €50 fine for each unreported ton. From 2026: Fines for non-compliance with reporting obligations.	Sanctions (and responsibility of authorities) to be decided according to EU member states.	In case of suspicion of forced labor, start of investigation procedures and if proven, manufacturer must remove the products from the market, otherwise possible fines (goods can be approved again if forced labor is excluded in the supply chain).	Sanctions, which can range from fines to trade restrictions.	From fines to sales bans on the EU market.	Depends on national implementation, most likely: sanctions, possible loss of investments, as well as fines, claims for damages, risk of lawsuits for unfair competition.	Fines (maximum amount of at least 4% of annual turnover in the MS concerned), absorption of profits and temporary exclusion for a maximum of 12 months from public tenders, access to public funds and concessions.	Fines, restrictions on participation in public tenders.	Still unknown.	**Legal consequences of non-compliance**