SLAUGHTER AND MAY

Horizon Scanning

Governance & Sustainability

Timeline of key *ESG developments* in 2026

Key

- Environmental
- Social
- Governance and Reporting
- Sustainable Finance

Sustainability practitioners will be well aware that ESG is a fast-moving, and ever changing area, making keeping on top of horizon scanning a significant challenge. We have set out key ESG developments in the UK and EU in 2026, including developments that are expected to take place later this year.

Please note, however, that this document is a summary and therefore is not intended to be comprehensive. Please speak to your usual contact at Slaughter and May for more information on ESG Horizon Scanning, including information tailored to your business and/or sector.

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

January 2026

01

(EU) The EU CBAM definitive regime entered into force (as amended as part of the Omnibus simplification process), requiring importers into the EU to submit CBAM declarations and surrender CBAM certificates.

The 2026 UK Stewardship Code took effect, introducing updated expectations for stewardship reporting and practice. Key changes include an updated meaning of "stewardship" which is more aligned to the wording of section 172 of the Companies Act 2006, a two-part reporting structure and the introduction of additional non-binding FRC guidance to support the 2026 Code.

Provision 29 of the UK Corporate Governance Code started to apply to financial years beginning on or after this date. In monitoring the company's risk management and internal control framework, boards are now required to make a declaration of effectiveness of the material controls as at the balance sheet date.

January 2026

08

The UK government introduced mandatory requirements for water companies to publish annual Pollution Incident Reduction Plans, under the Water (Special Measures) Act. Failure to produce compliant plans, the first of which were due in April 2026, will be a criminal offence for both companies and their chief executives. Companies must also produce annual implementation reports on pollution incident reduction from 2027.

19

The Public Offers and Admissions to Trading Regulations 2024, accompanied by updated Prospectus Rules from the FCA, came into force, replacing the UK prospectus regulation-based regime inherited from the EU. The regime introduces new prospectus disclosure requirements and guidance for green, social, sustainable and sustainability-linked bonds. See our briefing for more information.

20

The UK ETS Authority published an updated policy overview of the UK ETS, confirming its role as a key decarbonisation instrument and setting out current scheme coverage, planned scope extensions, and the Authority's priorities for aligning the UK ETS trajectory with the UK's net zero target.

The UK government published its "A New Vision for Water" White Paper, setting out reforms to the UK water system including the creation of a single integrated water regulator, strengthened enforcement powers, major infrastructure investment, and a new long-term strategic framework for regulation and planning. See our article for more information.

21

The UK government published a partial response to its consultation on reforms to the Energy Performance of Buildings Regime, concerning what Energy Performance Certificates will measure and when they will be required. An additional update published on 9 March 2026 confirmed that the government has decided to move the launch of the reforms to the second half of 2027. A new launch date and implementation plan was expected by summer 2026.

22

The CMA published updated Supply Chain Guidance on green claims. The guidance provides practical checklists for retailers, brands and suppliers, and emphasises the need for robust information-sharing, effective contracting and stronger supplier diligence to substantiate claims. See our blog for more information.

28

(EU) Simplification of reporting requirements under Article 8 of the Taxonomy Regulation, introduced as part of the EU's broader Omnibus simplification measures, began to apply.

30

The UK government published outcomes of its consultation on developing an oversight regime for assurance of sustainability-related financial disclosures, which confirms plans for a voluntary oversight regime operated by the Audit, Reporting and Governance Authority to strengthen trust in third-party assurance and support high quality sustainability reporting.

The FCA published a consultation paper on proposals to align listed issuers' sustainability disclosures with international standards through adoption of the UK SRS. The proposed disclosure requirements are expected to come into force in January 2027, applicable to accounting periods beginning on or after 1 January 2027.

The consultation closed on 20 March 2026.

February 2026

03 The UK government published its first national PFAS Plan, setting out a coordinated framework to identify PFAS sources, reduce and minimise the harmful effects of PFAS in the environment, and manage the risks of ongoing PFAS exposure to people. The government plans to launch a public consultation on introducing a statutory PFAS limit in public drinking water supply regulations later this year.

18 The first wave of changes relating to union relations and industrial action under the Employment Rights Act 2025 came into effect, including the reduction of the notice period for industrial action from 14 to 10 days, enhanced protections against dismissal for employees taking part in strike action, and the extension of the validity of strike ballots from six to 12 months. For more information on the Employment Rights Act, see our hub page.

25 The UK government endorsed the UK SRS "for voluntary use", noting the FCA consultation on introducing mandatory requirements for listed companies, and indicating that it also intends to consult on introducing UK SRS disclosures for certain companies.

March 2026

04 (EU) The EU adopted a legislative proposal for the Industrial Accelerator Act, aimed at increasing demand for low-carbon, European-made technologies and products. The Act is intended to consolidate and accelerate support measures for strategic net zero and industrial transition projects, including public procurement requirements, simplified permitting, enhanced access to finance, and coordination with existing Green Deal instruments.

12 The UK government published a consultation on making UK ETS regulatory requirements for cross-boundary carbon capture and storage pipelines less complex, burdensome and costly. The consultation closed on 4 June 2026.

13 The UK government published a response to its 2023 consultation on environmental outcomes reports. The government intends to bring forward legislation to replace environmental impact assessments and strategic environmental assessments with environmental outcomes reports by the end of 2027.

18 The Finance Act 2026 received Royal Assent. Part 5 establishes a UK CBAM, which will commence on 1 January 2027. HMRC published a policy summary of the CBAM on 10 February 2026, which is regularly updated.

(EU) The Omnibus simplification amendments to the CSRD and CS3D entered into force. This legislation effectively reshaped the landscape of EU sustainability regulation, introducing higher size thresholds for in-scope companies, value-chain protections for SMEs, and delayed application of the CS3D to July 2029. See our blog for more information.

23 The UK government published a consultation on the future treatment of sustainable aviation fuels in the UK ETS. The consultation closed on 15 June 2026. The government aims to implement any changes by 2028.

March 2026

24

The UK government published its response to the Future Homes and Buildings Standards consultation, laid implementing regulations in Parliament that amend the Building Regulations and updated related statutory guidance. The changes aim to improve the energy efficiency and reduce the carbon emissions of new dwellings and non-domestic buildings. They come into force (subject to transitional provisions) from 24 March 2027 for non-higher-risk building work and 24 September 2027 for higher-risk building work and work to existing higher-risk buildings.

25

The UK government published its response, along with draft legislation, to its consultation on how to introduce mandatory ethnicity and disability pay gap reporting for employers with 250 or more employees. It confirmed that it will go ahead with the proposals, but no timetable for implementation has been provided at this stage.

26

Publication of an exposure draft of the Transition Finance Guidelines, by the UK Transition Finance Council. These address entity-level assessment, providing capital providers with a methodology to evaluate the credibility of a company's transition ambition, planning and implementation for entity-level financing. See our blog for more information.

April 2026

06

A number of further changes became effective under the Employment Rights Act 2025, including changes to the collective redundancy protective award, the removal of qualifying periods for statutory paternity leave and unpaid parental leave, and further protections for workers disclosing instances of sexual harassment.

07

The Fair Work Agency was established, a single new enforcement body to consolidate the roles of HMRC's National Minimum Wage Team, the Gangmasters and Labour Abuse Authority and the Employment Agency Standards Inspectorate. An advisory board and regular reporting will underpin its strategic approach, creating a more interventionist compliance landscape for employers.

15

The UK government published a response to its May 2025 consultation on BNG for minor, medium and brownfield development, confirming, amongst other things, that it would introduce new exemptions for smaller sites. Legislation to implement the changes is to be introduced in stages throughout 2026. The government also published a consultation on a BNG exemption for brownfield residential development which closed on 10 June 2026.

30

(EU) The European Commission published its Draft Merger Guidelines. It is expected to finalise its review process in Q4 2026. See our blog for more information on the treatment of sustainability in the draft Guidelines.

May 2026

13

The Clean Water Bill was announced as part of the King's Speech. The Bill forms part of plans to reform the sector announced in the "A New Vision for Water" White Paper published in January.

26

The UK government published a post-implementation review of the SECR framework, recommending that the requirements be retained but with amendments, including aligning the requirements with international standards and domestic reporting frameworks (such as ISSB) to remove duplication and improve coherence. It is intended that areas for improvement are explored through a 2026 consultation.

May 2026

28 The UK government published its response to its June 2025 consultation on a policy framework to grow the market for low carbon industrial products (steel, cement and concrete). The response confirms decisions on an embodied emissions reporting framework, product classifications and green procurement guidance. Buyer and producer guidance documents are expected to be published in 2027. All proposed measures are voluntary, however a move to mandatory embodied emissions reporting is being kept under review.

June 2026

05 (EU) Certain amendments to the EU Prospectus Regulation by the EU Listing Act came into effect, including the introduction of a new ESG disclosure annex for non-equity securities "advertised as taking into account ESG factors or pursuing ESG objectives" which will require disclosure of the sustainable objectives, projects or activities linked to the securities.

11 The Science Based Targets Initiative published version 2.0 of its Corporate Net-Zero Standard, viewed by many as a benchmark for what constitutes a 'credible' corporate net-zero commitment. See our blog for more information.

17 ISO launched a public consultation on the ISO Net Zero Aligned Organizations Standard (ISO 14060), described as "the world's first international independently verifiable standard designed to support organizations in developing credible and comprehensive net zero transition plans". The consultation ran for 12 weeks and concluded on 9 September 2026.

21 (EU) Transitional arrangements for external reviewers of EU Green Bond Standard bonds expired with such reviewers required to be ESMA registered and comply fully with the EU Green Bond Standard.

22 The International Capital Market Association published its 2026 updates to the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines, and Sustainability-Linked Bond Principles. Key publications included FAQ guidance for Climate Transition Bonds, a comparison of the Green Bond Principles and the EU Green Bond Standard and a publication on structural demand for sustainable bonds.

23 The UK government published a policy paper on its approach to deforestation regulations. The government proposes introducing regulations that will require businesses in Great Britain with an annual turnover of over £1 million that use forest risk commodities and wood products to carry out due diligence to ensure that these are produced in compliance with local laws. The government will launch a consultation later in 2026, with legislation expected to be implemented in 2027.

26 (EU) The European Commission published its guidelines on the application of the FLR. From 14 December 2027, the FLR prohibits any product made with forced labour from being placed or made available, or exported from, the EU market. The guidelines are not legally binding, but are intended to supplement the FLR. The guidelines were subsequently published in the Official Journal of the EU on 3 September 2026. See our blog for more information.

30 (EU) Deadline for Member States under the Gender Balance on Listed Company Boards Directive to require that at least 40% of non-executive director positions in large listed EU companies are held by members of the underrepresented sex, or that at least 33% of executive and non-executive director positions in listed companies are held by members of the underrepresented sex.

June 2026

30

The UK government presented its Immigration and Asylum Bill to Parliament, which includes changes to the modern slavery reporting regime set out in section 54 of the MSA.
These changes include mandating the content of MSA statements, updated certification and approval requirements and financial penalties for non-compliance. The Bill's second reading took place on 13 July 2026. The Committee stage shall end by 3 November 2026.
See our blog for more information.

The UK government continues to consider broader legislative and non-legislative measures to tackle forced labour in supply chains, but further steps on this are currently unclear.

July 2026

01

Domestic maritime emissions were brought into scope of the UK ETS. This covers ship-activity emissions on domestic voyages and all in-port emissions, while offshore ships will be included from 1 January 2027, to match the EU ETS timeline.

02

(EU) The ESG Ratings Regulation began to apply.

03

(EU) The European Commission adopted legislation revising and simplifying the ESRS, along with voluntary standards for smaller companies outside the scope of the CSRD. These will apply after two months' scrutiny by the European Parliament and Council (with the possibility for a two-month extension), provided there are no objections. See our blog for more information.

07

The UK government published its response to its October 2025 consultation on strengthening the civil sanctions that can be imposed on water companies in England. The response confirmed that secondary legislation will be introduced, when parliamentary time allows, to enable the Environment Agency to impose variable monetary penalties and automatic fixed monetary penalties for specific offences.

13

(EU) The European Commission adopted secondary legislation to simplify the EUDR, including updating and simplifying the list of products subject to the EUDR and operational simplifications. Cattle hides, skins and leather, re-treaded tyres, soybeans for sowing, articles of vulcanised rubber, conveyor and transmission belts, and aircraft and motor vehicle seats have been removed from scope, and soluble coffee, certain palm oil derivatives and frozen cattle tongues have been added. The main EUDR guidance has been updated to reflect the changes.

14

(EU) The European Commission adopted a delegated regulation under the Batteries Regulation introducing new rules that exempt additional products from EU requirements on the removability and replaceability of portable batteries, including wearable devices, electric toys and products within the scope of the ATEX Directive (equipment used in explosive atmospheres). The scrutiny period is three months from notification, with a possible two month extension. It will enter into force 20 days after its publication in the Official Journal of the EU, provided there are no objections.

The UK government launched a consultation on equal pay and pay discrimination, which will run until 27 October 2026.

July 2026

16 HMRC published additional guidance on how to prepare for the UK CBAM, including registering, keeping records, and claiming Carbon Price Relief.

17 (EU) The European Commission published an Electrification Action Plan and its EU ETS review as part of its regular assessment of the system's performance. Most significantly, the ETS proposals make the emissions reductions trajectory more gradual and aligned with domestic climate ambition level. EU leadership aims to reach agreement on the reforms by the end of Q1 2027.

19 (EU) The Ecodesign for Sustainable Products Regulation ban on the destruction of unsold textiles and footwear started to apply to large companies.

It applies to medium-sized enterprises from 19 July 2030.

20 (EU) The European Commission launched the Digital Product Passport Registry. Forming part of the Ecodesign for Sustainable Products Regulation, it is a digital repository of product information designed to strengthen supply chain transparency. The first implementation deadline for mandatory digital passports is 18 February 2027 for certain types of large batteries.

22 Regulations made to move the waste carrier, broker and dealer system to the Environmental Permitting regime in England. Most of the provisions will come into force on 22 July 2027.

23 (EU) EFRAG launched a public consultation on its Exposure Draft of the ESRS for certain non-EU undertakings, known as ESRS-40a. The consultation will close on 31 October 2026. EFRAG is then expected to deliver its technical advice to the European Commission in January 2027; the Commission will subsequently launch its own consultation before adopting the final version of ESRS-40a. See our blog for more information.

27 Call for evidence issued on the UK government's digital product record policy to inform future policy development. Digital product records, such as the EU's digital product passports, are being explored as a means of providing product information and sustainability data across supply chains.

29 The Greenhouse Gas Protocol and ISO announced that they will combine their corporate carbon accounting standards into a single global corporate standard.

31 (EU) Deadline for Member States to transpose the Right to Repair Directive into national law. The Directive seeks to address the problem of repairable defective goods being prematurely discarded by incentivising consumers to choose repair over replacement. The obligations primarily affect manufacturers.

August 2026

03 The Law Society of England and Wales published climate change guidance for in-house legal counsel. The guidance supports in-house solicitors with applying the Law Society's guidance on the impact of climate change on solicitors.

August 2026

03 (EU) The European Commission published updated FAQs on the Packaging and Packaging Waste Regulation.

06 Changes to the BNG regime came into effect, including the introduction of a temporary development exemption and an exemption for the smallest developments.

10 The Environment Agency launched a consultation on changes to its Enforcement and Sanctions policy, including implementing new water and waste enforcement powers. The consultation closes on 4 October 2026.

12 (EU) The EU Packaging and Packaging Waste Regulation began to apply. The regulation includes measures restricting certain single-use plastics and aims to make all packaging recyclable in an economically viable way by 2030. Guidance was published in the Official Journal of the EU on 10 June 2026.

14 (EU) The European Commission launched three calls for evidence on three acts to support the recycled-content requirements for plastic packaging introduced by the EU Packaging and Packaging Waste Regulation. The feedback periods run until 16 September 2026 and the Commission adoption of the acts is planned for Q4 2026.

(EU) The European Commission published ten guidance documents to help non-EU operators with the implementation of the CBAM during its definitive period.

The UK government launched a consultation seeking views on the zero emission vehicle mandate and its effectiveness in the UK. The consultation closes on 23 October 2026.

18 The Loan Market Association published an updated version of its draft provisions for sustainability-linked loans, along with a model term sheet and an educational note. The Slaughter and May team advised on the drafting.

20 (EU) The European Commission adopted two Regulations to modernise the EU ETS, as part of its wider EU ETS review. These amend the main EU ETS as regards revised benchmark values for the heat and fuel benchmarks, and amend monitoring, reporting and verification requirements for the maritime sector.

25 The UK government made a number of updates to its guidance on EPR for packaging in August, including on registration and reporting requirements.

The UK government updated its guidance on BNG to clarify what developers can count towards BNG and introduce guidance on habitat enhancements and mitigation within protected sites.

26 The UK government announced that the expected expansion of the UK ETS to waste incineration in 2028 will not take place. A new timeline will be set out in due course.

28 (EU) EFRAG released a draft list of datapoints for the revised ESRS, as adopted by the European Commission in July 2026.

Summer 2026

The FRC has been tasked with establishing an interim voluntary oversight regime and register for entities that offer third-party assurance services for sustainability-related disclosures by mid-2026. However, the FRC's Annual Plan and Budget, published in March 2026, notes that this will take place from 2026/27.

September 2026

(EU) The European Parliament's planned votes on revisions to the Sustainable Finance Disclosure Regulation are expected, following delays in July 2026.

07

The UK government launched a consultation on Modernising Corporate Reporting, which seeks views on how the corporate reporting framework in the UK could be modernised to better meet the needs of companies, investors and the wider economy. As part of this, the government proposes significant changes to the strategic report, including removing specific disclosures on environmental matters; employees; social matters; community matters; respect for human rights; and anti-corruption and bribery matters. The government aims to publish a consultation outcome within six months of the close of the consultation. The consultation closes on 30 November 2026. See our blog for more information.

The UK government published a letter to all ministers proposing reforms to how the government approaches consultations, legal risk and judicial review, in efforts to "pare back counterproductive administrative burdens". This will include broadening the scope of judicial review reforms to all NSIPs, such as transport, water and other major infrastructure projects.

08

UK CBAM regulations were made for calculating, monitoring and verifying emissions. They come into force on 1 January 2027, when the UK CBAM launches. HMRC's policy paper and guidance were updated accordingly.

The UK government published a consultation on technical changes to the free allocation rules for hydrogen production in the UK ETS, which closes on 2 October 2026.

27

(EU) Deadline for Member States to apply the Empowering Consumers for the Green Transition Directive. The Directive aims to promote sustainable consumption choices by consumers.

Q3 2026

The TNFD is due to complete all technical work and, subject to the ISSB's progress on introducing disclosure requirements on nature, conclude its technical work programme in 2027.

(EU) The European Commission is expected to publish its proposal for a Circular Economy Act. The UK government has yet to publish its Circular Economy Growth Plan.

(EU) The European Commission intends to finalise its review of the technical screening criteria under the Taxonomy Regulation.

Autumn 2026

The FCA aims to finalise and implement changes to climate disclosure requirements for investment products, to reduce undue burden on firms.

The FCA is expected to publish a response to its consultation on aligning listed issuers' sustainability disclosures with the UK SRS. Separately, the UK government has said that it will consult on making changes to the Companies Act 2006 to mandate UK SRS disclosures for certain companies, but it is not currently clear when this will take place.

October 2026

Further changes under the Employment Rights Act 2025 become effective, including the requirement for employers to take "all reasonable steps" to prevent sexual harassment of employees, enhanced protections for trade union representatives, and an increase to the employment tribunal time limits from three to six months.

The ISSB is expected to publish an exposure draft of its requirements for nature-related disclosures.

November 2026

Version 0.2 of the Taskforce on Inequality and Social-Related Financial Disclosures Framework is expected to be published. Version 0.1 was published on 26 May 2026 for consultation, which closed on 31 July 2026.

02 In England, BNG will become mandatory for NSIPs. NSIP developers who apply for a development consent order on or after this date will need to deliver at least 10% BNG.

21 (EU) Plastic waste exports to non-OECD countries will be banned under the Waste Shipments Regulation. A number of other provisions under the Regulation entered into force in May 2026, including green-listed waste reporting obligations.

December 2026

15 ISSA (UK) 5000: General Requirements for Sustainability Assurance Engagements becomes effective, on a voluntary basis by assurance providers, for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026.

30 (EU) EUDR obligations begin to apply to large and medium operators and traders (with micro and small enterprises to comply with the rules from 30 June 2027).

Q4 2026

(EU) The European Commission is expected to adopt legislative measures on its post-2030 climate policy framework.

Q4 2026

(EU) The European Commission plans to develop an EU-wide PFAS monitoring framework to centralise data as well as promote practical, science-based solutions for a sustainable shift by EU industry. The EU is also considering a restriction proposal for PFAS for a wide range of uses; a scientific evaluation of the proposed restriction is expected to conclude by the end of 2026, following which draft legislation can be prepared.

The FCA is expected to publish its policy statement on ESG ratings providers with final rules. The new regime will come into effect on 29 June 2028.

End of 2026

UK and EU ETS linkage discussions are expected to continue during 2026. Whilst no formal timeframe has been confirmed, linkage is anticipated by 2029 at the earliest. Mutual exemptions from the respective CBAMs may also be agreed.

The UK government plans to consult on SECR and ESOS. It will analyse the current landscape for energy and carbon reporting and explore longer-term options to reform SECR. It will build on the findings of an evaluation of SECR published on 29 January 2026 and the post-implementation review of SECR published on 26 May 2026, as well as an evaluation of ESOS which is currently underway.

January 2027

01

(EU) The CSRD, post the Omnibus changes, begins to apply to "second wave" companies (i.e., large EU undertakings and non-EU issuers who meet the revised turnover and employee thresholds) who will need to produce reporting in 2028 in respect of the 2027 financial year.

Launch of the UK CBAM, which will tax embodied emissions in specific carbon intensive goods imported into the UK. The first accounting period for CBAM will be 12 months, from 1 January 2027 to 31 December 2027. Returns and payments will be due five months after the end of the first accounting period (31 May 2028).

Significant changes come into effect under the Employment Rights Act 2025, including the reduction of the unfair dismissal qualifying period to six months, and the removal of the compensation cap. "Fire and rehire" practices will become automatically unfair in most cases.

Early 2027

Further changes under the Employment Rights Act 2025 are expected to become effective, including mandatory gender pay gap and menopause action plans, enhanced protections from dismissal for pregnant women and mothers returning from maternity leave, and a statutory right to bereavement leave.

Q1 2027

(EU) The European Commission intends to complete its review of the Disclosures Delegated Act, which specifies the content and presentation of information to be disclosed under Article 8 of the Taxonomy Regulation, and for the new measures to enter into force in Q3 2027.

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Definitions

- **BNG:** Biodiversity net gain
- **CBAM:** Carbon Border Adjustment Mechanism
- **CMA:** Competition and Markets Authority
- **CS3D:** Corporate Sustainability Due Diligence Directive
- **CSRD:** Corporate Sustainability Reporting Directive
- **EFRAG:** European Financial Reporting Advisory Group
- **EPR:** Extended Producer Responsibility
- **ESMA:** European Securities and Markets Authority
- **ESOS:** Energy Savings Opportunity Scheme
- **ESRS:** European Sustainability Reporting Standards
- **ETS:** Emissions Trading Scheme or System
- **EUDR:** EU Regulation on Deforestation-free Products
- **FCA:** Financial Conduct Authority
- **FLR:** Forced Labour Regulation
- **FRC:** Financial Reporting Council
- **ISO:** International Organization for Standardization
- **ISSB:** International Sustainability Standards Board
- **MSA:** Modern Slavery Act 2015
- **NSIP:** Nationally significant infrastructure project
- **OECD:** Organisation for Economic Co-operation and Development
- **PFAS:** Perfluoroalkyl and Polyfluoroalkyl Substances
- **SBTi:** Science Based Targets initiative
- **SECR:** Streamlined energy and carbon reporting
- **SRS:** Sustainability Reporting Standards
- **TNFD:** Taskforce on Nature-related Financial Disclosures