

ESG POLICY GUIDE

WHAT SUSTAINABILITY LEGISLATION MEANS FOR LUXURY BRANDS

FOURTH EDITION (MARCH 2026)

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INTRODUCTION

Luxury brands have long been synonymous with quality, innovation and style. Today, however, sustainability, social responsibility and environmental stewardship are equally fundamental to their identity – values that are now integral to the very essence of the luxury experience. Consumers, investors and regulators increasingly expect brands to lead with purpose and embed environmental, social and governance (ESG) principles into every facet of their operations.

Now in its fourth edition, the ESG Policy Guide – a collaboration between Positive Luxury and Baker McKenzie – continues to focus on relevant regulatory trends across key global jurisdictions and provides a useful overview of ESG developments impacting brands in the luxury sector.

This Guide is designed to help luxury businesses navigate the fast-evolving ESG legislative landscape. It highlights key responsibilities, anticipates future developments and provides practical insights to support compliance and strategic decision-making.

In addition to the UK, EU and US, the Guide now provides expanded coverage, including a snapshot of the ESG position for luxury brands in the Middle East and coverage of key ESG developments in Asia Pacific and Latin America. It also offers enhanced guidance on circularity, climate transition, biodiversity and supply chain transparency and spotlights emerging issues such as sustainability collaborations, AI and ESG and the impact on SMEs. The Guide also includes a glossary of legislation and key ESG terms luxury brands need to know.

We hope this Guide serves as a valuable resource in your journey towards achieving your brand's ESG ambitions and building a more resilient, future-ready business.



[Katia Boneva-Desmicht](#)
**Global Chair, Consumer
Goods and Retail**
Baker McKenzie, Paris

KEY TRENDS IN LUXURY AND SUSTAINABILITY FOR 2026

The ESG landscape for luxury is moving fast, and keeping pace with new rules, expectations, and market drivers is more important than ever. This Guide highlights the major themes shaping luxury and sustainability in 2026, and what they mean for brands.

WHAT'S INSIDE?

1 The rise of the circular economy

Circularity has moved well beyond aspiration and is reshaping luxury and fashion businesses, from the rollout of *Digital Product Passports* to expanded *Extended Producer Responsibility* schemes. The Guide explores new requirements on the disposal of unsold goods and highlights real world examples of how leading brands are adapting to the need for circularity.

2 Evolving sustainability reporting and disclosure obligations

Sustainability reporting is undergoing rapid alignment, driven by EU frameworks such as the *Corporate Sustainability Reporting Directive*. Parallel developments in Latin America, Asia Pacific and individual US states are creating a more comprehensive, yet demanding, baseline for disclosure. Accurate, comparable data is now central to brand credibility and market access.

3 Plastics and packaging regulations

A look at new and upcoming rules targeting plastics and packaging in the luxury and cosmetics sectors, highlighting compliance challenges and opportunities for innovation in materials and design.

4 Forced labour developments worldwide

Updated insights on global forced labour regulations, including the *EU Forced Labour Regulation*, updated UK government guidance, federal and state laws in the US and growing regulatory frameworks across Asia Pacific and Latin America.

5 Supply chain transparency

Why end to end visibility, from raw material sourcing to working conditions, remains a critical expectation for regulators, investors and consumers, and how luxury brands can proactively address these expectations.

6 AI introduces both opportunity and scrutiny

Although the use of AI can support efficiencies across product development, supply chain monitoring and ESG reporting, its environmental impact requires careful management. Brands are expected to ensure their technological advances remain consistent with climate goals and responsible governance.

7 Climate transition planning is essential

Regulators, investors and retail partners increasingly expect luxury brands to demonstrate how they will align with the Paris Agreement. This includes time-bound emissions reduction targets, credible transition plans and transparent progress reporting.

8 Nature-positive action moves into the mainstream

Growing regulations signal that brands must understand and mitigate their impacts on biodiversity and enhance their strategies for ecosystem protection. For luxury brands reliant on natural resources, nature-positive sourcing is fast becoming a baseline expectation.



PART ONE:
ENVIRONMENTAL

CIRCULAR ECONOMY & PRODUCT DESIGN

OVERVIEW

Circularity and product sustainability are no longer aspirational; they are now legal requirements. Luxury brands must design products for durability, repairability and recyclability, while eliminating practices such as the destruction of certain unsold goods. Compliance requires organisations to integrate sustainability criteria into product development, implementing traceability systems and meet EPR obligations. By embracing these changes, businesses not only meet regulatory requirements but also drive innovation, improve cost efficiency and enhance brand reputation.

81.5^{lbs}

**THE AMOUNT OF CLOTHING
THE AVERAGE AMERICAN
THROWS AWAY EACH YEAR**

85%

**THE SHARE OF ALL TEXTILES
THAT ULTIMATELY END UP
IN LANDFILLS**

120,000,000,000

THE NUMBER OF COSMETICS PACKAGING UNITS PRODUCED ANNUALLY

70%

**THE PORTION OF TOTAL
BEAUTY-INDUSTRY WASTE THAT
COMES FROM PACKAGING ALONE**

*Sources: [Earth.Org](#); [Forbes](#)

CIRCULAR ECONOMY AND PRODUCT DESIGN IN ACTION



EXTENDED PRODUCT LIFE:

Jewellery brand [Monica Vinader](#) embeds circularity into every piece it creates. Each item comes with a five-year free warranty, followed by a lifetime repairs service covering replating, resizing and other care for a small fee. The brand also runs a cross-brand recycling programme, accepting jewellery from any label in exchange for a voucher. This approach keeps materials in circulation, reduces waste and reinforces circularity as a core pillar of the brand's sustainability strategy.



RESALE DRIVEN CIRCULARITY:

[Harvey Nichols'](#) partnership with Reflaunt integrates resale directly into the customer journey. Clients can drop off or arrange the collection of bags, shoes, accessories, clothing and small leather goods, which are then professionally photographed, priced and listed across global resale platforms. Once sold, customers can receive payment or opt for a Harvey Nichols voucher with an additional 15% value, strengthening incentives for circular behaviour and deepening brand engagement.



DPP ENABLEMENT:

[ME+EM](#) is preparing for Digital Product Passport (DPP) readiness through a cross-functional working group spanning CSR, Product, Digital and IT. Together, the team has developed a clear roadmap and conducted a GAP analysis to map its current technology architecture and define future requirements. As DPP is rooted in traceability, it has invested in Product Lifestyle Management (PLM), adopted traceability platforms, transitioned compliance documentation into PLM and increased our use of certified materials. ME+EM also sees DPP as a customer relationship management opportunity – enabling it to share richer product stories and continue engaging customers beyond the point of sale.



INNOVATIVE PRODUCT CREATION:

[Bamford](#) is turning sustainability into an art form by upcycling coffee grounds from its Daylesford Cafes to craft the B Vibrant Body Polish. This inventive approach not only breathes new life into waste materials but also launches an exciting, eco-conscious product line, proving that luxury and circularity can go hand in hand.

EUROPE AND THE UK

The **EU Green Deal** sets the tone for environmental legislation, aiming for carbon neutrality by 2050 and embedding circularity into product design. The **EU Strategy for Sustainable and Circular Textiles** requires brands to reassess materials and design, driving compliance and innovation. Investing in eco-friendly fabrics, recycling technologies and surplus solutions can cut environmental impact and boost resilience.

Under the **Ecodesign for Sustainable Products Regulation**, brands must meet sustainability criteria before placing products on the EU market, including energy efficiency, recyclability and recycled content. Products will require a **Digital Product Passport (DPP)** to provide traceability data across their life cycle, with legislation introducing DPP requirements expected to come into effect in 2027 for priority sectors like textiles.

These frameworks will also require brands to eliminate wasteful practices, such as the destruction of unsold goods and to report discarded stock publicly. Certain categories, such as clothing and footwear, face an outright ban for large companies from July 2026.

The revised **Waste Framework Directive** will introduce mandatory EPR schemes for textiles and footwear in all Member States by 2028, with producer fees modulated according to the environmental performance of the products. The **Packaging and Packaging Waste Regulation** reforms and harmonises mandatory EPR for packaging, requiring brands to finance collection and recycling systems through producer responsibility organisations. Updates to the **Textile Labelling Regulation** will mandate physical and digital labels covering sustainability and circularity parameters. The **Right to Repair Directive** further supports circularity by granting consumers repair rights, signalling that luxury brands should consider repair services as part of their offering.

The luxury sector should also begin preparing for the **EU Batteries Regulation**, which introduces stringent sustainability, safety and transparency requirements for all batteries placed on the EU market. Brands incorporating batteries into products – such as smart accessories, wearables or beauty appliances – should be aware of obligations relating to battery removability and replaceability, carbon footprint declarations, CE marking, detailed labelling requirements and waste battery management and EPR.

France's Fast Fashion Bill is being slowed down

France's proposed Fast Fashion Bill targets the ultra fast fashion model, which relies on rapid, high volume production of low quality, low cost clothing – and drives habitual overconsumption and significant waste. Designed to promote sustainability and shield France's fashion industry from the pressures of fast fashion, the bill would introduce new transparency requirements on environmental impact, restrict advertising and impose a surcharge on fast fashion items, starting at EUR 5 and rising to EUR 10 by 2030. The bill was passed by the National Assembly in March 2024 and by the Senate in June 2025, after which the government notified it to the European Commission. The Commission responded with a detailed opinion identifying several incompatibilities with EU law, prompting France to reconsider the text. As revisions are considered, the global fashion industry is watching closely to see whether France can deliver one of the first major regulatory moves against fast fashion in Europe.

“**EARLY ENGAGEMENT WITH SUPPLIERS, DUE DILIGENCE ON RAW MATERIAL SOURCING AND INTEGRATION OF RECYCLABILITY INTO PRODUCT DESIGN WILL BE CRITICAL TO ENSURE COMPLIANCE AND ALIGN WITH THE EU'S CIRCULAR ECONOMY GOALS.**”



*Graham Stuart,
Partner, Baker McKenzie,
London*

DIGITAL PRODUCT PASSPORT

Under the Ecodesign for Sustainable Products Regulation, certain products sold in the **EU** will require a DPP. A DPP is a digital record containing key traceability data across a product's life cycle, from raw material sourcing to production and recycling, enabling greater transparency and supporting circularity, decarbonisation and sustainability.

2025–2026: Preparatory phase for DPP systems and requirements

2027: Delegated and implementing acts defining DPP requirements expected to be adopted for certain product categories under the Ecodesign for Sustainable Products Regulation – including textiles

2027–2030: DPP requirements expected to expand to additional product groups

THE AMERICAS

The implications for luxury brands operating in the **US** are clear: similar EPR and circularity requirements are emerging at the state level. **California's Plastic Pollution Prevention and Packaging Producer Responsibility Act** and the **Responsible Textile Recovery Act** reflect a growing trend towards mandatory recycling and producer accountability. Luxury brands selling into these markets should anticipate convergence with EU standards and prepare for cross-border compliance strategies.

Maine, Minnesota, Maryland, Oregon, Washington and **Colorado** have enacted similar EPR laws for packaging, each with unique timelines, varying scopes and differing compliance structures. These state laws are also in different stages of regulatory implementation, meaning brands must closely track state-specific requirements and harmonise internal processes to avoid costly disruptions.

Beyond packaging and textiles, chemical restrictions are also emerging. Several states, such as **Maine, Minnesota** and **New York**, are banning per- and poly-fluoroalkyl substances (PFAS) in textiles, targeting water and stain resistant treatments commonly used in luxury apparel. Brands should review material specifications and engage suppliers to identify viable alternatives and phase out these substances, as compliance dates come due and enforcement accelerates.

Farther south, **Latin America** is emerging as a dynamic hub for sustainable innovation, offering luxury brands a unique opportunity to take the lead in circular design and responsible packaging. **Brazil** leads this movement with its **National Circular Economy Plan** and the “**Plastic Decree**,” which impose strict reverse logistics obligations for plastic packaging. These rules require traceability, annual reporting and ambitious targets for recycled content, while prioritising partnerships with waste-picker cooperatives. For luxury brands, this means rethinking packaging aesthetics and materials to meet compliance without compromising brand identity.

Other jurisdictions are following similar paths. **Colombia** now mandates packaging waste management plans under **Resolution 1407/2018**, while **Peru** has introduced technical standards for plastic bags, including recycled content requirements and a ban on vague green claims, tightening greenwashing controls. **Chile's Extended Producer Responsibility Act** and **Mexico's Circular Economy Law** also demand sustainable design and eco-labelling, reinforcing the need for luxury brands to integrate recyclability and transparency into their product strategies.

ASIA PACIFIC

The circular economy is currently a hot topic in the Asia Pacific region. Jurisdictions such as **Japan, South Korea** and the **Philippines** already have well-established circular economy and EPR frameworks. South Korea, in particular, has introduced several regulatory amendments in 2025, including revisions to its existing **Act on the Promotion of a Transition to a Circular Economy Society** and the **Resources Recycling Act**. Following the amendment to Article 38 of the **Enforcement Decree of the Resources Recycling Act**, the mandatory use of recycled plastic materials was expanded to include bottled water producers and other non-alcoholic beverage manufacturers that use 5,000 tons or more of PET annually in final product manufacturing. This regulation could impact premium F&B product lines.

Other countries in the region are rapidly catching up. Over the past two years, an increasing number of countries including **Australia, Indonesia, Malaysia** and **Taiwan**, have drafted or published roadmaps and action plans to advance a circular economy, covering key sectors such as textiles, food and beverage and cosmetics. Meanwhile, **China, Thailand** and **Vietnam** have introduced proposals for new legislations or amendments to existing laws aimed at broadening the scope and applicability of EPR.

In terms of product design, in **Australia**, the proposed **Design for Kerbside Recyclability Grading Framework** is intended to set criteria for grading material design and offer guidance on improving recyclability across categories such as food and beverage packaging, clothing, cosmetic and skincare products.

Collectively, these developments reflect a regional move toward harmonised sustainability standards and closer alignment with global circular economy practices.



CLIMATE TRANSITION & CARBON NEUTRALITY

OVERVIEW

Achieving climate transition and carbon neutrality is now a strategic imperative for most businesses and luxury brands are no exception as they are expected to integrate climate goals into their strategies, set clear targets to reduce emissions and embed sustainability across operations and value chains. This shift is about moving from ambition to action and developing credible plans that demonstrate progress toward low-carbon models while maintaining resilience. Beyond reducing risk, strong climate strategies create opportunities for innovation and leadership. They help brands access sustainable finance, build investor confidence and meet growing consumer expectations.

Read more:

[COP30 Hub: STEPS TO Net Zero](#)

[Future Forward: Firsthand Insights from New York Climate Week 2025](#)

“
ULTIMATELY, COMMITTING TO
CARBON NEUTRALITY POSITIONS
LUXURY BUSINESSES FOR LONG-
TERM SUCCESS IN A MARKET
THAT IS INCREASINGLY SHAPED
BY SUSTAINABILITY.”



*Maria Piontkovska,
Partner, Baker McKenzie,
Los Angeles*

EUROPE AND THE UK

Luxury brands operating in or supplying to the EU and the UK are encouraged to embed climate objectives into their core business models. Under the **EU Corporate Sustainability Reporting Directive (CSRD)** and the **European Sustainability Reporting Standards (ESRS)**, companies and groups exceeding certain thresholds are already or will be encouraged to adopt and disclose a climate transition plan compatible with the Paris Agreement's 1.5°C target as well as greenhouse gas emission reduction targets.

Companies that do not adopt such a plan or targets will, at a minimum, be required to disclose this fact along with further explanatory disclosures. Even brands outside the direct scope are likely to face certain indirect obligations through supply chain relationships as in-scope companies must map emissions across operations and suppliers and demonstrate progress through credible disclosures. Failure to act risks not only scrutiny from investors and stakeholders but exclusion from premium markets increasingly shaped by sustainability benchmarks.

See further discussion on reporting obligations [here](#).

THE AMERICAS

In the **US**, the regulatory landscape for climate transition remains unsettled, but luxury brands cannot afford to wait. With investors and stakeholders already demanding transparency, proactive action is essential. Embedding climate goals into governance, financing and supply chain practices is the foundation for resilience, access to capital and continued relevance in a market where sustainability is becoming synonymous with luxury. However, the current **US** administration has opposed significant aspects of climate regulation and disclosure and various states have brought legal actions related to climate targets and performance. It is critically important to assess carefully the scope and nature of any disclosure about climate goals and performance to minimise litigation risk.

Latin America, on the other hand, is accelerating its shift to a low-carbon economy, creating a fertile ground for luxury brands to lead in sustainability. **Brazil** is at the forefront with the approval of its **Climate Plan** in December 2025 – a national strategy that sets out the country's climate action pathway through to 2035. The plan sets ambitious emission reduction targets of 59–67% and promotes renewable energy, electrified transport and circularity. Complementing this, Brazil's regulated carbon market (**Law 15.042/2024**) introduces a cap-and-trade system requiring large emitters to monitor, report and offset emissions, opening opportunities for luxury brands to manage operational footprints and invest in verified carbon removals through **REDD+** projects in Brazilian biomes.

Chile has strengthened its climate governance with updated regulations under **NCG 519**, embedding **International Sustainability Standards Board (ISSB)**-aligned disclosure standards and requiring companies to integrate climate risk into annual reports. The country also prioritises renewable energy expansion and electric mobility, creating a framework that encourages luxury brands to adopt transparent reporting and sustainable logistics. **Colombia**, through its **National Climate Strategy**, is focused on decarbonisation and electrification of transport, alongside incentives for clean energy and circular practices. For luxury businesses, these developments signal clear opportunities to integrate low-carbon practices into design, supply chains and retail experiences, aligning with global standards and consumer expectations for responsible luxury.

Read more:

[Brazilian carbon credits market: what you need to know about Federal Law No. 15.042/2024](#)

[Carbon Market Bill approved by the National Congress](#)

ASIA PACIFIC

In the Asia Pacific region, jurisdictions are reinforcing their regulatory frameworks for climate transition. For instance, **Thailand** is advancing toward its first-ever landmark nationwide **Climate Change Act** which underpins the country's goal of achieving net-zero emissions by 2050, following the Cabinet's approval of a draft in December 2025. Similarly, **Indonesia** is currently drafting a **Climate Change Law**, listed as a priority in the national legislative programme for completion by 2026. The bill aims to consolidate fragmented climate-related regulations into a single, unified framework, establishing a cross-sectoral and binding legal basis for climate governance.

Likewise, **Malaysia's National Climate Change Policy** commits the country to achieving net zero greenhouse gas emissions by 2050. As part of this framework, the **National Climate Change Bill** and the **National Adaptation Plan** are slated for introduction in 2026. Meanwhile, **China** published the **White Paper on Actions for Carbon Peaking and Carbon Neutrality** in November 2025, outlining national strategies such as industrial decarbonisation. Luxury brands must closely monitor evolving corporate sustainability obligations and proactively plan to meet these requirements.

SPOTLIGHT: COMPETITION AND SUSTAINABILITY

COLLABORATION ON SUSTAINABILITY REQUIRES CAREFUL LEGAL OVERSIGHT

Joint efforts between companies on production processes, ESG standards, sustainable materials and research can deliver better results than acting alone, yet luxury brands often hesitate to collaborate with competitors on sustainability initiatives due to concerns about competition law. Recognising this, regulators such as the **European Commission** and the **UK's Competition and Markets Authority** have issued specific guidance on how competition law applies to agreements pursuing sustainability objectives.

That said, significant risks remain and rules differ across jurisdictions. Brands should always seek legal advice before engaging in collaborative projects.

Dos and don'ts for collaboration:

DO:

- ✓ Engage legal teams early in planning
- ✓ Limit information sharing to what is necessary for sustainability objectives
- ✓ Document the purpose and scope of collaboration clearly
- ✓ Regularly review agreements for compliance

DON'T:

- ✗ Agree on pricing, market allocation or supplier exclusion
- ✗ Share competitively sensitive data beyond what is essential
- ✗ Assume sustainability goals override competition law



PLASTIC & PACKAGING REGULATION

OVERVIEW

Plastic regulation is tightening globally and luxury brands must act now to reduce reliance on single-use plastics and integrate recycled content into packaging. Compliance is not just about avoiding penalties but future proofing operations and meeting consumer expectations for sustainability. Brands should audit all packaging components, from garment hangers and Kimble tags to cosmetic containers and redesign them to align with circular economy principles. Beyond compliance, these changes can reduce costs, mitigate litigation risk and strengthen brand reputation.

PLASTIC AND PACKAGING REGULATION IN ACTION

Packaging supplier Zenpack, whose clients include luxury cosmetic brands, has proactively adapted to tightening EPR requirements across the US and the EU by developing detailed packaging data and ready to use EPR reporting formats for its clients. This preparation supports brands in meeting evolving obligations on packaging traceability, recyclability and waste reduction, helping them respond efficiently to regulatory change while strengthening supply chain transparency.

700,000

THE APPROXIMATE NUMBER OF MICROPLASTIC FIBRES RELEASED PER WASH LOAD FROM POLYESTER & ACRYLIC GARMENTS

35%

THE SHARE OF MICROPLASTICS IN THE WORLD'S OCEANS THAT ORIGINATES FROM TEXTILES AND CLOTHING

*Sources: [EEA](#); University of Plymouth; European Parliament

EUROPE AND THE UK

The **EU Single Use Plastic Directive** prohibits placing certain plastic products on the market where sustainable alternatives exist, including cutlery, plates, straws and expanded polystyrene containers. Luxury brands should review all packaging and accessories to ensure compliance.

In addition, the **EU Packaging and Packaging Waste Regulation (PPWR)** reforms and harmonises EPR obligations for packaging, building on the existing **Packaging and Packaging Waste Directive**. Under the PPWR, producers will be required to finance collection and recycling systems and to register with national authorities. The PPWR also introduces a modulation of EPR fees based on packaging recyclability performance grades, meaning producers should identify opportunities to minimise these fees by designing packaging accordingly. Preparing for these requirements now will help brands avoid disruption when the obligations begin to apply.

Microplastics are also under scrutiny. Amendments to the **Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)** restrict intentionally added microplastics in products, including cosmetics and textiles, with phased compliance periods. Luxury beauty brands should prioritise reformulation and monitor transitional deadlines closely. The key transitional deadlines are summarised in the table right.

Category of cosmetic products	Deadline
Exfoliating microbeads, plastic loose glitter	17 October 2023
Rinse-off cosmetic products	17 October 2027
Synthetic polymer microplastics for encapsulation of fragrances and leave-on products	17 October 2029
Lip, nail and make-up products	17 October 2035

The **UK Plastic Packaging Tax** applies to packaging containing less than 30% recycled content and, as of April 2025, is charged at a rate of GBP 223.69 per metric tonne. From May 2025 chemically recycled plastic now counts toward the 30% recycled content threshold, giving businesses more options to comply. Downstream businesses can be held jointly liable for unpaid tax, so brands must verify compliance throughout their supply chain.

At an international level, the **UN Global Plastic Treaty**, which was designed to create binding international rules, stalled at the latest round of negotiations in Geneva in August 2025. The failure to reach consensus was due to unresolved divisions on several fundamental elements of the treaty including whether measures should be binding or voluntary and whether to cap or reduce global plastic production. Negotiations are set to continue in 2026.

“**PACKAGING IS A SIGNATURE OF LUXURY – AN EXTENSION OF THE BRAND EXPERIENCE. AS REGULATIONS TIGHTEN, LUXURY BRANDS CAN LEAD THE WAY BY REIMAGINING PACKAGING WITH SUSTAINABLE MATERIALS, ELEGANT MINIMALISM AND INNOVATIVE REUSE MODELS. TRANSPARENT COMMUNICATION ABOUT PACKAGING CHOICES AND RECYCLING OPTIONS CAN FURTHER ELEVATE THE UNBOXING MOMENT, TURNING SUSTAINABILITY INTO A MARK OF DISTINCTION.**”



*Eva-Maria Ségur-Cabanac,
Partner, Baker McKenzie,
Vienna*

Read more:
[UK Plastic Packaging Tax \(PPT\) statistics background and references](#)

THE AMERICAS

In the **US**, state-level legislation is driving change. **California's Plastic Pollution Prevention and Packaging Producer Responsibility Act** requires producers of packaged goods to register with a producer responsibility organization, report packaging data and pay subsequent fees to fund packaging takeback and recycling activities. The state law will also require covered producers to meet reduction targets for single-use plastics. Non-compliance can result in a ban on selling products in the state starting in 2027. **California** has also adopted the **Responsible Textile Recovery Act**, which will require apparel and textile producers to join an EPR program by 2030 – an important consideration for luxury fashion brands.

Other states are following suit. **Oregon's Plastic Pollution and Recycling Modernization Act** and **Colorado's Producer Responsibility Program for Statewide Recycling Act** mandate that producers finance recycling systems for packaging materials. **Minnesota, Maine, Washington** and **Maryland** have adopted similar laws. These various state laws will impact luxury brands selling into these states, requiring registration, reporting, fee payment and redesign of packaging to meet recyclability standards.

Latin America is similarly tightening rules on plastics and packaging, creating a strong incentive for luxury brands to innovate in sustainable design. **Brazil's** landmark **Plastic Decree** introduces one of the most comprehensive frameworks in the region. It mandates reverse logistics systems for all plastic packaging, covering primary, secondary and tertiary packaging and sets progressive targets for recovery and recycled content starting at 22% in 2026 and rising to 40% by 2040. The decree also requires annual reporting and full traceability, prioritises partnerships with waste picker cooperatives and enforces strict auditing of recycled material flows.

Colombia mandates packaging waste management plans under **Resolution 1407/2018**, while Peru has introduced technical standards for plastic bags, including recycled content and a ban on vague green claims, tightening greenwashing controls. **Chile's Extended Producer Responsibility Act** and **Mexico's Circular Economy Law** also demand sustainable design and eco-labelling.

Read more:

[United States: Plastic and recyclability litigation – Best practices to minimize risk](#)

[United States: mplications of EPR Packaging Laws on Franchises | Insight | Baker McKenzie](#)

[Brazil: Plastic Packaging Receives Reverse Logistics Decree | Insight | Baker McKenzie](#)

[Brazil: Implications of the new plastics decree](#)

ASIA PACIFIC

In Asia Pacific, countries are stepping up efforts to reduce plastic waste. **Hong Kong**, **China** and **South Korea** have already banned certain single-use plastic products in the food and beverage sector, as well as the complimentary provision of disposable plastic toiletries in hotels and guestrooms. In December 2025, **Taiwan** announced an updated policy aiming for a 10% reduction in plastic use by 2035, which focused on, among others, plastic bags, beverage containers, as well as retail and online shopping packaging. This initiative builds on earlier regulations that already address the foregoing categories along with restrictions on hotel amenities, food containers and personal care or cosmetics products containing plastic microbeads.

Likewise, **Malaysia** imposes a monetary pollution charge on each plastic bag, with one state set to implement a full ban in March 2026. In the **Philippines**, major cities have banned the use of single-use plastic containers and there is proposed legislation seeking a national ban. **Indonesia** has also introduced regional restrictions on single-use plastics (particularly Bali) and products certified with an official eco-label are prioritised in government procurement under **Green Public Procurement (GPP)** policies.

Singapore will introduce its **Beverage Container Return Scheme (BCRS)** on 1 April 2026. After the six-month transition period, starting on 1 October 2026, only BCRS-regulated products bearing the requisite deposit mark will be allowed to be sold in the Singapore market.

On the eco-design front, **Japan** has introduced new design certification standards for four categories of plastic-containing products, including beverage Polyethylene Terephthalate (PET) bottles and household cosmetic containers, with enhanced environmental designs. These standards took effect on 24 January 2026 and products that receive certification will be eligible for promotion under **Japan's Green Purchasing Law**.

In **South Korea**, as of November 2025, the **Good Recycled (GR)** quality certification programme included 118 products in the waste plastic category, promoting the use of recycled plastic materials in manufacturing. Products that receive GR quality certification are designated as mandatory purchase items for public institutions under **South Korea's Act on Promotion of Purchase of Green Products** and benefit from incentives when contracting with certain government agencies.

In terms of mandatory packaging reporting, in **Singapore**, companies with an annual turnover exceeding a set threshold – e.g. SGD 10 million (approximately USD 7.8 million) in 2024 – are required to report their calendar year packaging data, together with 3R plans (Reduce, Reuse, Recycle) for implementation in the upcoming year.

Regarding producer responsibility, in **South Korea**, the EPR system covers various plastic products and packaging materials. Synthetic resin packaging used for food and beverage, cosmetics, pharmaceuticals and apparel, as well as single-use plastic bags, air-filled cushioning materials and food wrap films are subject to recycling obligations. In addition, **Malaysia** plans to introduce a voluntary EPR scheme in 2026, requiring producers to either document the recovery and recycling of their packaging or pay a Producer Responsibility Organisation (PRO) to remove such recyclables. This scheme is expected to become mandatory by 2030.

“**COMPLIANCE WITH THESE MEASURES WILL REQUIRE LUXURY BRANDS TO REASSESS SUPPLY CHAINS, INVEST IN SUSTAINABLE MATERIALS AND ADAPT PACKAGING STRATEGIES TO ALIGN WITH EVOLVING ENVIRONMENTAL REGIONAL AND INTERNATIONAL STANDARDS.**”



*Tiffany Conley,
Registered Foreign Lawyer,
Baker McKenzie, Hong Kong*

SPOTLIGHT: UNITED ARAB EMIRATES – CLIMATE AMBITION MEETS LUXURY

REGULATORY FRAMEWORK

The UAE is advancing its sustainability agenda through the **Climate Change Law** (Federal Decree 11/2024), which introduce obligations for greenhouse gas (GHG) monitoring, reporting and mitigation. These rules primarily apply to entities incorporated in the UAE and emitting over 500,000 metric tons of GHG annually (Scope 1 and Scope 2). Entities emitting less than 500,000 metric tons GHG in the UAE may voluntarily apply for registration in the National Register for Carbon Credits if they want to participate in the upcoming UAE carbon market.

While this threshold is far beyond the operational footprint of most luxury brands, the legislation signals a commitment by the UAE administration to climate policies and climate neutrality by 2050.

The UAE is also positioning itself as a regional leader in climate action, embedding sustainability into its long-term economic vision. At the heart of this approach is the **Just Transition Work Programme**, which aligns with the Paris Agreement's 1.5°C target and emphasises equity, resilience and inclusive growth at the heart of policy making. The programme advocates a whole-of-society strategy, ensuring participation from businesses, workers and communities and prioritising human rights, gender equality and decent work conditions.

Collectively, these developments provide legal and political certainty around the UAE's approach to climate policy and may encourage businesses to assess risks and opportunities associated with climate change in the UAE. They also send a clear signal that sustainability is becoming a defining feature of the UAE market.

“
**THE UAE IS POSITIONING ITSELF
AS A REGIONAL LEADER IN
CLIMATE ACTION, EMBEDDING
SUSTAINABILITY INTO ITS LONG-
TERM ECONOMIC VISION.**”



*[Gabrielle Galdino-Glaeser](#)
Baker McKenzie,
Associate, London*

WHAT LUXURY BRANDS NEED TO KNOW

- **Indirect impact is real:** Although heavy industrial obligations are unlikely to touch luxury retail, indirect pressures are expected. Large landlords, developers and partners subject to these rules may embed sustainability clauses into leases and procurement contracts, requiring brands to demonstrate ESG alignment and engage in active efforts to support the reduction of GHG emissions of their counterparts.
- **Voluntary advantage:** Voluntary registration in the UAE's **National Carbon Credit Registry (NRCC)** could provide a reputational advantage in the short and medium term and allows businesses to be favourably positioned to sell and purchase GHG emissions once such carbon market becomes operational.
- **Consumer expectations:** Following the trend in other regions, consumer expectations may shift toward climate-conscious luxury, reinforcing broader global trends around circular design, eco-friendly packaging and energy-efficient retail spaces.
- **Strategic alignment:** The UAE's **Just Transition Work Programme** emphasises equity, resilience and inclusive growth. Brands that integrate these principles into business strategy, including on workforce policies and community engagement, may have a legal and competitive edge.

Although heavy industrial obligations may not apply to luxury retail, the UAE's climate ambition is set to shape the market and consumer behaviour. Brands that embed sustainability into operations and communications, from store design to supply chain transparency, will future proof their presence in a market increasingly defined by climate-conscious luxury.

Read more:

[United Arab Emirates Federal Decree-Law on the Reduction of Climate Change Effects](#)

BIODIVERSITY, DEFORESTATION, SOIL & WATER

OVERVIEW

Biodiversity underpins healthy ecosystems, providing essential resources and regulating natural cycles that sustain life. Its loss threatens food security, climate stability and human well-being, making it a critical concern for businesses operating in resource-intensive sectors. Deforestation is one of the most significant drivers of biodiversity decline, often linked to the production of raw materials such as leather, timber, cocoa and palm oil.

Luxury brands are expected to understand and manage these impacts by mapping supply chains, assessing risks and adopting practices that protect forests and restore habitats. Beyond reducing harm, embracing nature-positive approaches, such as regenerative sourcing, helps to strengthen brand resilience, build trust and position the brand as leaders in safeguarding the planet's natural capital.



*Renata Amaral, Partner,
Trench Rossi Watanabe*,
São Paulo*

“LUXURY BRANDS ARE EXPECTED TO UNDERSTAND AND MANAGE THESE IMPACTS BY MAPPING SUPPLY CHAINS, ASSESSING RISKS AND ADOPTING PRACTICES SUCH AS TO PROTECT FORESTS AND RESTORE HABITATS.”

Read more:

[Positive Luxury's Biodiversity Report](#)



*Trench Rossi Watanabe (Brazil) and Baker McKenzie have executed a strategic cooperation agreement to consult on foreign law.



EUROPE AND THE UK

The **EU Deforestation-Free Supply Chains Regulation** establishes stringent requirements for companies placing or exporting commodities such as leather, rubber, cocoa and palm oil on the **EU** market. Affected businesses must conduct due diligence and provide geolocation data for production sites to confirm that commodities have not originated from land deforested after 31 December 2020. Compliance also requires adherence to local laws and respect for indigenous rights. Following the postponement of the Regulation's start-date in late 2025, large companies will now be required to meet these obligations by 30 December 2026, while small and micro enterprises have until June 2027.

Under recent simplifications introduced by the EU, downstream operators and traders are no longer required to submit due diligence statements (DDS), although the first downstream operator in the supply chain must collect and retain the reference number of the initial upstream DDS, and micro and small primary operators benefit from simplified reporting through a one-time declaration. Non-compliance can result in confiscation of goods and fines of up to 4% of EU-wide annual turnover.

The **UK's Environment Act** introduces biodiversity net gain requirements for planning permissions and underpins the **Forest Risk Commodities regime**, which will make it illegal for large businesses to use commodities linked to illegal land use. Secondary legislation is required to operationalise the **Forest Risk Commodities regime**. This is still pending, but brands should anticipate and prepare for annual due diligence reporting.

Additionally, the **EU Nature Restoration Law** aims to put measures in place to restore at least 20% of the EU's land and sea areas by 2030 and all ecosystems in need of restoration by 2050. It sets specific, legally binding targets and obligations for nature restoration in each of the listed ecosystems – from terrestrial to marine, freshwater and urban ecosystems.

Read more:

[European Council Revision on Deforestation Regulation](#)

THE AMERICAS

California's Nature-Based Climate

Solutions Act mandates targets for greenhouse gas removal through nature-based methods, such as reforestation and wetland restoration. This signals a growing trend toward integrating biodiversity into climate strategies. Luxury brands sourcing materials from regions affected by these laws should anticipate stricter requirements for transparency and sustainability. States in the US are also introducing pesticide restrictions, such as **California's** ban on neonicotinoids, which may impact agricultural supply chains for luxury goods.

Brands should also monitor PFAS bans in textiles, which are expanding across states including **Maine, Minnesota, Vermont** and **Rhode Island**. These “forever chemicals” are commonly used for water and stain resistance in luxury apparel, so reformulation strategies will be essential.

As US regulation moves toward mandatory producer responsibility and chemical restrictions, luxury brands should map packaging and textile supply chains now, engage with producer responsibility organizations early and prepare for reporting and compliance costs. Failure to act could mean losing access to key markets like California and Oregon.

In **Latin America**, biodiversity conservation is increasingly recognised as a critical component of ESG strategies given the region's unparalleled natural wealth and the growing pressures from economic development and climate change. In **Brazil**, national policies encourage the sustainable use of natural resources, with biodiversity protection embedded in both circular economy initiatives and climate action plans. These efforts are complemented by a range of public and private sector programmes aimed at restoring degraded ecosystems, promoting sustainable agriculture and integrating biodiversity considerations into business operations.

Across the region, there is a growing emphasis on the development of nature-based solutions, such as reforestation, habitat restoration and the conservation of critical ecosystems, which not only enhance biodiversity but also contribute to climate resilience and community well-being. The **Brazilian Biodiversity Law** regulates access to native species and traditional knowledge, adding another layer of compliance for brands sourcing unique materials.

Other countries in the region are also advancing. **Mexico's General Law on Ecological Balance and Environmental Protection** integrates biodiversity into circular economy strategies, while **Colombia's National Biodiversity Policy** and **Peru's** alignment with the **Global Biodiversity Framework** require restoration and restrict financing linked to deforestation. The luxury sector's reliance on rare ingredients, natural fibres and unique destinations makes biodiversity protection a business imperative in Latin America. Responsible sourcing, investment in ecosystem restoration and support for local communities not only safeguard supply chains but also enrich brand storytelling.

Read more:

[Brazil: Pantanal biome receives specific protection regulation](#)

“**LUXURY BRANDS SHOULD MAP PACKAGING AND TEXTILE SUPPLY CHAINS NOW, ENGAGE WITH PRODUCER RESPONSIBILITY ORGANISATIONS EARLY AND PREPARE FOR REPORTING AND COMPLIANCE COSTS.**”



*Jessica Wicha, Counsel,
Baker McKenzie, Chicago*

ASIA PACIFIC

Several jurisdictions, including **China, Japan, Malaysia, the Philippines** and **Singapore** have already implemented their own national policies or action plans aimed at preserving biodiversity. In February 2025, **Thailand** published its **National Biodiversity Action Plan 2023-2027**, introducing three core strategies: conserving biodiversity, promoting a bio-based economy and mainstreaming biodiversity across key sectors such as agriculture, forestry and tourism, encompassing industries including food and beverage, skincare and beauty products.

The **Australian** Parliament passed the **Environment Protection Reform Act** in November 2025, introducing significant changes to Australia's environmental regulatory framework. Key updates include the establishment of national environmental standards and bioregional plans, streamlined environmental impact assessment processes and a strengthened mechanism for offsets and restoration contributions.

SPOTLIGHT: IMPACT ON SMES

THE IMPACT OF SUSTAINABILITY AND ESG LEGISLATION ON SMALL AND MEDIUM- SIZED ENTERPRISES

Small and medium-sized enterprises (SMEs) might assume that major ESG legislation doesn't apply to them, but that's not the full picture. While directives like the **EU CSRD** and the **Corporate Sustainability Due Diligence Directive (CSDDD)** primarily target very large companies, SMEs often sit within their supply chains. This means that as information and compliance obligations can flow downstream, SMEs will be required to meet partner-imposed standards to keep business relationships strong.

Similarly, thresholds under other laws, such as the **UK Plastic Packaging Tax**, may exempt smaller operators for example those importing or manufacturing less than 10 tonnes of plastic packaging annually. Once that limit is exceeded, however, registration with the UK tax authority, HMRC, and quarterly reporting become mandatory. Staying informed helps avoid surprises and ensure smooth operations.

Why it matters for SMEs:

- **Indirect compliance pressure:** Larger partners will expect SMEs to align with ESG requirements to maintain supply chain integrity
- **Financial opportunity:** ESG alignment can unlock investment, attract talent and strengthen stakeholder trust
- **Future-proofing:** Building sustainability into your business model now positions you for growth and resilience

Key EU legislation impacting SMEs:

- Corporate Sustainability Reporting Directive (CSRD)
- Corporate Sustainability Due Diligence Directive (CSDDD)
- Packaging and Packaging Waste Directive (PPWD) and the Packaging and Packaging Waste Regulation (PPWR)
- Ecodesign for Sustainable Products Regulation
- Right to Repair Directive

Read more:

[Impact of EU legislation on SMEs](#)



GREEN CLAIMS

OVERVIEW

Across the luxury sector, regulators worldwide are tightening rules to combat greenwashing – the use of vague, misleading or unsubstantiated environmental claims. The key global themes are clear:

- **Truthfulness and clarity:** Sustainability claims must be accurate, transparent and avoid generic terms such as “eco-friendly” unless fully substantiated.
- **Evidence and verification:** Brands are expected to maintain credible, up-to-date evidence to support all environmental statements, including those relating to life-cycle impacts.
- **Accountability and enforcement:** Regulators now have broad powers to impose significant financial penalties, restrict product sales and pursue legal action for misleading claims.
- **Marketing integrity:** Sustainability labels and certifications must meet strict standards to prevent consumer deception.

“LUXURY BRANDS NEED TO ADOPT RIGOROUS COMPLIANCE PROCESSES, IMPLEMENT INTERNAL REVIEW SYSTEMS AND ENSURE MARKETING ALIGNS WITH GLOBAL BEST PRACTICES TO AVOID SEVERE FINANCIAL AND REPUTATIONAL RISKS.”



*Grace Tso, Partner,
Baker McKenzie,
Hong Kong*



For detailed guidance, practical steps and regional insights, [click here](#) to access the *Green Claims Guide*.



SPOTLIGHT: GREEN UP YOUR LEASE

Luxury brands should not overlook real estate. As a major contributor to a brand's environmental footprint, improving the sustainability and efficiency of retail space is an important part of a brand's sustainability strategy.

The **UK's Better Buildings Partnership** has introduced significant updates to its [Green Lease Toolkit](#), providing stakeholders and advisers with a more robust legal framework for drafting sustainability-focused provisions in commercial leases. The toolkit contains suggested legal clauses with detailed explanatory notes, at levels ranging from "light" to "dark" green depending on the level of commitment agreed upon by the parties across environmental action areas. This is a key opportunity for luxury brands to embed environmental commitments into property agreements.

Read more:

[Global Sustainable Buildings Guide, 3rd edition](#)

[United Kingdom: Green up your lease](#)

[Germany: Baker McKenzie and Savills survey shows increasing uptake of Green Leases](#)



A black and white photograph of a group of people, likely workers or community members, working on a sandy hillside. They are using various tools like shovels and pickaxes to dig or clear the sand. The scene is set against a backdrop of a steep, eroded sand dune. The overall tone is one of labor and community effort.

PART TWO: SOCIAL

HUMAN RIGHTS & FORCED LABOUR

OVERVIEW

Human rights and fair labour practices are central to responsible business operations and luxury brands face growing scrutiny to uphold these standards, including across their global supply chains. Recent legislative trends increasingly point toward mandatory due diligence and reporting obligations, with significant penalties for non-compliance. To meet these expectations, brands must strengthen supply chain transparency, establish effective grievance mechanisms and prepare for stricter enforcement.

Forced labour and modern slavery pose significant risks for luxury brands, whose reputation relies on craftsmanship, quality and ethical integrity. These risks are even higher where the brand has complex, multi-tiered supply chains with limited visibility.

To stay vigilant, luxury brands must maintain strong supply chain oversight – mapping suppliers, identifying high-risk regions and carrying out ongoing due diligence. Embedding clear obligations into supplier contracts and communicating expectations consistently are critical for accountability. Beyond mitigating risk, proactive compliance enhances brand reputation and builds investor confidence.

Read more:

[A Year of Workforce Transformation](#)
[Prioritizing Fairness](#)





EUROPE AND THE UK

The **EU** has taken the lead on addressing human rights and forced labour issues with the **CSRD** and **CSDDD**, which require companies to identify and address human rights risks and adverse impacts across their operations and value chains. From 14 December 2027, the **EU Forced Labour Regulation** will ban products made with forced labour from entering or leaving the EU market, applying to all sectors and every stage of production.

Additional compliance layers in Europe include **France's Duty of Vigilance**, **Germany's Supply Chain Due Diligence Act**, **Norway's Transparency Act** and **Switzerland's Ordinance on Due Diligence and Transparency**.

In the **UK**, the government is considering updating the **Modern Slavery Act**, including with the potential introduction of mandatory reporting topics and financial penalties for non-compliance. New guidance issued in 2025 sets a benchmark for best practice. Even though legal requirements remain unchanged, it is particularly relevant for luxury brands with complex global supply chains.

Brands should also prepare for scrutiny under the OECD's **Guidelines for Multinational Enterprises (MNEs)**, as complaints have surged by 400% in recent years, signalling increased activism and reputational risk (see more [here](#)).

Read more:

[UK Government Guidance on slavery and human trafficking in supply chains](#)

THE AMERICAS

The **US Uyghur Forced Labor Prevention Act (UFLPA)** presumes goods linked to the Xinjiang Uyghur Autonomous Region of the People's Republic of China are made with forced labour, requiring detailed documentation tracing the origin of all components, often within tight deadlines if shipments are detained. Enforcement now includes goods routed through third countries, such as Mexico or Canada. Cotton is a high-priority sector, making this critical for fashion brands.

Although it has been pending committee review for several years now, proposed legislation like the **Fashioning Accountability and Building Real Institutional Change (FABRIC) Act** seeks to improve garment worker conditions and hold brands accountable for wages in their supply chains. State-level laws, including **California's Garment Worker Protection Act** and **Transparency in Supply Chains Act**, reinforce accountability.

Meanwhile, in **New York**, the **Fashion Workers Act** introduces protections for creatives such as models, stylists and photographers, addressing exploitation and health and safety risks. Similarly, the **Retail Worker Safety Act** seeks to mitigate violence and enhance safety for retail employees. The relevant legislation in **Canada** is the **Fighting Against Forced Labour and Child Labour in Supply Chains Act**.

Addressing forced labour within supply chains has become a priority for **Latin American** policymakers, particularly in light of international commitments and the expectations of global markets. Legislation across the region has become increasingly aligned with international standards, requiring companies to monitor their suppliers and ensure compliance with labour laws. In the luxury sector, where supply chains are often complex and geographically dispersed, this entails the implementation of robust due diligence processes, supplier audits and transparent reporting mechanisms.

Recent regulatory advancements in **Brazil**, such as the **Interministerial Ordinance No.15/2024**, reinforce the obligation for employers to monitor and remediate human rights and labour violations throughout their value chains, extending responsibility to direct and indirect suppliers. Notably, the **São Paulo State Law No.14.946/2013**, recently upheld by the Brazilian Supreme Court, allows for the suspension of business licences for companies found to have benefited from forced labour, serving as a deterrent and encouraging proactive supply chain management. These measures reflect a growing regional commitment to transparency, accountability and the promotion of decent work.

Latin America's luxury supply chains span diverse geographies and labour contexts. With **Brazil** and other countries strengthening enforcement against forced labour, luxury brands must conduct rigorous due diligence and support supplier development. Ethical sourcing is not just a compliance issue, it's a core value for luxury clients and a differentiator in the region.

These developments signal a clear trend – regulators expect brands to take responsibility for labour practices across their entire value chain, not just their direct suppliers.

Read more:

[UFLPA Frequently Asked Questions](#)

[California Garment Worker Protection Act Frequently Asked Questions](#)

“
IT IS RECOMMENDED THAT BRANDS CONDUCT A HOLISTIC REVIEW OF SUPPLY CHAINS AND SHIPPING ROUTES, EMBED WAGE AND LABOUR COMPLIANCE CLAUSES IN CONTRACTS AND INVEST IN TECHNOLOGY FOR TRACEABILITY. BRANDS THAT FAIL TO ACT RISK NOT ONLY ENFORCEMENT BUT REPUTATIONAL DAMAGE IN A MARKET WHERE ETHICAL SOURCING IS BECOMING A BASELINE EXPECTATION.”



[Christine Streatfeild](#)
Partner, Baker McKenzie,
Washington DC

ASIA PACIFIC

Luxury brands in **Asia Pacific** face growing pressure to address forced labour risks as regional frameworks move from voluntary to mandatory. **Australia's Modern Slavery Act** already requires large entities to publish annual statements detailing steps taken to identify and mitigate modern slavery in operations and supply chains. A public consultation on the Act, which closed on 1 September 2025, sought views on a range of issues including introducing additional regulatory tools for enforcement.

In July 2025, **Thailand** drafted the **Act on the Promotion of Business Conduct**. If enacted, it will impose human rights and environmental due diligence obligations on certain large businesses operating within the country. In October 2025, the **Indonesian** Government also released a revised draft of the **Law No. 39 of 1999 on Human Rights**, introducing several provisions and amendments related to manpower rights, trade unions and gender-based workplace discrimination. The draft also proposes expanding accountability to corporate actors, with the final enactment pending.

Brands sourcing from Southeast Asia should further note regional initiatives under **ASEAN** to combat child labour, alongside **Japan's Human Rights Due Diligence Guidelines**, which set clear expectations for corporate accountability. The Due Diligence Guidelines were followed by the **Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains** issued in April 2023, delineating initiatives for human rights in a more concrete and practical manner.

The practical challenge lies in fragmented regulation across jurisdictions. While some countries mandate reporting, others rely on soft-law guidance aligned with ILO conventions. This creates a compliance gap that luxury brands must bridge proactively. Mapping suppliers beyond Tier 1 is critical, particularly in high-risk sectors such as textiles and leather. Embedding contractual obligations and grievance mechanisms, supported by technology to enhance traceability, will help brands meet emerging expectations and reduce reputational risk.

Luxury brands operating in **Asia Pacific** should develop a regional compliance playbook that consolidates obligations under the various jurisdictions. Engaging local suppliers with clear codes of conduct and training programmes and investing in digital tools to monitor compliance, will be key. Brands that act now will be better positioned as mandatory regimes expand across the region.

“
IN ASIA PACIFIC, FRAGMENTED RULES ARE NO EXCUSE FOR FRAGMENTED ACTION – LUXURY BRANDS THAT BUILD A REGIONAL COMPLIANCE PLAYBOOK, TRACE BEYOND TIER 1 AND EQUIP SUPPLIERS WITH CLEAR CODES OF CONDUCT AND DIGITAL TRACEABILITY TOOLS TODAY WILL BE BEST PLACED TO LEAD AS MANDATORY REGIMES SWEEP ACROSS THE REGION.”



*Andrew Sim, Partner,
Baker McKenzie,
Hong Kong*

SPOTLIGHT: OECD COMPLAINTS

WHY THEY MATTER FOR LUXURY BRANDS

The Organisation for Economic Co-operation and Development (OECD) has established a complaint procedure for breaches of the Multinational Entities (MNE) Guidelines, which set out recommendations for responsible business conduct across areas such as human rights, labour rights, environmental protection and consumer interests. Complaints, known as “Specific Instances,” can be filed against multinational companies and private equity owners, carrying significant reputational and legal consequences.

These complaints can be brought by a wide range of stakeholders, including affected individuals or communities, NGOs, trade unions and industry associations. Cases typically involve mediation through National Contact Points (NCPs), which are government bodies in OECD countries. Some multinational entities have faced allegations in multiple jurisdictions simultaneously, highlighting the global nature of these risks.

Complaints under the OECD Guidelines have sharply increased, with a 400% rise in recent years. For luxury brands, this means greater scrutiny of labour, environmental and governance practices across global operations and supply chains.

CHECKLIST: HOW TO REDUCE RISK OF OECD COMPLAINTS:

DO:

- ✓ Map and monitor supply chains for ESG compliance
- ✓ Implement robust due diligence processes for human rights and environmental risks
- ✓ Maintain clear documentation of ESG policies and actions
- ✓ Proactively engage with stakeholders to address concerns before they escalate
- ✓ Train internal teams to understand OECD guidelines.

DON'T:

- ✗ Ignore indirect risks through suppliers or business partners
- ✗ Assume voluntary commitments are enough; prepare for mandatory frameworks
- ✗ Delay response to complaints or fail to cooperate with NCP mediation
- ✗ Share incomplete or inconsistent data

Read more:

[Access to the OECD database of Specific Instances](#)



PART THREE:
GOVERNANCE

ESG DISCLOSURES & REPORTING

OVERVIEW

Transparent ESG reporting is now a defining feature of corporate responsibility. More than aspirational statements, stakeholders now expect clear, verifiable information on how businesses manage ESG impacts along with measurable targets and evidence of progress. For example, brands are increasingly expected to be able to provide detailed reporting on human rights performance, including how they identify, prevent and address forced labour and modern slavery risks within their supply chains.

This evolution transforms reporting from a compliance task into a strategic tool that builds trust and demonstrates accountability. Robust disclosures do more than satisfy regulators; they also unlock investment opportunities, enhance resilience and help companies manage ESG risks effectively. By providing credible data, businesses can strengthen their reputation, manage ESG risks more effectively and competitively position themselves in a sustainability-driven market.

The EU is leading the way in imposing transparency requirements on rating providers and setting rules for their conduct (see details in the section below). This approach signals a broader trend that is likely to be adopted by other jurisdictions.

EUROPE AND THE UK

Within the **EU**, disclosure frameworks, such as the **CSRD**, require companies to report detailed information on environmental and human rights impacts across their value chains. Companies must disclose information relating to their climate ambition as well as certain key performance indicators aligned with the **EU Taxonomy** for sustainable activities.

In addition, the **EU** has adopted a **Regulation on ESG Rating Activities**, introducing transparency requirements on rating providers and setting rules for their governance and conduct. This is significant because ESG ratings influence investor decisions and voluntary reporting approaches. In the **UK**, the Financial Conduct Authority (FCA) is strengthening expectations under its **Sustainability Disclosure Requirements (SDR)** and the Transition Plan Taskforce (TPT) has introduced a gold-standard framework for climate transition plans.

Luxury brands should monitor these developments closely, as ESG ratings will increasingly affect access to finance and market positioning.

THE AMERICAS

In the **US**, although the **Securities and Exchange Commission (SEC)** has adopted climate disclosure rules requiring companies to report climate-related risks, mitigation strategies and greenhouse gas emissions (Scope 1 and 2), these rules have been challenged in court, and the current SEC has declined to defend or enforce them.

California goes further with its **Climate Corporate Data Accountability Act** and **Climate-Related Financial Risk Act**, mandating emissions reporting (Scope 1-3) and financial risk disclosures by public and private companies doing business in the state that meet certain revenue thresholds. While the state is proceeding with implementing regulations, these laws are currently stayed pending litigation. Nevertheless, in the long term, these developments signal growing pressure for transparency and alignment with global standards.

ESG disclosure requirements are rapidly evolving across **Latin America**. In 2023, the **Brazilian** Securities and Exchange Commission (CVM) issued **Resolution 193/2023**, making Brazil the first country to formally adopt the ISSB standards for sustainability reporting. From 2026, listed companies are required to report sustainability and climate-related financial information in line with IFRS S1 and S2, with independent audit and electronic filing. This is reinforced by **CVM Resolutions 217, 218 and 219 (2024)**, which further clarify deadlines and mandatory requirements.

In **Chile**, the Financial Market Commission (CMF) introduced **Norma de Carácter General N° 461**, requiring listed companies to disclose ESG risks and opportunities, including climate-related information, in their annual reports. **Colombia's** Superintendencia Financiera has also updated its reporting framework, mandating climate risk disclosures for financial institutions. **Mexico** is advancing with voluntary ESG reporting aligned to GRI and SASB standards, while **Peru** and **Argentina** are developing new guidelines to harmonise sustainability disclosures with global best practice.

ASIA PACIFIC

Across the Asia Pacific region, disclosure requirements are accelerating. Under the Stock Exchange of **Hong Kong** Limited's **New Climate Requirements**, mandatory disclosure on Scope 1 and Scope 2 greenhouse gas emissions began for financial years commencing 1 January 2025. Australia's mandatory **Climate-Related Financial Disclosure (CRFD) Regime** for Group 1 Entities began for annual reporting periods from 1 January 2025. The Sustainability Standards Board of **Japan** issued its inaugural **Sustainability Disclosure Standards** requiring climate disclosures aligned with ISSB standards in March 2025, which was followed by amendments to the statutory obligation requiring companies over a certain market capitalisation to disclose sustainability related information starting in March 2027. Meanwhile, **Singapore** has also incorporated ISSB standards into its enhanced sustainability reporting regime under SGX rules for financial years commencing 1 January 2025.

The **China** Securities Regulatory Commission (CSRC) has introduced mandatory ESG disclosure rules applicable to A-share listed companies, with pilot implementation guidelines issued by the country's three main stock exchanges. In May 2025 in **Taiwan**, the Taiwan Stock Exchange (TWSE) and Taipei Exchange (TPEX) also amended the rules governing the preparation and filing of sustainability reports, expanding such obligations from certain industries to all listed companies. These reports must comply with the GRI standards and companies are encouraged to also refer to SASB standard.

Likewise, other jurisdictions, including **Malaysia**, the **Philippines** and **Thailand**, have introduced mandatory ESG reporting requirements for companies listed on their stock exchanges effective from 2025 (and large non-listed entities in the **Philippines**), requiring annual disclosure to be aligned with global standards such as ISSB and GRI. Meanwhile, **Indonesia's Sustainability Disclosure Standards**, which applies to publicly listed companies, are scheduled to take effect on 1 January 2027.

These initiatives reflect a regional trend toward harmonisation with global standards, creating a level playing field for luxury brands operating internationally. While non-listed entities may not be required to disclose ESG information in all jurisdictions, disclosure is recommended to attract investment, meet supply chain demands (especially for exporters) and stay ahead of potential future regulatory requirements.

“Luxury brands will continue to face challenges posed by the sustainability landscape which remains fragmented and is unlikely to stabilise in 2026. While we are finally getting clarity on reporting and disclosure frameworks moving ahead in some jurisdictions, there are many new regulations coming into play that add additional complexity to compliance for products and product claims.

Given the consumer-facing nature of luxury, it is important for a brand’s global narrative to be clear and consistent – even when expectations vary by market – because developing consumer trust is key to brand success. What that means is ensuring that the brand’s message is not only transparent but is substantiated by data and able to withstand scrutiny. As more reporting and disclosure becomes the norm, more data will be available on the market, so brands must take care that any claims they are making are aligned with the data being disclosed under regulatory frameworks.

For luxury, balancing differing global demands, protecting brand equity and avoiding litigation will remain a defining challenge in 2026.”



Alyssa Auberger
Global Sustainability Officer,
Baker McKenzie

SUPPLY CHAIN TRANSPARENCY

Global supply chains are highly complex, spanning multiple regions and involving numerous multiple tiers of suppliers. This complexity often obscures the origin of materials and components, creating significant risks around ethical sourcing, environmental impact and regulatory compliance.

For luxury brands, as transparency becomes a core expectation, and increasingly a legal requirement, achieving transparency this requires systems that trace products from source to final stage, active supplier engagement to ensure accurate data and clear standards embedded throughout the value chain.

In **Europe** and the **UK**, pressure is mounting. The **EU CSRD** and **CSDDD** demand mapping and detailed reporting on human rights and environmental impacts across the value chain, not just Tier 1 suppliers. Even businesses outside the direct scope will feel the ripple effect as larger partners push compliance obligations up and downstream.

The challenge lies in complexity. Multi-tiered supply chains make it difficult to verify the origin of raw materials and components, increasing the risk of ethical and regulatory breaches. To stay ahead, brands may consider implementing systems that trace products and components from source to store, supported by verifiable data. This means engaging suppliers early, embedding contractual obligations and leveraging technology such as DPPs and blockchain for real-time traceability.



In **Latin America**, regional regulations require robust traceability for raw materials, especially those linked to biodiversity and deforestation risks. Luxury brands must now map their supply chains beyond Tier 1 suppliers, ensuring visibility into sourcing, production and logistics. This includes verifying the origin of leather, exotic fibres and packaging and documenting compliance with environmental and labour standards. Failure to provide transparent data can result in market exclusion, legal challenges and reputational damage.

Read more:

[CSDDD Explainer Series: What Does it Mean for Businesses?](#)

SPOTLIGHT: AI AND SUSTAINABILITY: BALANCING INNOVATION WITH IMPACT

Artificial Intelligence, including Generative AI, is transforming the luxury sector by driving efficiency, innovation and solutions to complex challenges such as climate change and supply chain transparency. However, these benefits come with a cost: developing and deploying AI systems require significant computational power, which increases energy consumption and carbon emissions. Data centres are major contributors to this footprint, creating a tension where AI can both advance and undermine sustainability goals.

To resolve this, brands must balance technological progress with environmental responsibility. This includes investing in energy-efficient technologies and integrating renewable energy sources into AI infrastructure. Managing this balance is critical to ensure that AI becomes a tool for sustainability rather than a source of additional impact.



FINANCING THE TRANSITION

OVERVIEW

Transition finance is emerging as a critical enabler for businesses moving toward net-zero. Rather than funding only “green” activities, it supports companies in high-impact sectors as they decarbonise. Luxury brands with credible transition plans will increasingly access tailored financing at lower costs, while those without may face higher costs or restricted access to capital.

Green bonds offer an additional opportunity for brands to reinforce their commitment to environmental responsibility while unlocking capital for projects that deliver tangible benefits. Adopting recognised standards for green bonds, including rigorous reporting and verification requirements, builds trust with stakeholders and is increasingly viewed as a benchmark for transparency and credibility in the market.

Investor expectations are also evolving. Stakeholders now demand detailed disclosures on transition strategies, targets and progress and are highly alert to the risk of greenwashing. Brands that rely on vague commitments or fail to provide verifiable data face reputational damage and restricted access to financing. Conversely, those that embed sustainability into financial decision-making and demonstrate accountability through robust reporting will not only attract investment but also strengthen their competitive advantage in a market where sustainability drives value.

EUROPE AND THE UK

In **Europe**, transition finance is underpinned by disclosure obligations and taxonomies that define sustainable economic activities. The **EU Green Bond Standard (EUGBS)** sets a high bar for transparency and environmental ambition, creating opportunities for brands to fund decarbonisation projects.

In the **UK**, the Transition Plan Taskforce (TPT) has introduced a disclosure framework for climate transition plans and the FCA SDR includes a “Sustainability Improvers” label for funds targeting companies on a transition pathway, reinforcing the need for robust transition plans.

THE AMERICAS

In the **US**, transition finance is shaped by investor expectations and regulatory scrutiny. The **SEC** climate disclosure rules (the future of which is unclear – see above) and **California’s Voluntary Carbon Market Disclosures Act** require companies making net-zero claims to substantiate them, reducing greenwashing risks. Luxury brands with credible transition strategies will gain preferential access to sustainability-linked loans and investment products. Notwithstanding their general approach to sustainability, the SEC recently approved the creation of a Green Impact Exchange (GIX) which will begin operation later in 2026 as the first US stock exchange focused on recognising and supporting sustainability performance and investment.

Financing the transition to a sustainable economy is advancing rapidly in **Latin America**. **Brazil’s** Central Bank now requires the classification of sustainable bonds in external credit and asset declarations and the country’s new sustainable taxonomy will guide future financial regulation and investment. **Chile** and **Colombia** have launched green taxonomies and frameworks, supporting the issuance of sovereign and corporate green bonds. **Mexico’s** stock exchange has also expanded guidelines for sustainable bonds. Across the region, integrating ESG criteria is now essential for attracting capital and supporting climate and social goals.

Brazil is setting a new benchmark for sustainable finance in **Latin America**. The recent launch of the country’s official sustainable taxonomy provides clear criteria for what qualifies as a sustainable economic activity, guiding both investors and companies in aligning with global best practices. At the same time, the CVM has unveiled its **Action Plan for Sustainable Finance 2025–2026**, featuring 14 strategic initiatives. These include the adoption of advanced technological tools for supervision, enhanced training on international reporting standards (such as IFRS S1 and S2) and comprehensive assessments of market maturity. For luxury brands and other market participants, these developments mean greater transparency, more robust regulatory expectations and a clear pathway for integrating sustainability into investment and business decisions.

Read more:

[CVM on financial information disclosure related to sustainability](#)

[CVM resolutions on disclosure of sustainability and climate information](#)

[Brazil approves sustainable taxonomy](#)

ASIA PACIFIC

For **China**, the **Guiding Opinions on Further Strengthening Financial Support for Green, Low-Carbon Development** was issued in March 2024 and the **White Paper on Transition Bonds in China** was published in May 2025, calling for the acceleration of the development of transition finance standards and defining key elements, including the catalogue of transition activities and disclosure requirements.

Meanwhile, **Japan** published the Basic Guidelines on **Climate Transition Finance** in March 2025 and revised the **Climate Transition Bond Framework** in June 2025, detailing transition bond criteria and disclosures and supporting sovereign transition bond issuances.

In January 2025, **Singapore** updated its **Singapore Green Bond Framework** to align it with the latest international sustainable finance guidelines and best practices such as the **Singapore-Asia Taxonomy for Sustainable Finance and International Capital Markets Association Green Bond Principles 2021**. **Australia** has also recently concluded public consultation on its prospective climate-related transition planning guidance for organisations.

Likewise, in 2024 the **Taiwanese** government approved a TWD 10 billion **Green Growth Fund** to be invested in net-zero and sustainable emerging industries and published its operating guidance in 2025 to facilitate the development of domestic net-zero emerging industries and create relevant job opportunities.



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GLOSSARY OF LEGISLATION AND KEY ESG TERMS

This section provides clear definitions of essential ESG terms and legislation referenced throughout the Guide.

- ASEAN Regional Initiatives Against Child Labour
- Australia: Climate-Related Financial Disclosure (CRFD) Regime
- Australia: Design for Kerbside Recyclability Grading Framework
- Australia: Environment Protection Reform Act 2025
- Australia: Modern Slavery Act 2018
- Brazil: “Plastic Decree” (Decree No. 12,688/2025),
- Brazil: Action Plan for Sustainable Finance 2025–2026
- Brazil: Biodiversity Law
- Brazil: Interministerial Ordinance No. 15/2024
- Brazil: National Circular Economy Plan (2025)
- Brazil: REDD+: A critical UNFCCC-aligned framework designed to combat climate change by reducing emissions from deforestation and forest degradation in the Amazon and other biomes.
- Brazil: Resolution 193/2023
- California: Climate Corporate Data Accountability Act (SB 253)
- California: Climate-Related Financial Risk Act (SB 261)
- California: Garment Worker Protection Act (SB 62)
- California: Nature-Based Climate Solutions Act (AB 1757)
- California: Plastic Pollution Prevention and Packaging Producer Responsibility Act (SB 54, 2022)
- California: Responsible Textile Recovery Act (SB 707, 2024)
- California: Transparency in Supply Chains Act
- California: Voluntary Carbon Market Disclosures Act
- Canada: Fighting Against Forced Labour and Child Labour in Supply Chains Act
- Chile: Extended Producer Responsibility Act
- Chile: NCG461: Norma de Carácter General N° 461, issued by the Comisión para el Mercado Financiero (CMF)
- China: Guiding Opinions on Further Strengthening Financial Support for Green, Low-Carbon Development
- China: Guiding Opinions on Further Strengthening Financial Support for Green, Low-Carbon Development
- China: White Paper on Actions for Carbon Peaking and Carbon Neutrality
- China: White Paper on Transition Bonds in China
- Colombia: National Biodiversity Policy
- Colombia: National Climate Strategy
- Colombia: Resolution 1407/2018
- Colorado Producer Responsibility Program for Statewide Recycling Act (2022)
- DPP: Digital Product Passport; a mandatory digital record that stores key traceability data about a product’s entire life cycle
- EPR: Extended Producer Responsibility; a policy approach making producers financially and operationally responsible for the collection, recycling and disposal of products, including packaging and textiles
- ESG: Environmental, Social and Governance
- EU Batteries Regulation
- EU Biodiversity Strategy 2030
- EU Circular Economy Action Plan (2020)
- EU CSDDD: Corporate Sustainability Due Diligence Directive
- EU CSRD: Corporate Sustainability Reporting Directive
- EU Deforestation Regulation
- EU Ecodesign for Sustainable Products Regulation
- EU Ecodesign for Sustainable Products Regulation
- EU Forced Labour Regulation
- EU Green Bond Standard
- EU Green Claims Directive
- EU Green Deal (2019) – EU-wide strategy to achieve carbon neutrality by 2050, embedding circularity and sustainability into all sectors
- EU Nature Restoration Law – Regulation (EU) 2024/1991 on nature restoration and amending Regulation (EU) 2022/869
- EU Packaging and Packaging Waste Regulation
- EU Regulation on ESG Rating Activities – Regulation (EU) 2024/3005 of the European Parliament and of the Council of 27 November 2024 on the transparency and integrity of Environmental, Social and Governance rating activities and amending Regulations (EU) 2019/2088 and (EU) 2023/2859
- EU Right to Repair Directive – Directive on Common Rules Promoting the Repair of Goods
- EU Single Use Plastic Directive
- EU Soil Strategy for 2030
- EU Strategy for Sustainable and Circular Textiles (2022) – Framework for sustainable textile production and consumption.
- EU Taxonomy: A classification system defining which economic activities are environmentally sustainable, guiding investment decisions and supporting compliance with EU sustainability reporting requirements.
- Fashion Sustainability and Social Accountability Acts (US State-Level)
- France: Duty of Vigilance
- France: Fast Fashion Act
- German Supply Chain Due Diligence Act
- GRI standards: Global Reporting Initiative (Standards)
- Hong Kong: New Climate Requirements
- ILO: International Labour Organization
- Indonesia: Climate Change Law
- Indonesia: Law No. 39 of 1999 on Human Rights
- Indonesia: Sustainability Disclosure Standards
- ISSB (International Sustainability Standards Board) – A global standard-setting body that develops sustainability disclosure standards to provide a consistent baseline for ESG reporting worldwide.
- Japan: Basic Guidelines on Climate Transition Finance
- Japan: Climate Transition Bond Framework
- Japan: Good Recycled (GR) quality certification program
- Japan: Green Purchasing Law
- Japan: Human Rights Due Diligence Guidelines
- Japan: Reference Material on Practical Approaches for Business Enterprises to Respect Human Rights in Responsible Supply Chains
- Japan: Sustainability Disclosure Standards
- Kunming-Montreal Global Biodiversity Framework Commitments
- Maine Extended Producer Responsibility Program (LD 1541, 2021)
- Malaysia: Green Public Procurement (GPP) policies
- Malaysia: National Adaptation Plan
- Malaysia: National Climate Change Bill
- Malaysia: National Climate Change Policy
- Mexico: Circular Economy Law
- Mexico: General Law on Ecological Balance and Environmental Protection
- New York: Fashion Workers Act
- New York: Retail Worker Safety Act
- Norway: Transparency Act
- OECD Guidelines for Multinational Enterprises
- Oregon Plastic Pollution and Recycling Modernization Act (SB 582, 2022)
- PET: Polyethylene Terephthalate
- PFAS: Per- and polyfluoroalkyl substances in apparel and outdoor gear
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) – An EU regulation designed to protect human health and the environment from chemical risks. Recent amendments restrict intentionally added microplastics in products such as cosmetics and textiles, with phased compliance periods.
- São Paulo State Law No. 14.946/2013
- Singapore: Beverage Container Return Scheme
- Singapore: Green Bond Framework
- Singapore: Singapore-Asia Taxonomy for Sustainable Finance and International Capital Markets Association Green Bond Principles 2021
- South Korea: Act on Promotion of Purchase of Green Products
- South Korea: Act on the Promotion of a Transition to a Circular Economy Society
- South Korea: Enforcement Decree of the Resources Recycling Act
- South Korea: Resources Recycling Act
- Switzerland: Ordinance on Due Diligence and Transparency
- Taskforce on Nature-related Financial Disclosures (TNFD)
- Thailand: Act on the Promotion of Business Conduct
- Thailand: Climate Change Act
- Thailand: National Biodiversity Action Plan 2023-2027
- UAE: Federal Decree-Law No. 11 of 2024 on the Reduction of Climate Change Effects
- UAE: NRCC - the UAE’s National Carbon Credit Registry
- UK: Environment Act, 2021
- UK: Green Lease Toolkit (Updated 2024): Legal framework for sustainability clauses in commercial leases.
- UK: Modern Slavery Act 2015
- UK: Plastic Packaging Tax (2022): Tax on plastic packaging with less than 30% recycled content; GBP 223.69 per metric tonne as of April 2025
- UK: Sustainability Disclosure Requirements (SDR)
- UN Global Plastic Treaty
- US FABRIC Act: Fashioning Accountability and Building Real Institutional Change Act
- US SEC Climate Disclosure Rules
- US Uyghur Forced Labor Prevention Act (UFLPA)

ABOUT BAKER MCKENZIE

Baker McKenzie empowers clients to compete in the global economy. We provide comprehensive and practical legal advice that cuts through complexity with clear, actionable guidance. Our people represent diverse cultures and jurisdictions, combining local know-how with international expertise to ensure your business thrives across borders.

Within the Consumer Goods & Retail (CG&R) sector, we draw on our experience advising some of the world's most recognised luxury brands, highstreet retailers, food and beverage companies and international hospitality groups to support you across the full business lifecycle. We're here to help you anticipate emerging risks and respond to disruption as you innovate, grow and transform.

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ABOUT POSITIVE LUXURY

Positive Luxury are the sustainability experts for the luxury industry, empowering businesses with impactful solutions and proof that powers stronger operations, increases appeal to today's luxury consumers, and drives commercial growth. From ESG+ assessment, Butterfly Mark certification and Good Supplier vetting, to carbon accounting, consultancy and communications, our team of experts help companies meet higher and higher standards for people, nature and business. We support to over 150 global brands, retailers and suppliers across beauty, fashion and jewellery to premium drinks, interiors and travel.

We help:

- ☒ Fast-track sustainability
- ☒ Prepare for legislation and reporting
- ☒ Build trust and consumer appeal through credible communications
- ☒ Future-proof your business

Want to find out more? Contact us at hello@positiveluxury.com

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