



Corporate Sustainability Overview | 2026

C25 companies on Nasdaq Copenhagen

September 2026

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Contents

Introduction	p. 4
Corporate Sustainability – Legal Landscape and Key Trends	p. 7
Sustainability and Corporate Governance	p. 10
Soft Law Standards and Guidelines	p. 17
What’s Next?	p. 25

Data collection, analysis and terminology – methodology and disclaimer

This Corporate Sustainability Overview (the ‘Overview’) is based on publicly available information found in the OMXC25 companies’ publications, e.g. annual reports, notices to convene AGMs, etc. for the financial year 2025. Such information has not been independently verified. Direct comparison of the Companies is, at times, not possible due to differences in terminology, focus and structure. Percentages in the Overview have been rounded to whole numbers. The Overview uses the following abbreviations: BoD: Board of Directors; ExMa: Executive Management. This Overview uses the term ‘corporate sustainability’ to cover a broad range of legal and commercial considerations which also include the terms ESG (Environmental, Social and Governance) and CSR (Corporate Social Responsibility). This Overview is not exhaustive, is not intended to provide legal advice and cannot be relied upon for any purpose.

Introduction

In this Corporate Sustainability Overview, we provide our annual update and introduction to key trends related to corporate sustainability, offering examples and statistics from Danish OMXC25 companies (the ‘Companies’) for the financial year 2025.

REGULATORY BACKDROP

Adopted on 24 February 2026 and in force from 18 March, the Omnibus I Directive narrowed CSRD/CSDDD scope, postponed CSDDD due diligence to 26 July 2029, removed the harmonised EU civil-liability regime and reduced the maximum fine to 3% of worldwide turnover.

The Stop-the-Clock Directive separately delayed second-wave CSRD reporting by two years, while simplification proposals reached SFDR in H1 2026.

Taken together, the measures signal a shift from expanding sustainability legislation, and in particular reporting obligations, towards a more focused approach with narrower reporting requirements applying to fewer companies.

At the same time, European companies are facing several new topical sustainability related legislative frameworks, including the European Deforestation Regulation (EUDR) and the European Forced Labour Regulation (EUFLR) as well as the new rules on packaging and packaging waste in the Packaging and Packaging Waste Regulation (PPWR) and product design requirements set out in i.a. the Ecodesign Regulation and the Right to Repair Directive.

HUMAN RIGHTS - AGAINST THE TIDE

Against that simplifying backdrop, human rights – and human rights due diligence frameworks – seem to be drawing greater focus. In 2025, *all* 24 Companies reported adherence to both the UN Guiding Principles and the OECD Guidelines—up from 87% and 74%, respectively, and a new benchmark shows that 83% of the Companies report to have a human rights policy, although approaches range from standalone commitments to sections embedded in wider sustainability or conduct policies.

In our view, this apparent momentum related to human rights and responsible business conduct plausibly reflects

- i) reporting requirements under the CSRD, where materiality assessments have identified human rights as a matter of impact, risk, or opportunity, as well as
- ii) positioning ahead of CSDDD’s human-rights due-diligence duties (even after their deferral to 2029) and the wider EU direction on responsible supply chains and forced labour, including import restrictions on goods made with forced labour pursuant to the EUFLR.

The governance picture is therefore one of concentration, rather than retreat: Dedicated sustainability bodies fell from 65% to 54%, while all 24 Companies (100%) specifically highlighted sustainability qualifications among board candidates presented during the 2026 AGM season, up from 91% in 2025. Together, this suggests that Companies are proactively building sustainability competence and governance capacity ahead of additional binding requirements, even as dedicated structures and reporting obligations are scaled back.

FY2025 • 24 BENCHMARKED COMPANIES • AT A GLANCE

100% adherence to UN Guiding Principles & OECD Guidelines up from 87% / 74% in 2024	83% of Companies have adopted a human rights policy new benchmark	100% of Companies highlighted sustainability qualifications among board candidates up from 91% in 2025	54% of Companies retain a dedicated sustainability body down from 65% in 2024
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We hope you will find useful information and inspiration in this year's sustainability overview.

Copenhagen, September 2026

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Companies in the benchmark analysis

OMXC25 companies included in the analysis for the financial year 2025 ¹		OMXC25 companies included in the analysis for the financial year 2024		OMXC25 companies included in the analysis for the financial year 2023	
A.P. Møller - Mærsk A/S	ISS A/S	A.P. Møller - Mærsk A/S	NKT A/S	A.P. Møller - Mærsk A/S	NKT A/S
AL Sydbank A/S (New)	Jyske Bank A/S	Ambu A/S	Novo Nordisk A/S	Ambu A/S	Novo Nordisk A/S
Ambu A/S	NKT A/S	Bavarian Nordic A/S	Novonesis Plant Biosolutions A/S	Bavarian Nordic A/S	Novonesis Plant Biosolutions A/S
Bavarian Nordic A/S	Novo Nordisk A/S	Carlsberg A/S	Pandora A/S	Carlsberg A/S	Pandora A/S
Carlsberg A/S	Novonesis Plant Biosolutions A/S	Coloplast A/S	Rockwool International A/S	Coloplast A/S	Rockwool International A/S
Coloplast A/S	Pandora A/S	Danske Bank A/S	Royal Unibrew A/S	Danske Bank A/S	Royal Unibrew A/S
Danske Bank A/S	Rockwool International A/S	Demant A/S	Sydbank A/S	Demant A/S	Tryg A/S
Demant A/S	Royal Unibrew A/S	DSV A/S	Tryg A/S	DSV A/S	Vestas Wind Systems A/S
DSV A/S	Tryg A/S	Genmab A/S	Vestas Wind Systems A/S	Genmab A/S	Zealand Pharma A/S
FLSmidth & Co. A/S (New)	Vestas Wind Systems A/S	GN Store Nord A/S	Zealand Pharma A/S	GN Store Nord A/S	Ørsted A/S
Genmab A/S	Zealand Pharma A/S	ISS A/S	Ørsted A/S	ISS A/S	
GN Store Nord A/S	Ørsted A/S	Jyske Bank A/S		Jyske Bank A/S	

1) For purposes of the calculations in this Overview in respect of the OMXC25, 24 Companies are included. A.P. Møller - Mærsk A/S is counted once, despite having two listed share classes. Following the merger between Novozymes A/S and Chr. Hansen Holding A/S in June 2024, a vacancy arose in the OMXC25 index, which was filled by Torm Plc. As Torm Plc is subject to English law, it was not included in the 2023 Sustainability Overview, which comprised 22 companies. In December 2024, Torm Plc was replaced by Sydbank A/S, which brought the total to 23 companies. Nordea Bank Abp was likewise excluded from both the 2023 and 2024 Sustainability Overviews as it is subject to Finnish law. In December 2025, Nordea Bank Abp was replaced by FLSmidth & Co. A/S. As a result, this year’s analysis includes 24 companies, compared to 23 companies last year and therefore some statistics may appear to show an increase, even though this is merely due to the inclusion of one additional company, rather than an actual change. Finally, Ambu A/S and Coloplast A/S do not use the calendar year as their financial year, which is why the basis of information for those companies is the financial year 2024/2025.

Benchmark tables and statistics

	Page
Corporate Sustainability – Legal Landscape and Key Trends	7
Sustainability governance and reporting landscape – key focus points	8
Key sustainability governance and reporting trends	9
Sustainability and Corporate Governance	10
Corporate sustainability bodies and separate, dedicated sustainability committees	11
Board committees dedicated to ESG and sustainability	12
Companies with a sustainability-related element in their articles of association	13
Sustainability-related proposals at the annual general meeting	14
Sustainability competencies included in the presentation of candidates to the Board of Directors	15
Sustainability KPIs	16
Soft Law Standards and Guidelines	17
The United Nations Sustainable Development Goals	18
Number of Companies focusing on each SDG	19
Number of SDGs focused on by each Company	20
Number of Companies that are participants of the UN Global Compact	21
Number of Companies that report adhering to the UN Guiding Principles on Business and Human Rights	22
Number of Companies that report adhering to the OECD Guidelines for Multinational Enterprises	23
Number of Companies that have adopted a human rights policy	24
What’s Next?	25
Supply chains under the spotlight	26
Revision of the Sustainable Finance Disclosure Regulation (‘SFDR’)	27

Corporate Sustainability – Legal Landscape and Key Trends

Sustainability governance and reporting landscape – key focus points

Omnibus I Directive: Simplification of sustainability legislation

In February 2025, the European Commission presented the first Omnibus simplification package, proposing amendments to the Corporate Sustainability Reporting Directive (the 'CSRD'), the Corporate Sustainability Due Diligence Directive (the 'CSDDD'), the Taxonomy Regulation and the Carbon Border Adjustment Mechanism (the 'CBAM') to reduce sustainability-related burdens on EU companies.

On 24 February 2026, the substantive amendments to the CSRD and the CSDDD were adopted as the Omnibus I Directive and entered into force on 18 March 2026. The adoption marks a significant shift in the EU sustainability regime, narrowing the scope and simplifying the rules to reduce the administrative and financial burdens on companies in connection with reporting under the CSRD and due diligence under the CSDDD.

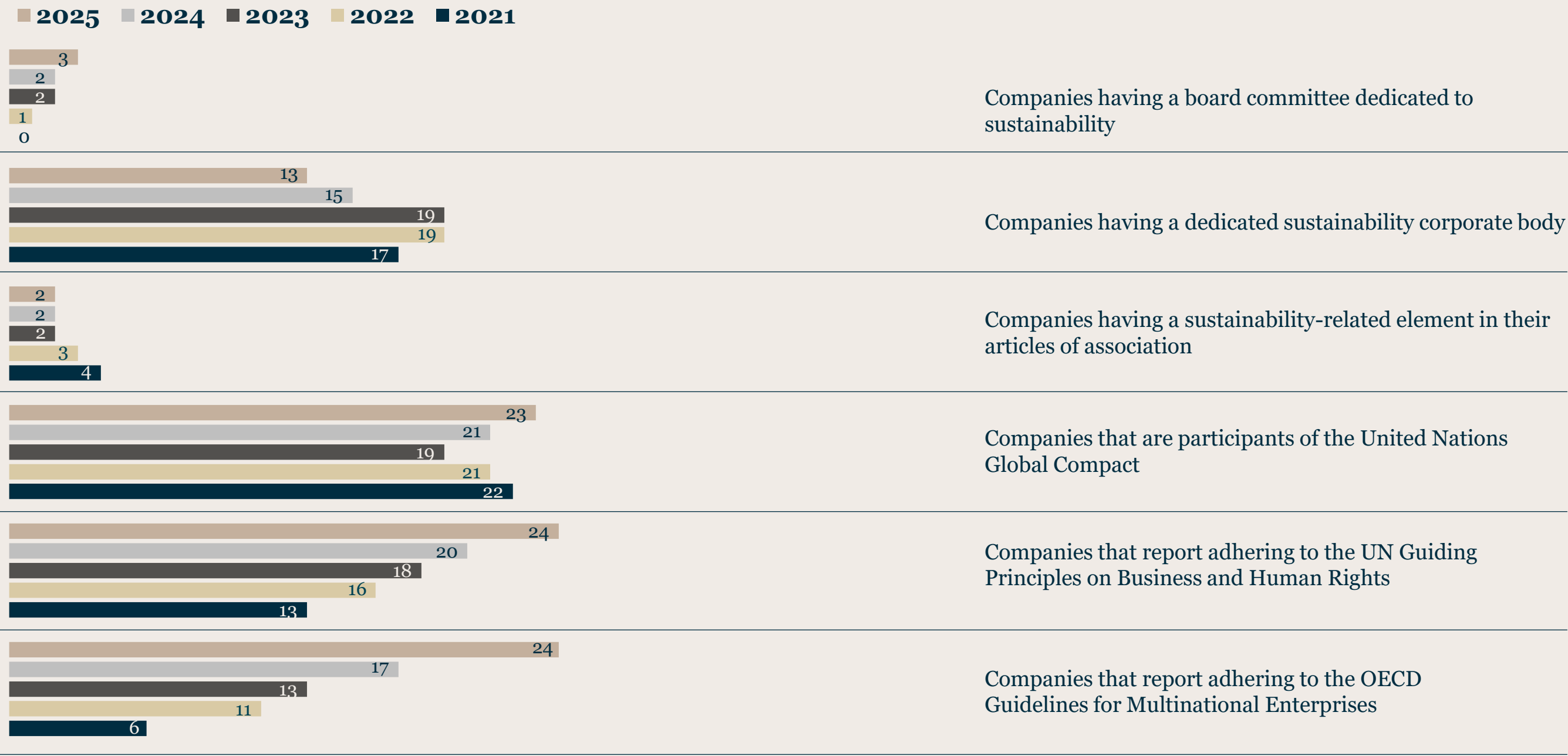
Key changes to the CSRD

- The scope has been narrowed. The reporting requirements now apply to: (i) EU companies with at least 1,000 employees and a net turnover exceeding EUR 450 million (replacing the previous "2-out-of-3" test based on balance sheet total, turnover and employee count); and (ii) non-EU parent organisations exceeding EUR 450 million in net turnover in the EU, provided they have an EU subsidiary or EU branch with net turnover exceeding EUR 200 million.
- The sector-specific reporting standards have been deleted.
- To limit the 'trickle-down effect', a value chain cap has been introduced, prohibiting CSRD companies from requiring value chain companies with 1,000 or fewer employees to provide more sustainability information than set out in the Commission's voluntary reporting standard.

Key changes to the CSDDD

- The scope has been narrowed and now includes: (i) EU companies with at least 5,000 employees and EUR 1.5 billion in net worldwide turnover; (ii) non-EU companies with EUR 1.5 billion in net EU turnover; and (iii) EU and non-EU companies that have entered into franchising or licensing agreements in the EU in return for royalties, where those royalties exceeded EUR 75 million and the company's (or group's) net worldwide turnover exceeded EUR 275 million.
- Application of the due diligence requirements has been postponed to 26 July 2029.
- The harmonised EU regime for civil liability has been removed. Liability is now governed by national law.
- Maximum fines have been capped at 3% of net worldwide turnover (reduced from 5%).

Key sustainability governance and reporting trends²



2) Due to the inclusion of FLSmidth & Co. A/S, there is one additional company in our calculations compared to last year. In last year’s analysis, 23 companies were included, and in this year's analysis, 24 companies are included. As a result, some of the statistics show an increase compared to last year, which does not necessarily reflect an actual increase.

Sustainability and Corporate Governance

Corporate sustainability bodies and separate, dedicated sustainability committees

In 2025, the number of Companies with a **separate, dedicated sustainability committee** as part of the Board of Directors was 3 (13%), which is an increase compared to 2024.³

The number of Companies with an established **separate sustainability body that reports directly to the ExMa or BoD** decreased from 15 (65%) in the financial year 2024 to 13 (54%) in 2025.

Note that a number of Companies include ESG and sustainability matters within their audit committees.

CSRD impacts governance structures and trends

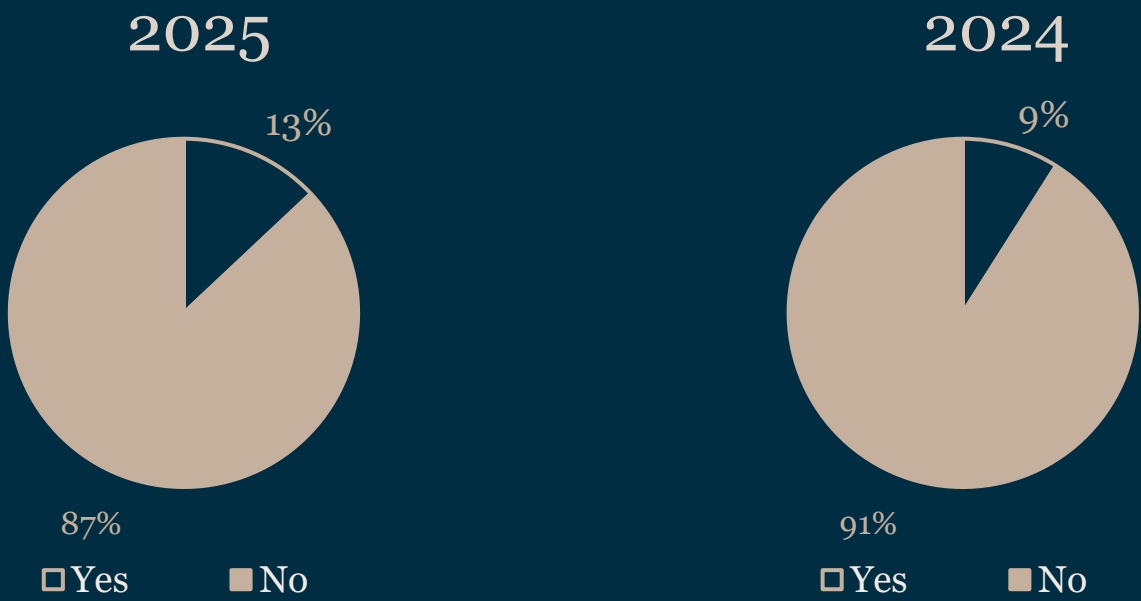
According to the CSRD:

‘Member States may allow the tasks assigned to the audit committee in relation to sustainability reporting and in relation to the sustainability reporting assurance function to be carried out by the administrative or supervisory body as a whole or by a specialized body set up by the administrative or supervisory body.’

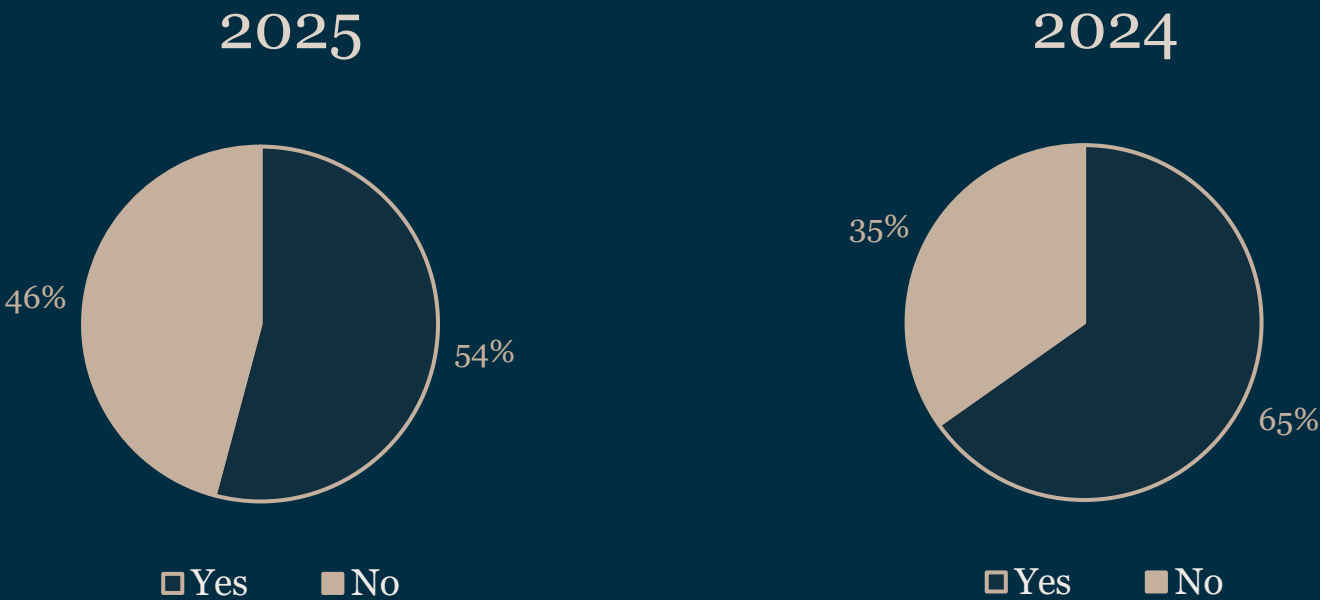
Thereby, the CSRD emphasises that sustainability reporting can be handled by the Board of Directors as a whole or by a separate, dedicated body established by the Board of Directors.

3) In connection to the merger between Sydbank, Arbejdernes Landsbank, and Vestjysk Bank a separate Sustainability Board Committee was established in AL Sydbank.

Separate, dedicated sustainability BoD committee



Corporate sustainability body



Board committees dedicated to ESG and sustainability

Company	Separate, dedicated sustainability committee as part of the board of directors
AMBU	No
AL Sydbank	Yes, an ‘ESG Committee’. The committee was established in connection with the merger, and the role of the ESG Committee will be determined during 2026.
A.P. Møller-Mærsk	Yes, an ‘Energy Transition Committee’. ⁴ The committee supports the development of the company’s strategic direction on energy transition-related matter including their net-zero ambition.
Bavarian Nordic	No
Carlsberg	No
Coloplast	No
Danske Bank	No ⁵
Demant	No
DSV	No
FLSmidth & Co.	No
Genmab	No
GN Store Nord	No
ISS	No
Jyske Bank	No
NKT	Yes, an ‘ESG Committee’. The committee provides strategic oversight of the company’s Environmental, Social, and Governance (ESG) initiatives.
Novo Nordisk	No
Novonesis	No
Pandora	No
Rockwool	No
Royal Unibrew	No
Tryg	No
Vestas Wind Systems	No
Zealand Pharma	No
Ørsted	No

4) According to the Annual Report 2025, the previous ‘ESG Committee’ was replaced by an ‘Energy Transition Committee’ in relation to the company’s Net Zero objective.

5) Danske Bank had a Conduct & Compliance Committee related to conduct and reputational risk, compliance and financial crime, whistleblowing cases, and other matters related thereto, which was discontinued with effect from 31 December 2025. Instead, Danske Bank has established a Risk and Compliance Committee effective as of 1 January 2026.

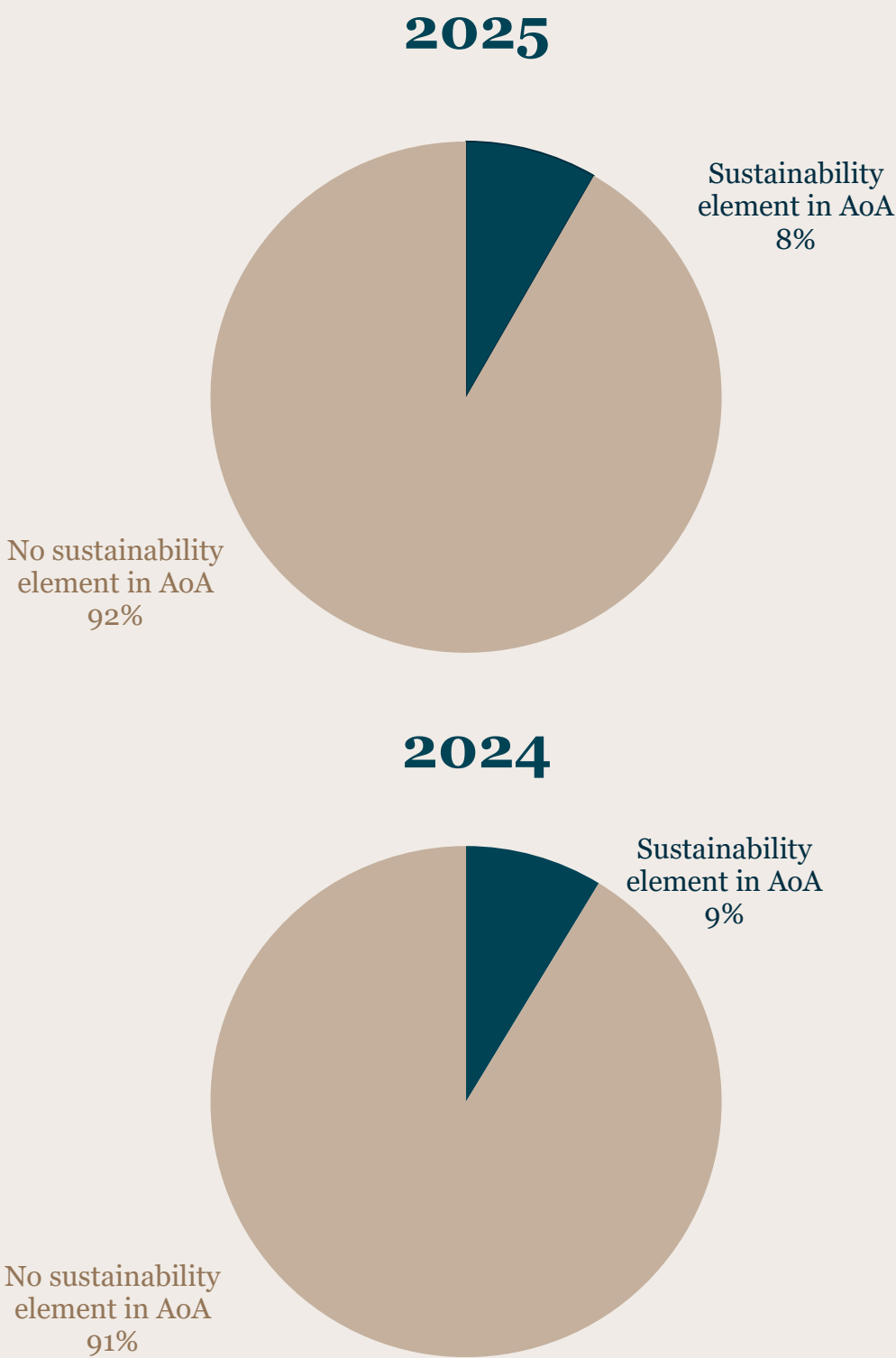
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Companies with a sustainability-related element in their articles of association

2 Companies (8%) have included a sustainability-related element as part of their corporate objects set out in their articles of association. There has been no actual change from 2024 to 2025.⁶

Novo Nordisk
‘The Company strives to conduct its activities in a financially, environmentally, and socially responsible way.’

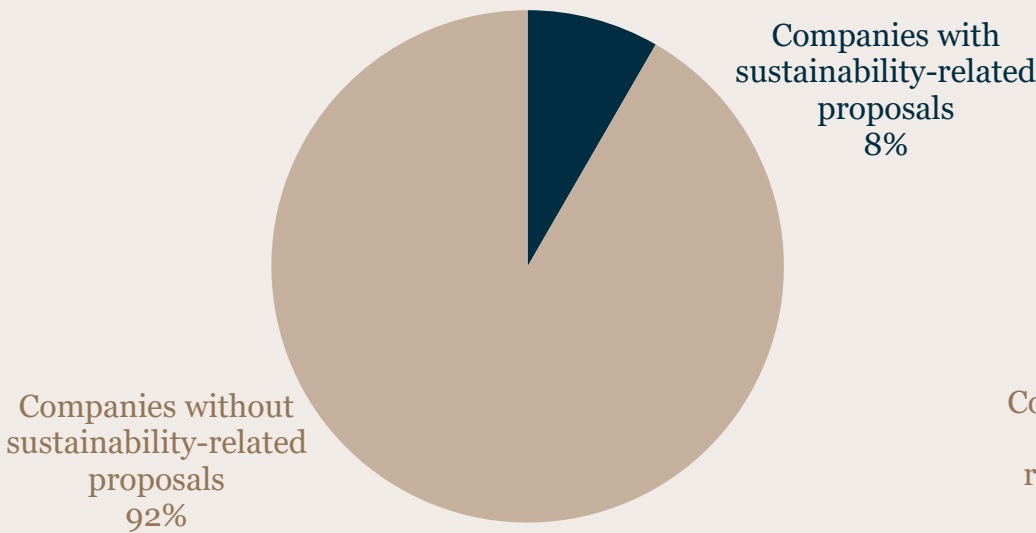
Novonesis
‘The Company strives to operate in a sustainable and responsible manner, inter alia in a financial, environmental and social regard.’



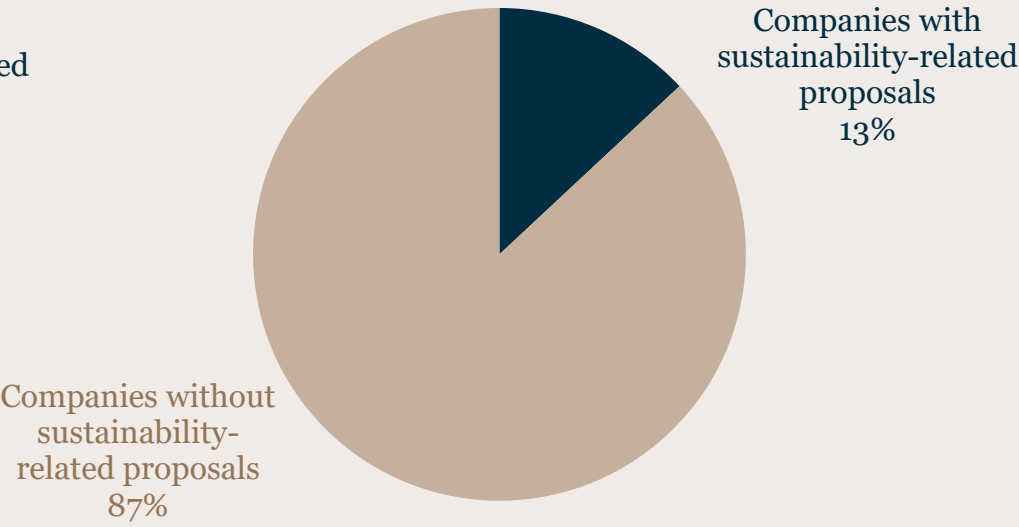
6) The decrease from 9% in 2024 to 8% in 2025 results solely from the fact that this year’s figures are reported for 24 companies rather than 23.

Sustainability-related proposals at the annual general meeting

AGM held in 2026⁷



AGM held in 2025



The sustainability-related proposals from the AGMs held in the 2026 season

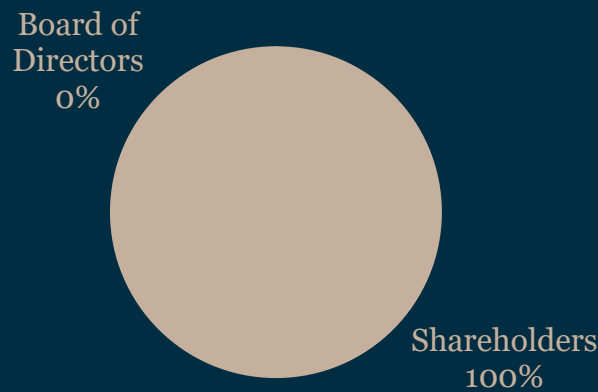
- 1 proposal concerned ESG considerations in the executive management’s performance and remuneration.
- 1 proposal concerned investments in fossil fuel companies without a transition plan to be aligned with the Paris Agreement.
- 2 proposals concerned disclosure of human rights due diligence processes.

The proposals were not adopted.

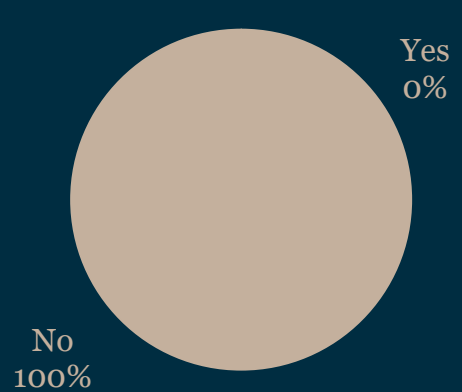
Across the Companies, 4 proposals were tabled for 2 different Companies. All such proposals put forward were from shareholders. None of the proposals were adopted.⁸

AGMs held in the 2026 season

Who put forward the proposals?

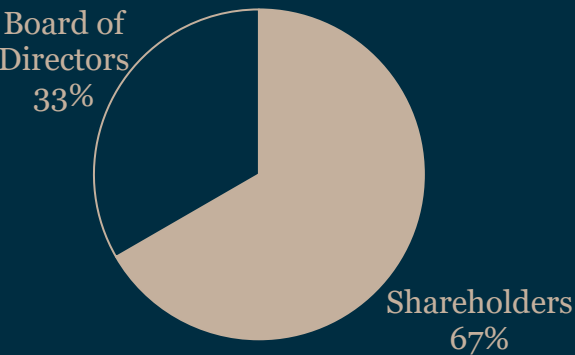


Were the proposals adopted?

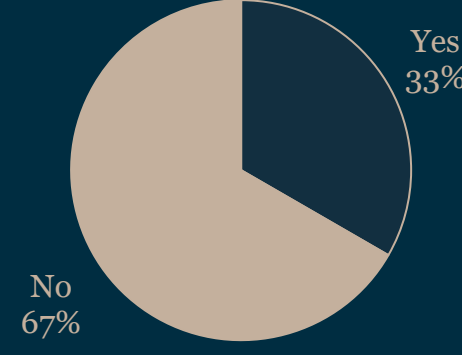


AGMs held in the 2025 season

Who put forward the proposals?



Were the proposals adopted?



7) A sustainability-related shareholder proposal requiring the Board of Directors to ensure clear, operational, and adequate ethical policies and compliance frameworks was included in the notice to convene the AGM of Novonesis. However, the proposal was withdrawn as the shareholder did not attend the AGM. Consequently, the proposal has not been included in the statistics. Approximately 98.7% of the votes cast ahead of the AGM were against the proposal.

8) 3 proposals were put forward at the AGM of A.P. Møller - Mærsk and 1 proposal was put forward at the AGM of Danske Bank.

Sustainability competencies included in the presentation of candidates to the Board of Directors

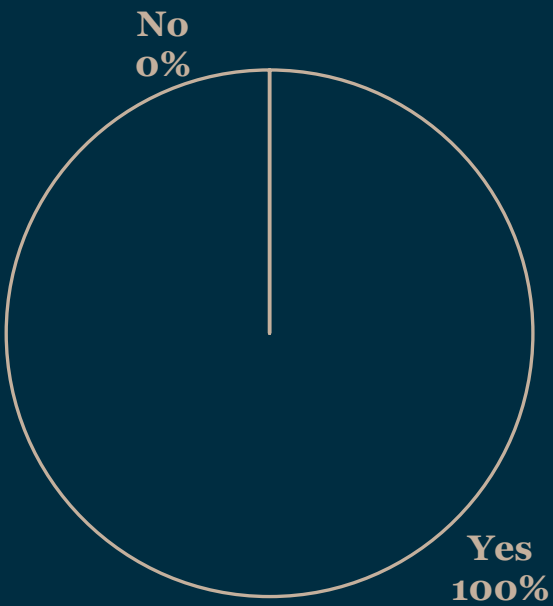
At the annual general meetings held during the 2026 season, all **24 Companies (100%)** specifically highlighted **sustainability qualifications** among the candidates standing for election to the Board of Directors.^{9 10} This was done primarily in the presentation of candidates at the annual general meeting or in the notice convening the annual general meeting.

The Companies referred to the candidates’ sustainability qualifications using descriptions such as:

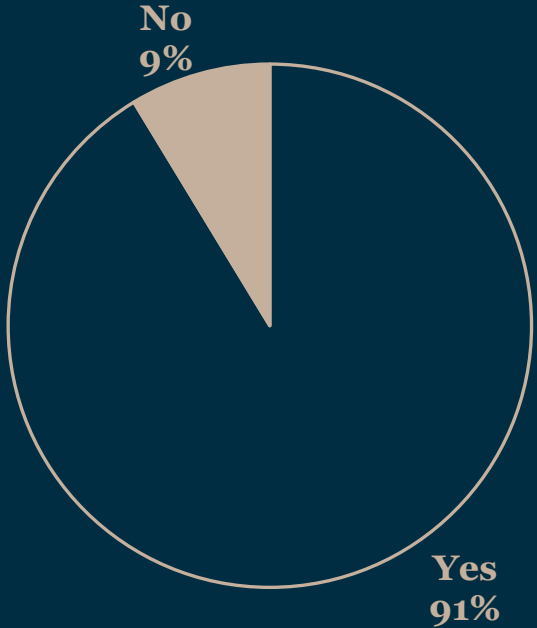
- “Knowledge in **ESG** (environmental, social, and governance)”
- “Experience advancing the **social sustainability** agenda’
- “Expertise in **sustainability and ESG** matters”
- “Extensive insight in **Environmental, Social and Governance** regulation (Sustainability expert)”
- “Experience with implementation of **sustainable business practices** and setting measurable **sustainability targets**”

Reference to sustainability qualifications of BoD candidates

AGMs held in the 2026 season



AGMs held in the 2025 season



9) Employee-elected candidates for the Board of Directors are not included in the statistics above.
10) The statistics only include board members elected by the general meeting. Certain companies, for example AL Sydbank and Jyske Bank, have board members elected by a shareholders' committee or by the shareholders' representatives. These board members are not included in the data.

Sustainability KPIs

Section 139a of the Danish Companies Act states that a company’s remuneration policy should be clear and comprehensible and contribute to the company's business strategy, long-term interests, and *sustainability*.

Against this backdrop, our review has identified the following:

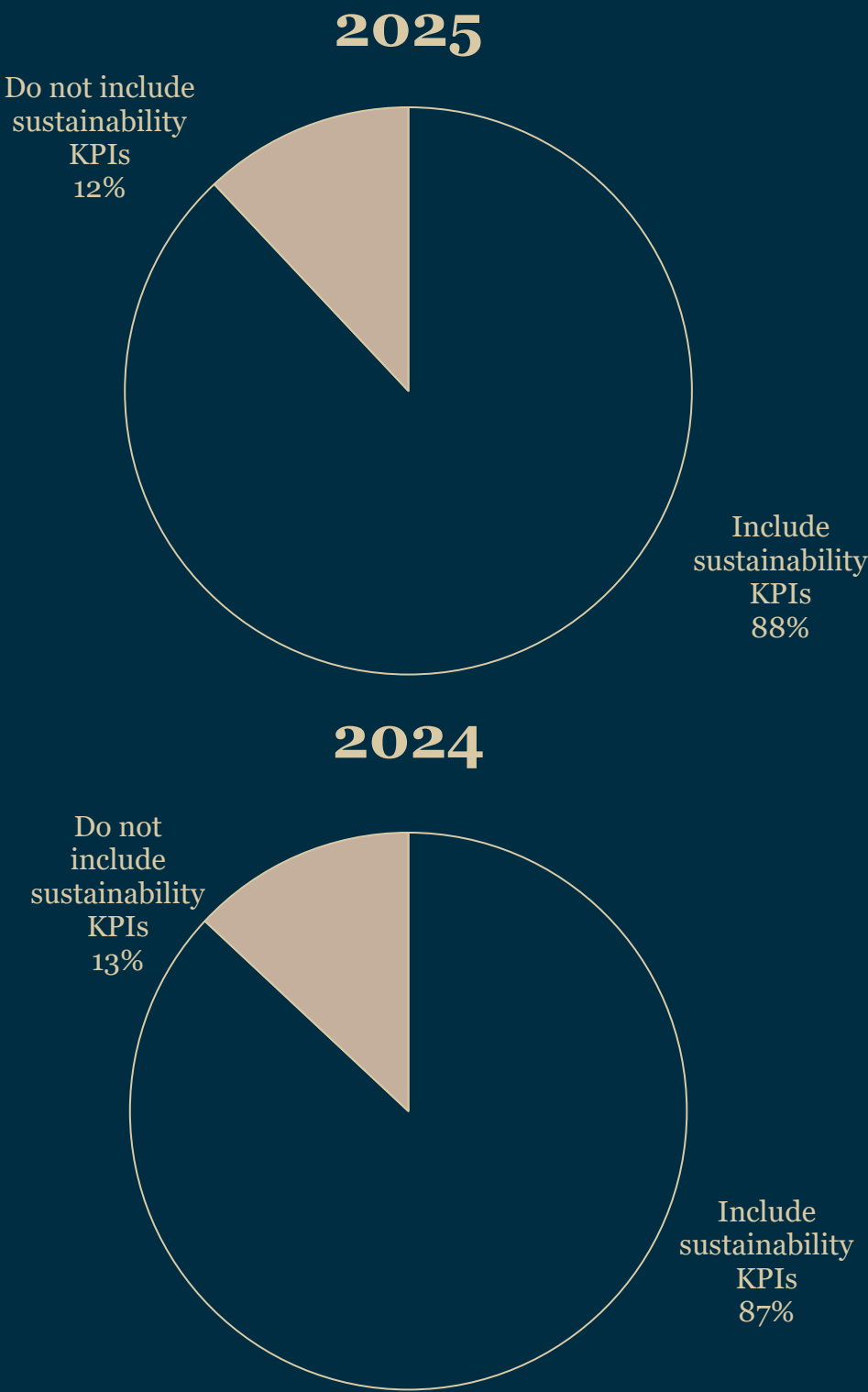
21 Companies (88%) report sustainability KPIs in their remuneration policy or report.¹¹ As a reflection, **3 Companies (12%)** do not report sustainability KPIs in their remuneration policy or report. It should be noted that these 3 Companies do not use variable remuneration for executive management.

‘Sustainability’, ‘decarbonisation’, ‘diversity’, ‘equity and inclusion’ and ‘employee engagement’ are among the most reported ESG targets/KPIs.

The nature of these KPIs varies from Company to Company. Some Companies include the KPIs as part of short-term incentives, while others integrate them into long-term incentive structures. Moreover, several Companies opt for a combination of both short-term and long-term incentives to comprehensively address sustainability and ESG goals.

¹¹) In 2025, Rockwool added sustainability-related performance metrics tied to their decarbonisation strategy to their short-term incentive scheme. It is not included in this year’s reporting as it became effective from 2026.

Sustainability KPIs included in the remuneration policy or report



Soft Law Standards and Guidelines

The United Nations Sustainable Development Goals

In the financial year 2025, **17 Companies (71%)** report working with the SDGs. This marks an increase from last financial year, where **15 Companies (65%)** reported working with the SDGs.

However, compared to our first report covering the financial year 2023, in which **21 companies (95%)** reported working with the SDGs, this nonetheless represents an overall decrease.¹²

The overall decrease in Companies reporting alignment with the SDGs may likely be a result of Companies having increasingly focused their sustainability efforts and prioritizations on the topics reflected in their double materiality assessment under the CSRD, which reflects a more data driven and impact driven approach to sustainability strategy and focus areas.

The 17 UN Sustainable Development Goals (‘SDGs’) were adopted by UN Member States in 2015 as part of the 2030 Agenda for Sustainable Development.

The SDGs are built on work among the UN Member States, the UN, and the UN Department of Economic and Social Affairs.



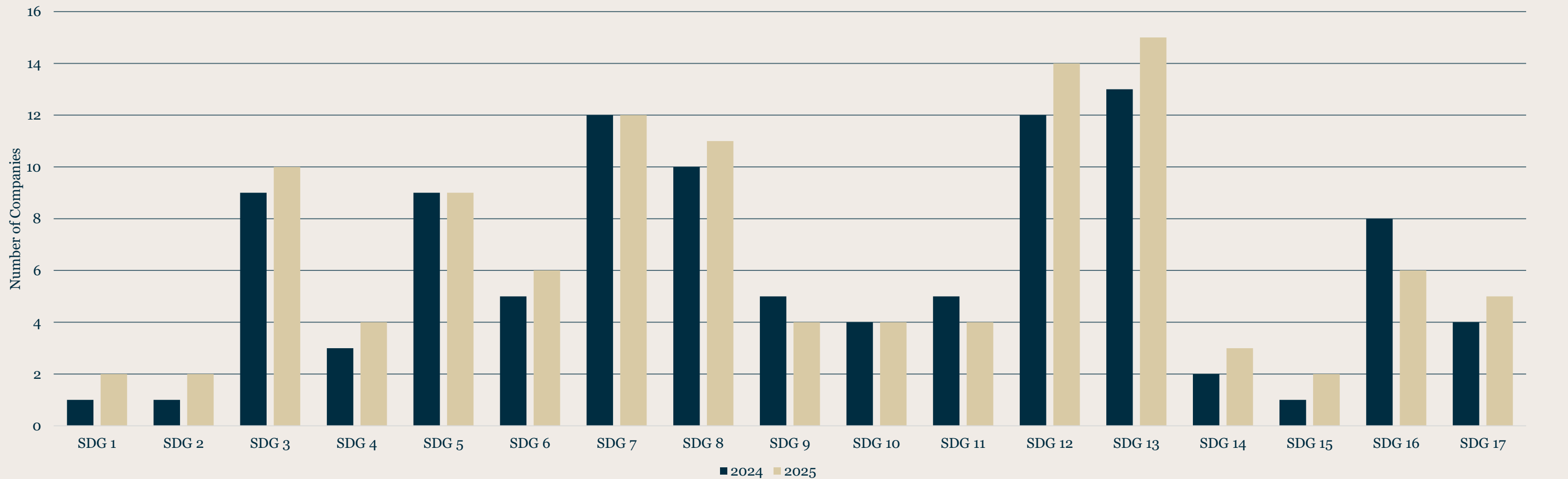
12) When considering the percentages, it should be taken into account that the number of Companies included in the statistics differs by financial year: 24 Companies for 2025, 23 Companies for 2024, and 22 Companies for 2023. In the financial year 2023, all but one Company reported working with the SDGs.

Number of Companies focusing on each SDG

This chart provides an overview of those SDGs on which the Companies reported to actively focus in 2025 and 2024, respectively.

SDG 13 (climate action) was the goal with the most focus, as 15 out of the 24 Companies (63%) focused on this goal. This goal was closely followed by **SDG 12** (responsible consumption and production), on which 14 Companies (58%) focused, and **SDG 7** (affordable and clean energy), on which 12 Companies (50%) focused.¹³

In general, there has been an increase in the references to the SDGs from 2024 to 2025. For three SDGs, however, there has been a decrease in the number of Companies reporting to focus hereon. These are **SDG 9** (industry, innovation and infrastructure), **SDG 11** (sustainable cities and communities), and **SDG 16** (peace, justice and strong institutions).



13) Many of the Companies no longer report on the SDGs directly in the annual report but instead disclose this information on their website.

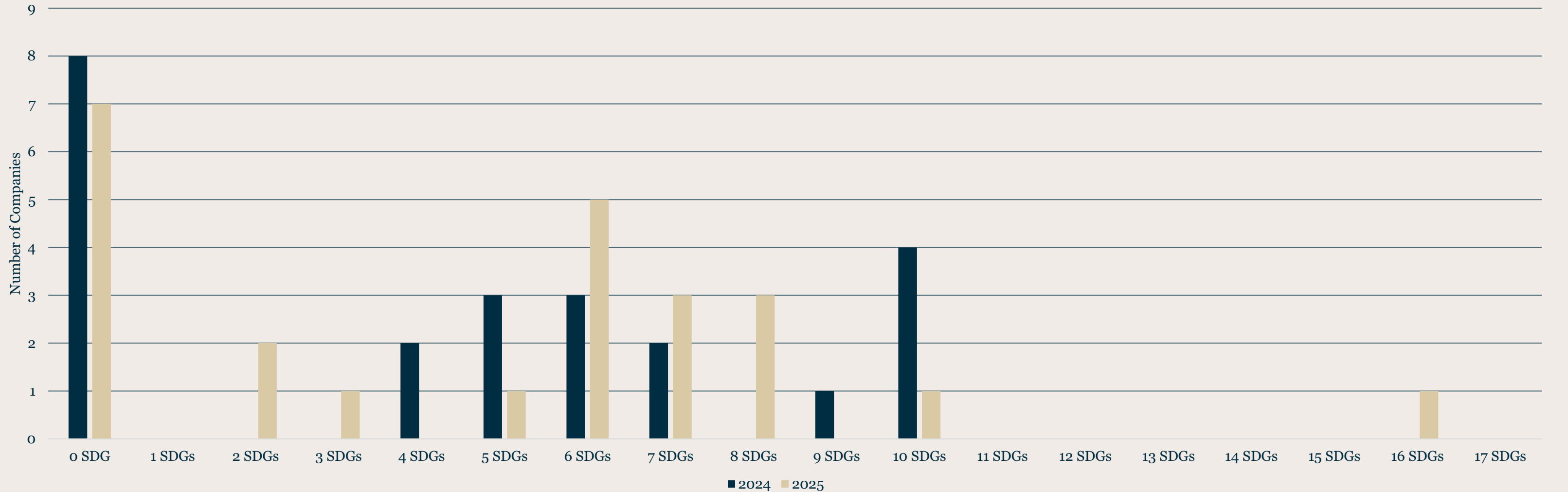
Number of SDGs focused on by each Company

This chart shows the distribution of Companies by the number of SDGs they actively focused on.

For the financial year 2025, the highest number of SDGs any Company focused on was 16 SDGs.

This year, **17 Companies (71%)** reported a focus on one or more specific SDGs.¹⁴ This is a slight increase compared to the financial year 2024, in which **15 Companies (65%)** reported a focus on one or more specific SDGs.

However, when comparing the financial year 2025 with financial year 2023, an overall decrease is observed. For the financial year 2023, **21 Companies (95%)** reported a focus on one or more specific SDGs.¹⁵



14) Notably, 5 of the 7 Companies that do not focus on specific SDGs have made general reference to SDG adherence.
15) The data includes 24 Companies for financial year 2025, 23 Companies for financial year 2024, and 22 Companies for financial year 2023.

Number of Companies that are participants of the UN Global Compact

23 Companies (96%) are participants of the **United Nations Global Compact (‘UNGC’)**.

The **United Nations Global Compact (‘UNGC’)** is the world’s largest corporate sustainability initiative. The goal of the UNGC is to encourage businesses to adopt sustainable and socially responsible policies to create a more sustainable and inclusive global economy.

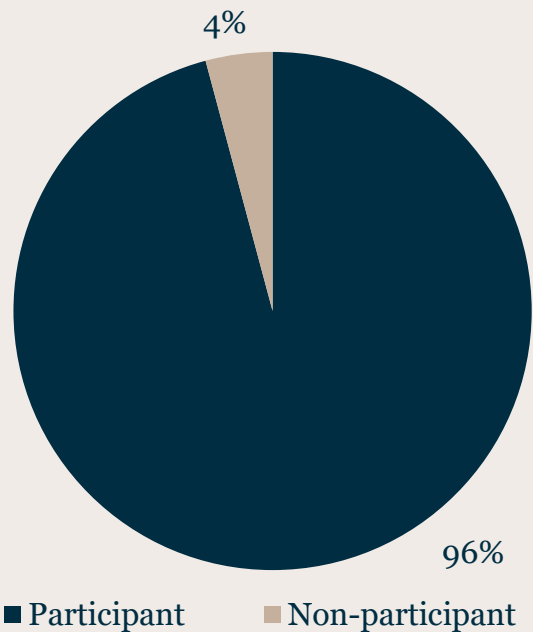
Companies joining the initiative commit to aligning their operations with the 10 UNGC principles on human rights, labour, environment, and anti-corruption and take strategic actions to advance broader societal goals.

As a participant of the **UNGC**, a company must commit to:

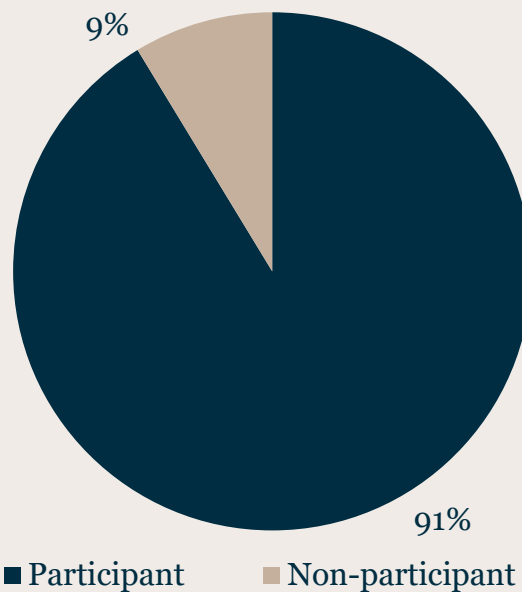
- Operating responsibly, in alignment with the 10 UNGC sustainability principles;
- taking actions that support the society around the company;
- ensuring commitment to effort from the company's top leadership;
- annual reporting on the company’s ongoing efforts; and
- local engagement where the company has a presence.

Participating companies must furthermore make **an annual financial contribution**, the size of which depends on the company’s annual revenue and country location.

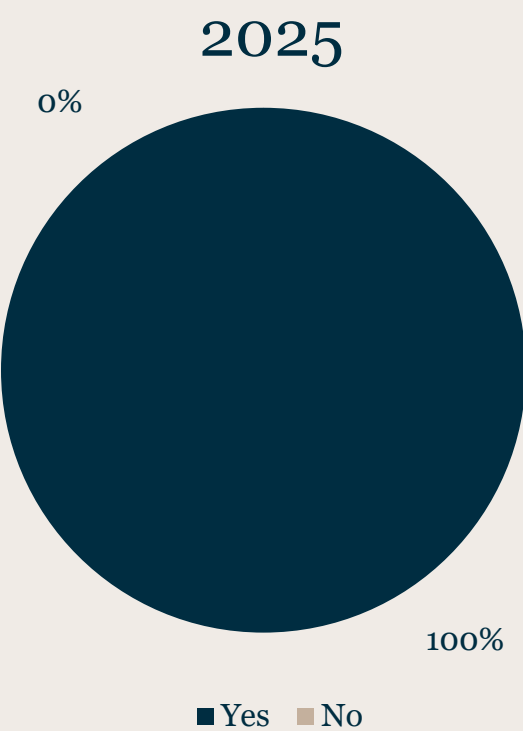
Participating Companies of the UNGC - 2025



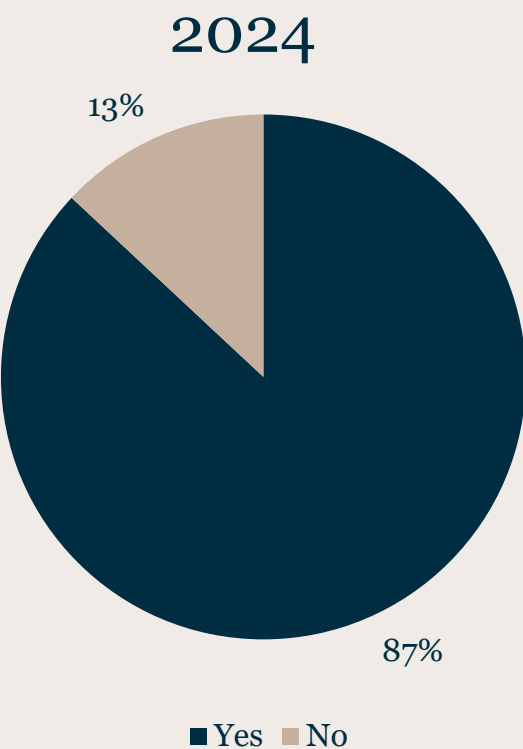
Participating Companies of the UNGC - 2024



Number of Companies that report adhering to the UN Guiding Principles on Business and Human Rights



24 Companies (100%) report adhering to the UN Guiding Principles on Business and Human Rights.¹⁶



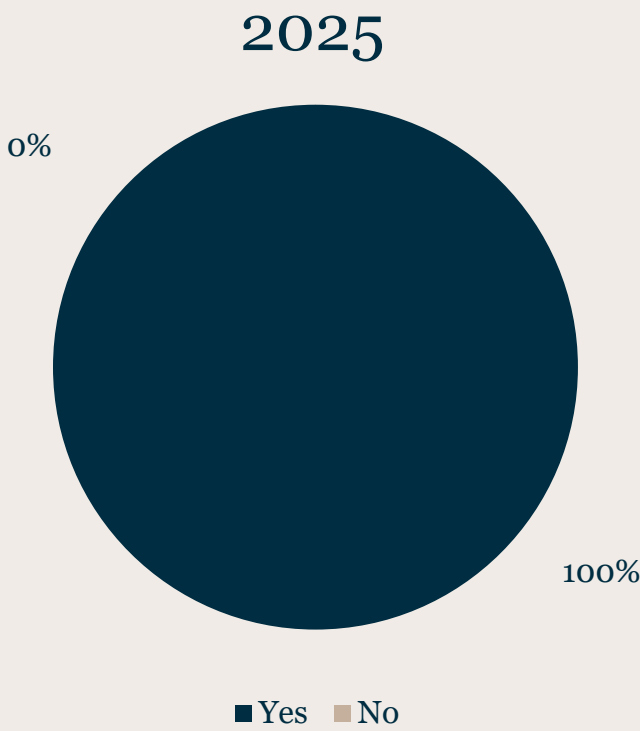
20 Companies (87%) report adhering to the UN Guiding Principles on Business and Human Rights.

The Companies’ adherence to the principles is stated in various ways. A few examples: *‘the company is guided by the principles’*, *‘supports the principles’*, *‘committed to the principles’*, and *‘adheres to the principles’*.

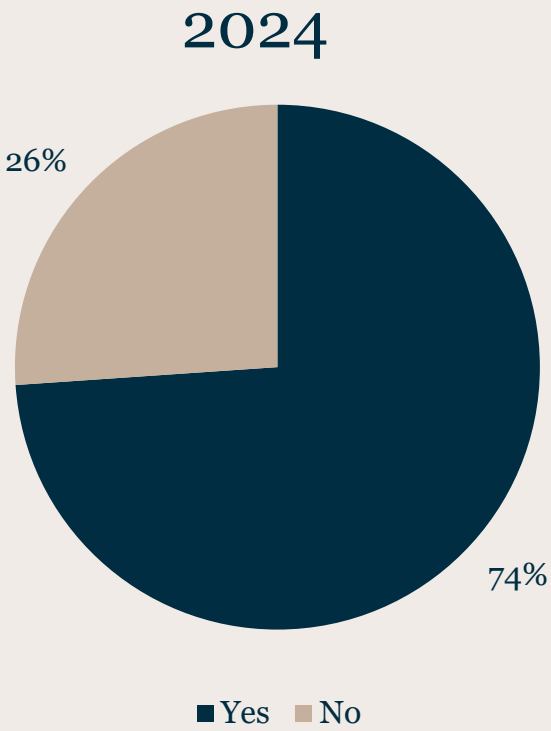
The UN Guiding Principles on Business and Human Rights are a set of guidelines for states and companies to prevent, address, and remedy human rights abuses committed in business operations.

¹⁶) This benchmark only includes information on whether the Companies have publicly stated that they adhere to the principles and not how they comply with the principles. Companies that have stated that they adhere to the principles on their websites have been included in the diagram.

Number of Companies that report adhering to the OECD Guidelines for Multinational Enterprises



24 Companies (100%) report adhering to the OECD Guidelines for Multinational Enterprises.¹⁷



17 Companies (74%) report adhering to the OECD Guidelines for Multinational Enterprises.

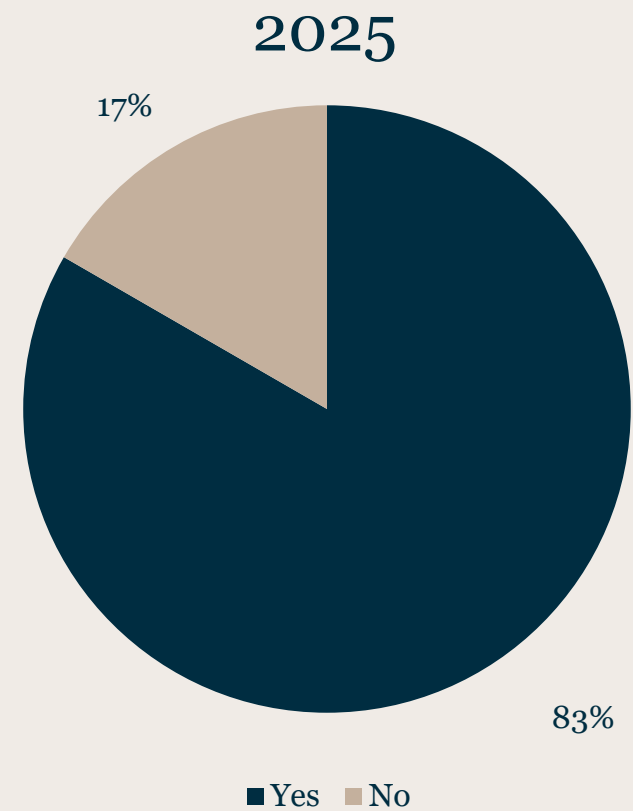
The Companies’ adherence to the guidelines is stated in various ways. A few examples: ‘*committed to the principles*’, ‘*adhere to the standards and commitments in the OECD Guidelines...*’, ‘*follows the OECD guidelines*’, ‘*endorse the principles of the OECD Guidelines for Multinational Enterprises...*’ and ‘*guided by the OECD Guidelines...*’.

The OECD Guidelines for Multinational Enterprises are a set of recommendations on responsible business conduct addressed by governments to multinational enterprises operating in or from adhering countries.

¹⁷⁾ This benchmark only includes information on whether the Companies have publicly stated that they adhere to the guidelines and not how they comply with the guidelines. Companies that have stated that they adhere to the guidelines on their websites have been included in the diagram.

Number of Companies that have adopted a human rights policy

This year’s Overview has been expanded with a new benchmark showing whether the Companies have adopted a human rights policy.



For the financial year 2025, **20 Companies (83%)** report that they have adopted a human rights policy.

This is a notable finding given that all 24 Companies (100%) report adherence to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, both of which call on companies to adopt a policy commitment on human rights.

There is considerable variation in whether the Companies maintain a separate, dedicated human rights policy or instead address human rights within a separate section of a broader policy.¹⁸

Examples of separate, dedicated human rights policies include:

‘Human Rights Policy’, ‘Human Rights Commitment’, ‘Position Statement on Human Rights’, ‘Human Rights Statement’ and ‘Human and Labour Rights Policy’.

Examples of broader policies that incorporate human rights as a separate section include:

‘Sustainability Policy’, ‘Business Ethics Policy’, ‘Sustainability - ESG Policy’ and ‘Code of Business Conduct and Ethics’.

18) This benchmark includes both separate dedicated human rights policies and human rights addressed within a separate section of another policy.

What's Next?

Supply chains in the spotlight

EU Deforestation Regulation (‘EUDR’)

The EU Deforestation Regulation (‘EUDR’) aims to minimise global deforestation by setting out rules for operators and traders placing **cattle, cocoa, coffee, oil palm, rubber, soy** and **wood** on the market. The regulation also covers a range of derived products.

The EUDR requires commodities and derived products within scope to be deforestation-free, and sets out mandatory due diligence obligations for operators that place these products on the EU market or export them from the EU.

Operators must be able to demonstrate that their supply chains are deforestation-free, including by providing geolocation data identifying the precise plot of land on which the commodity was produced. The European Commission’s benchmarking of countries determines the risk level assigned to the country of production, and supervisory activities are carried out on that basis.

Timeline – the obligations in the EUDR will apply from:

- Large and medium operators: 30 December 2026
- Micro and small operators: 30 June 2027

EU Forced Labour Regulation (‘EUFLR’)

The EU Forced Labour Regulation (‘EUFLR’) prohibits products made with forced labour at any stage of the supply chain from being placed on, made available on, or exported from the EU market.

Scope:

- **All products** made with forced labour, regardless of sector, origin etc.
- Forced labour **at any stage of the supply chain** (production, manufacture, harvest, extraction, processing)
- Applicable to all **economic operators**

The EUFLR is a market-access prohibition. If a product is made using forced labour, it cannot be placed or made available on the EU market or exported from it. Compliance is judged by the outcome, not by the quality of a due diligence process. The EUFLR does not impose a due diligence obligation, however, due diligence remains the practical route to compliance. Companies should prepare to conduct thorough due diligence for forced labour at every stage of their supply chains by mapping their exposure, particularly to high-risk geographies, sectors and products.

If an investigation confirms that a product was made with forced labour, the competent authority may issue:

- A **prohibition** on placing, making available, or exporting the product
- An order to **withdraw** the product
- An order to **dispose** of the product

The EUFLR will apply from 14 December 2027.

Simpler transparency rules for sustainable financial products

Revision of the Sustainable Finance Disclosure Regulation (‘SFDR’)

The **Sustainable Finance Disclosure Regulation (‘SFDR’)** requires market participants to disclose how they integrate environmental, social and governance (ESG) sustainability risks and adverse impacts into the financial products they offer, to enhance transparency and inform end investors. However, a comprehensive review by the European Commission has shown that the current framework results in disclosures that are too long and complex, which makes it difficult for investors to understand and compare products’ sustainability-related characteristics.

On 24 June 2026, the Council of the European Union agreed its negotiating position on an updated sustainability transparency framework for financial products sold in the EU, with the aim of easing administrative burdens and helping investors better understand and compare the sustainability of financial products.

What key changes are proposed?

Three new product categories of financial products are introduced, together with criteria for defining them:

- 1) ‘sustainable’** covers products that contribute to sustainability goals, such as investments in companies or projects already meeting high standards.
- 2) ‘transition’** covers products channelling investments towards companies or projects that, while not yet sustainable, are on a credible path.
- 3) ‘ESG basics’** covers other products that may integrate ESG approaches but do not meet the criteria of sustainable or transition categories.

These three categories are intended to replace existing concepts under Articles 6, 8 and 9, also (incorrectly) described as ‘grey’, ‘light green’ and ‘dark green’ products.

If the proposal is adopted, financial market participants seeking to use the ‘*sustainable*’ or ‘*transition*’ product categories must, when disclosing the principal adverse impacts of their investments, refer to at least three mandatory impact indicators from a list to be provided by the European Commission. Further, investments in fossil fuel companies may be included in the ‘*transition*’ category, when such companies allocate at least 20% of their capital expenditure to economic activities aligned with the EU taxonomy and have a clear, time-bound strategy to reduce greenhouse gas emissions. Such investments are also subject to a fourth mandatory impact indicator from the list to be provided by the European Commission.

The proposal also introduces marketing communication and naming rules that limit the use of sustainability-related claims when naming and marketing financial products, and require such claims to be clear, fair, and not misleading to reduce the risk of greenwashing.

Finally, to reduce the administrative burden, financial market participants may choose not to apply the categorisation provisions for alternative investment funds, when such funds are offered exclusively to professional investors, since professional investors do not require the same level of standardised information as retail investors.

Next steps towards a revised SFDR

The agreed negotiating position is the Council's mandate to begin negotiations with the European Parliament on the revised SFDR, once the Parliament has agreed its own position. As the proposal is still under negotiation, any final rules may differ from what is described above.

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