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Germany

Environmental, Social and Governance

Contributor



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This country-specific Q&A provides an overview of environmental, social and governance laws and regulations applicable in Germany.

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Germany: Environmental, Social and Governance

1. Climate – the law governing operations that emit Greenhouse Gases (e.g. carbon trading) is addressed by Environment and Climate Change international guides, in respect of ESG: a. Is there any statutory duty to implement net zero business strategies; b. Is the use of carbon offsets to meet net zero or carbon neutral commitments regulated; c. Have there been any test cases brought against companies for undeliverable net zero strategies; d. Have there been any test cases brought against companies for their proportionate contribution to global levels of greenhouse gases (GHGs)?

a. There is no general legal obligation in Germany to implement net-zero business strategies. However, the European Corporate Sustainability Due Diligence Directive (CSDDD) originally required certain companies to adopt and implement a climate mitigation plan. This plan was intended to align their business strategy with the transition to a sustainable economy and the 1.5°C target set by the Paris Agreement, including interim targets, decarbonization measures, and investment details (Art. 22 EU Directive 2024/1760). The CSDDD entered into force in July 2024 and was to be transposed into national law by July 2026. However, on February 26, 2025, the European Commission published a proposal for an Omnibus Simplification package. The regulation was intended to bundle and simplify the obligations of the Corporate Sustainability Reporting Directive (CSRD), the CSDDD, the Taxonomy Regulation and the Sustainable Finance Disclosure Regulation (SFDR), with the aim of reducing the bureaucratic burden on companies, especially on small and medium-sized enterprises (SMEs). Following the legislative process for the Omnibus Simplification package, Directive (EU) 2026/470 was published in the Official Journal of the European Union on February 26, 2026. The Directive amends certain sustainability reporting and due diligence requirements under the CSRD and the CSDDD. In this context, Art. 22 of Directive (EU) 2024/1760 has been deleted without replacement. As a result, the CSDDD no longer contains a requirement for companies to adopt and implement climate mitigation or transition plans aligned with the 1.5°C target of the Paris Agreement.

b. In Germany and Europe, the use of carbon offsets to

meet net zero or carbon neutral commitments is currently regulated under the EU Emissions Trading System (EU ETS) and rules on environmental and climate-related claims. Under the EU ETS, companies in sectors such as power generation and heavy industry must hold permits, called European Union Allowances (EUAs), for each ton of CO₂ they emit. The system operates on a cap-and-trade basis and covers sectors such as electricity and heat production, energy-intensive industry, aviation and, more recently, maritime transport. However, the use of international carbon offsets, called Certified Emission Reductions (CERs), is no longer permitted under the EU ETS. Since the start of Phase IV of the system (2021-2030), operators must cover their emissions exclusively with EUAs. In addition, the Effort Sharing Regulation (ESR) establishes binding national emission reduction targets for sectors not covered by the EU ETS such as transport, buildings, and agriculture.

In addition to that, a new emissions trading system named EU ETS2 was created in 2023. Working the same way as the first ETS system, ETS2 will cover the sectors road transport, buildings and industrial installation, obligating the fuel suppliers rather than end consumers. All emission allowances in the ETS2 will be auctioned. Member States must use revenues for climate action and social measures. A further portion of the revenues will be utilised to finance the EU Social Climate Fund (SCF). Originally planned to become operational in 2027, ETS2 has been postponed to 1 January 2028. Until then, Germany will regulate these sectors through its national emissions trading scheme (nEHS), which was introduced in 2021 under the Fuel Emissions Trading Act (BEHG). As a result of the recent EU summit on March 19, the European Commission announced reforms of the emission trading system and a full review by July 2026. The reforms aim to update the benchmark of free allocations beyond 2034, combat carbon price volatility and introduce an ETS Investment Booster to finance projects for decarbonisation.

Regarding voluntary carbon offsetting used to substantiate net zero or carbon neutral claims, the EU is strengthening rules against greenwashing. Directive (EU) 2024/825 on empowering consumers for the green transition introduces stricter requirements for environmental claims and addresses climate neutrality claims that rely on carbon offsetting. For example, the Directive prohibits claims that a product has a neutral,

reduced or positive environmental impact if this is based solely on the offsetting of greenhouse gas emissions. The Directive entered into force in March 2024 and must be transposed by the Member States by March 2026. In Germany, the implementing legislation was adopted in December 2025, primarily through amendments to the Act Against Unfair Competition (UWG). The new provisions shall come into force on 27 September 2026. Furthermore, the European Commission has proposed a Green Claims Directive intended to introduce detailed verification and transparency requirements for environmental claims. However, in June 2025 the Commission announced its intention to withdraw the proposal and the legislative process has since been suspended.

c. To date, there have been no prominent test cases in Germany specifically targeting allegedly undeliverable corporate net-zero strategies of companies. However, climate-related lawsuits against companies have increased in recent years. Environmental NGOs in Germany have sued German car manufacturers including Mercedes, VW, and BMW to ban them from selling vehicles with internal combustion engines after 2030 in an attempt to get the companies to pursue a net-zero strategy. The lawsuits were based on Germany's limited CO₂ budget and the proportionate CO₂ budget of individual German companies. In all three cases, the lawsuits were dismissed in the first and second instance. The cases against Mercedes and BMW were recently dismissed by the Federal Court of Justice (BGH). The BGH dismissed the claims because BMW and Mercedes-Benz could not be assigned a defined individual CO₂ budget under the Paris Agreement or the German Federal Climate Protection Act and therefore the carmakers could not be held responsible as "interferers" for any future restrictive climate legislation that might limit the claimants' personal freedoms. In addition, a growing number of cases concern alleged greenwashing and climate neutrality claims in connection with carbon offsets. For example, the Hamburg Regional Court has ruled that advertising products or services as carbon-neutral can be misleading if this claim is based on carbon offsetting without sufficient transparent information about the underlying reduction or compensation measures. In this context, the court prohibited Shell from advertising "CO₂-neutral driving" and "CO₂-neutral motor oil".

The number of climate lawsuits is still increasing rapidly and will occupy the German courts more and more, partly because they involve complex new legal issues that cannot be easily dealt with using the current legal system and its interpretation.

d. Some individual claims have been brought against

companies that are regarded as strategic test cases. For example, a Peruvian farmer has sued the energy utility company RWE AG because he blames RWE for climate change by emitting an estimated 0.47% of worldwide greenhouse gases over the last hundred years. Due to climate change, the farmer claims, glaciers are melting and threatening his property in a valley below a glacier in the Andes. The plaintiff seeks, among other things, a reduction in greenhouse gases by RWE in Germany and payment for appropriate protective measures against the threat of flooding. The first instance court rejected the claim, among other reasons, because of the lack of causality between the share of greenhouse gas emissions in Germany and the concrete damage in Peru. However, the Hamm Higher Regional Court admitted the claim as admissible in 2017 and ordered the taking of evidence on the potential risk posed to the plaintiff's property. In May 2025, the court ultimately dismissed the lawsuit on its merits, finding that the plaintiff had not sufficiently demonstrated a concrete risk of damage. At the same time, the court did not rule out the possibility that companies could be held liable under civil law for their proportionate contribution to global greenhouse gas emissions. The case has therefore attracted considerable international attention.

Building on this case, another climate liability claim has recently been initiated. In December 2025, 39 farmers from Pakistan filed a lawsuit before the Heidelberg Regional Court against RWE and Heidelberg Materials. The claim seeks partial compensation for losses incurred during the catastrophic floods in Pakistan in 2022. The plaintiffs link these floods to the companies' greenhouse gas emissions and their contribution to climate change. The proceedings are currently pending.

2. Biodiversity – are new projects required to demonstrate biodiversity net gain to receive development consent?

In Germany, there are currently no legal regulations requiring a net gain of biodiversity as a condition to obtain development permits. However, the EU Commission's Environmental Services has published a guidance on a "No Net Loss/Net Gain" of biodiversity as part of the new EU Biodiversity Strategy. The implementation and application of the guideline is voluntary so far and has rather the character of a "best practice" catalogue. In Germany, there are still certain legally binding regulations in environmental laws such as Section 15 of the Federal Nature Conservation Act (BNatSchG), including regulations on compensation and avoidance of interventions in the environment. The

German Environmental Impact Assessment Act (UVPG) requires certain industrial projects to undergo an assessment of their impact on biodiversity in order to obtain planning permission. This is the case for mines, for example.

3. Water – are companies required to report on water usage?

Yes, companies in Germany are required to report on water usage under certain circumstances. The primary law regulating water usage in Germany is the Federal Water Act (WHG), which aims to protect and conserve water resources. The law requires companies to obtain permits for certain activities that may affect water resources, such as discharging wastewater into a river or groundwater, or extracting water for industrial purposes. Companies that hold permits for water-related activities are typically required to report on their water usage and other relevant environmental data, such as wastewater quality and discharge rates. The specific reporting requirements depend on the type of permit and the nature of the activity, and may be set by federal, state, or local authorities. In addition to regulatory reporting requirements, many companies in Germany also report voluntarily on their water usage and management practices, as part of their sustainability reporting or other environmental disclosure initiatives. These reports can provide additional information on a company's water-related impacts and management strategies, beyond the legal requirements. In future, sustainability reporting could also include mandatory disclosures on water use. It remains to be seen how the Corporate Sustainability Reporting Directive (CSRD) will be transposed into national law.

4. Forever chemicals – have there been any test cases brought against companies for product liability or pollution of the environment related to forever chemicals such as Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS)?

Only a limited number of court cases concerning environmental pollution caused by PFAS have so far been brought before German courts. However, PFAS have been a topic of increasing concern in Germany due to their persistence, bioaccumulation, and potential health and environmental impacts. In recent years, German authorities have taken various measures to address PFAS contamination and exposure. For example, the German Environment Agency (UBA) has published a report recommending stricter regulations on PFAS, including a

ban on non-essential uses of PFAS and tighter controls on industrial releases of the chemicals. In addition, the German Federal Ministry of the Environment (BMU) has launched a national action plan to reduce PFAS contamination, which includes measures such as monitoring and testing of drinking water, soil, and food, as well as research on alternative chemicals and technologies.

An example for such court cases is a lawsuit related to PFAS in the Rastatt region in Southern Germany. The case concerns claims brought by a municipality against a company and a member of its management distributing fertilizers and compost. The claim alleges that the compost mixed with paper sludge containing PFAS had been spread on agricultural land, resulting in contamination of soil and groundwater in the region. In first instance, the court held that the defendants are liable for all damages that have arisen or will arise from spreading of the compost-paper sludge mixture. The proceedings are currently pending before the Karlsruhe Higher Regional Court on appeal (Az. 17 U 126/24).

In another PFAS matter, a municipal utility (Stadtwerke Willich) has also announced legal action against companies, which have allegedly contaminated drinking water sources. Environmental NGOs have likewise initiated proceedings related to PFAS pollution, e.g. challenging industrial discharges of substances into rivers.

At the EU level, PFAS are primarily regulated under the REACH regulation. Several EU Member States, including Germany, have proposed a significant restriction on PFAS under REACH, which is currently under review and could significantly limit the use of these substances in the future. In addition, the European Commission has taken decisive action to address the risks posed by PFAS and published a new Chemicals Strategy for Sustainability, which includes a commitment to reduce the use of PFAS and to assess the need for further regulatory action to address their risks. According to the EU's REACH regulation, which governs the registration, evaluation, authorization, and restriction of chemicals, PFAS substances have been identified as substances of very high concern (SVHCs). As a result, companies that manufacture, import, or use these substances in the EU are subject to regulatory requirements, such as notification and authorization obligations, and may face restrictions or bans on their use in certain applications.

5. Circularity – a. The law governing the waste hierarchy is addressed by the Environment

international guide, in respect of ESG are any duties placed on producers, distributors or retailers of products to ensure levels of recycling and / or incorporate a proportionate amount of recycled materials in product construction? b. Are any duties placed on producers, distributors or retailers of products to handle the end-of-life of the products placed on the market?

a. The primary law governing waste management in Germany is the Circular Economy Act (KrWG), which sets out the legal framework for waste prevention, recycling, and disposal. According to this law, waste management follows a hierarchical order, with the priority given to waste prevention, followed by preparation for reuse, recycling, and other forms of recovery, and finally disposal. The EU Commission is currently planning the Circular Economy Act, which is scheduled to come into force by the end of 2026. This new legislation may have repercussions for national law. In addition, Germany has implemented various extended producer responsibility (EPR) schemes, which require producers and importers of certain products to take responsibility for the proper disposal and end-of-life management of their products. These schemes typically include requirements for product design that facilitates the reuse and recycling, as well as obligations to collect and recycle products at the end of their life. Furthermore, the German Packaging Act (VerpackG) requires producers and distributors of packaged products to participate in a system of producer responsibility organizations, which are responsible for ensuring the collection and recycling of packaging waste. The Act also includes requirements for the use of recycled materials in packaging, with targets for increasing the percentage of recycled content over time. Due to the new EU Packaging and Packaging Waste Regulation ("PPWR"), which will come into force on August 12, 2026, changes to national law are to be expected. Furthermore, the EU Battery Regulation requires manufacturer of electronic devices to take back certain amounts of batteries to recycle them and to use these recycled materials for new batteries. This shall create a cycle where no new resources are needed.

b. Duties regarding the end-of-life management of products in Germany arise primarily from EU legislation and its implementation in national law. One key framework is the WEEE Directive 2012/19/EU ("Waste Electrical and Electronic Equipment" Directive), which obliges producers, distributors, and retailers of electrical and electronic equipment in the EU to dispose of and recycle these products in an environmentally friendly manner. According to this directive, manufacturers must

register their products with the competent national authority, in Germany the "Stiftung Elektro-Altgeräte Register (EAR)", before placing them on the market. In addition, all electrical appliances must be marked with the crossed-out wheelee garbage can symbol to indicate the need for separate disposal. By complying with these obligations, companies contribute to the environmentally sound disposal and recycling of electrical and electronic equipment and fulfil their legal obligations under the WEEE Directive. The Ecodesign for Sustainable Products Regulation (EU) 2024/1781 (ESPR), which came into force in July 2024 and obliges companies to improve the environmental performance of their products by setting requirements for their reparability, recyclability, and resource conservation, must also be considered. These regulations apply in particular to energy-consuming products, textiles, and other categories, and are intended to promote sustainability through long-term product design. The EU Battery Regulation introduces additional obligations for producers, including take-back schemes, recycling targets and minimum shares of recycled materials in new batteries. The European Commission has launched a consultation on a proposed Circular Economy Act, which aims to strengthen the market for secondary raw materials and further promote circular product design and recycling within the EU. The results of the consultation are due to be presented in 2026.

6. Plastics – what laws are in place to deter and punish plastic pollution (e.g. producer responsibility, plastic tax or bans on certain plastic uses)?

Germany has implemented several laws and measures to deter and punish plastic pollution, including:

- Extended Producer Responsibility (EPR) – Pursuant to the VerpackG, producers and distributors of packaged products are required to participate in a system of EPR organizations, which are responsible for ensuring the collection and recycling of packaging waste. This includes plastic packaging.
- Deposit System – Germany has a deposit system for beverage containers made of plastic, glass, and metal. This system incentivizes consumers to return their used containers for recycling and reduces the amount of plastic waste ending up in the environment.
- Plastic Bag Ban – Germany has banned the distribution of single-use plastic bags in retail

stores.

- **Plastic Tax** – This should be an incentive to encourage manufacturers to use more recycled materials and reduce the amount of plastic waste. However, the plastic tax, initially postponed from 2025 to 2026, is currently being rejected by the German government. Therefore, the German federal government currently opposes to passing on the EU plastics levy to those placing plastics on the market. Germany pays an estimated amount of 1.4 billion EUR a year to the EU for non-recycled plastic.
- **Ban on Certain Single-Use Plastics** – Germany has implemented a ban on certain single-use plastic items such as cotton buds, cutlery, plates, straws, and stirrers.
- **Microplastic Restrictions** – Germany has restricted the use of microplastics in personal care, cleaning and other consumer products.

7. Equality Diversity and Inclusion (EDI) – what legal obligations are placed on an employer to ensure equality, diversity and inclusion in the workplace?

According to the General Act on Equal Treatment (AGG), discrimination in the workplace on the grounds of race, ethnic origin, gender, religion or belief, disability, age, or sexual orientation is inadmissible. Employers are obliged to take measures to prevent discrimination and harassment and provide equal opportunities. The Act to Promote Transparency in Wage Structures (EntgTranspG) is intended to support particularly women in asserting their right to equal pay for the same work or work of equal value. An individual right to information for employees, the obligation of employers to conduct audits and the reporting obligations on equality and equal pay are statutory instruments intended to close the gender pay gap. The new EU Pay Transparency Directive, which must be implemented by EU member states by June 2026, will strengthen these rights and force employers to publish whether men and women are paid equally. Regardless of the size of the company, employees will have a right to access information about the average remuneration for a comparable activity.

There is also the Part-Time and Fixed-Term Employment Act (TzBfG). The aim of the TzBfG is not only to promote part-time work and to define the framework conditions for fixed-term employment contracts, but also to protect those employees from discrimination and disadvantages. This is achieved, for example, through an explicit

prohibition of discrimination and the so-called “pro rata principle”, according to which monetary benefits for part-time employees are to be granted at least to the extent that the proportion of working time corresponds to the working time of a comparable full-time employee. If the employer has a works council (Betriebsrat) or a staff council (Personalrat) as an employee representation body, they can also take measures to promote equality, inclusion, and diversity. The works council or staff council can be supported in their work, for example, by a representative for severely disabled persons, an equal opportunity officer or an occupational health and safety officer. In addition, the Minimum Wage Act (MiLoG) is intended to ensure that all employees are entitled to at least a certain level of income by establishing a minimum wage. In this way, a fair minimum wage level is to be ensured for all employees.

According to the Equal Opportunities for Disabled Persons Act (BGG), employers must eliminate and prevent discrimination towards people with disabilities and ensure their equal participation in the workplace. In doing so, special needs must be considered. Furthermore, there are provisions in German labor law that stipulate a certain proportion of women for management, supervisory and executive bodies (inter alia: FöPoG II; AktG, GmbHG, MitbestG, SEBG). Accordingly, these bodies must be staffed with at least a certain percentage or number of women in order to promote equal treatment and diversity at the highest level.

8. Workplace welfare – in respect of ESG are there any legal duties on employers to treat employees fairly and with respect?

Employers are legally obliged to treat their employees fairly and with respect. These obligations are reflected in various laws and regulations that aim to protect the welfare of employees in the workplace. Some examples include:

- According to the Occupational Safety and Health Act (ArbSchG) and the Workplace Ordinance (ArbStättV) employers are required to take measures to ensure the health and safety of their employees in the workplace. This includes providing a safe working environment, health and safety assessment of the workplace, measures to prevent accidents and injuries, and providing appropriate training and protective equipment.
- The Working Hours Act (ArbZG) limits the number of hours employees are permitted to work and requires employers to provide

sufficient breaks and rest periods to ensure the employees well-being. It also contains rules on working at night-time, Sundays and bank holidays and an obligation to record working times that exceed the maximum limit of 8 to 10 hours per day. The employers' obligation to fully document the working hours of their employees is based on case law of the European Court of Justice.

- The Maternity Protection Act (MuSchG) aims to protect pregnant and breast-feeding women in the workplace. Employers are required to adjust working conditions and provide paid maternity leave to ensure the health and well-being of pregnant employees and young mothers.
- The Youth Employment Protection Act (JArbSchG) regulates the protection of children and young people in particular from overwork.
- The Federal Paid Leave Act (BUrIG), the Continued Payment of Remuneration Act (EntgFG), and the Federal Parental Allowance and Parental Leave Act (BEEG) regulate employee rights for periods in which no work is performed by employees. In this way, recreational breaks are intended to protect the health of employees and to adapt the working day to special life circumstances.

9. Living wage – the law governing employment rights is addressed in the Employment and Labour international guide, in respect of ESG is there a legal requirement to pay a wage that is high enough to maintain a normal standard of living?

The German Minimum Wage Act (MiLoG) sets a statutory minimum wage level that applies to almost all employees in Germany. The minimum gross wage is currently 13.90 EUR/hour (Section 1 (2) MiLoG). This wage level is periodically reviewed and adjusted by a standing Minimum Wage Commission based on various economic factors. It will rise to 14.60 EUR/hour in January 2027. In addition, due to the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG), companies are obliged to conduct due diligence regarding the implementation of human rights along the supply chains, which also includes appropriate wage, based on the currently applicable minimum wage.

10. Human rights in the supply chain – in relation

to adverse impact on human rights or the environment in the supply chain: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?

a. The German LkSG (Supply Chain Due Diligence Act) requires companies with 1,000 or more employees to take measures to prevent human rights violations and environmental harm in their supply chains. Pursuant to this law, companies are obliged to establish and implement risk management systems that identify potential human rights and environmental risks in their supply chains, which include conducting regular due diligence assessments of their suppliers and taking appropriate remedial actions where necessary. Companies are also required to establish complaint mechanisms for employees and other stakeholders to report potential violations of human rights or environmental standards in their supply chains. Failure to comply with the LkSG can result in fines and reputational damage for the companies. The competent authority (BAFA) has presented official handouts for implementation in early 2023. The handout on risk analysis summarises the essential requirements of the law and shows practical implementation options. It outlines the potential areas the authority will mainly focus on.

At EU level, the CSDDD is intended to harmonise due diligence obligations across Member States. The directive has recently been amended as part of the EU's Omnibus simplification initiative (Directive (EU) 2026/470). It significantly narrows the scope of the CSDDD and postpones its application. Member States must transpose the amended directive into national law by 2029. It therefore remains to be seen to what extent the German LkSG will be amended in the future to align with the revised EU framework.

Moreover, according to the EU Deforestation Regulation (EUDR), whose effective date has been postponed to December 30, 2026, with an additional transition period until June 30, 2027 for SMEs, companies are legally obliged to carry out due diligence checks to ensure the traceability of their supply chains. This means that they must implement a due diligence system that collects and documents all relevant information on the products concerned. The main requirements include recording details such as a description of the products and their quantity, the country of production and, if applicable, its parts of the country, as well as the geolocation of the land on which the raw materials were produced and the period of production. Companies must also collect information

on the actors involved in the supply chain, such as their names, addresses and contact details. Another important aspect is providing evidence that the relevant products are deforestation-free and that their production complies with the relevant legislation in the country of production. The purpose of these legal obligations is to ensure that products imported into or placed on the EU market are not associated with deforestation or forest degradation. Following amendments adopted at the end of 2025, the revised rules simplify due diligence requirements, particularly for downstream operators, who generally only need to retain the reference number of an existing due diligence statement instead of submitting a new one.

b. In Germany, there are no test cases regarding human rights violations in supply chains so far. However, the LkSG does contain a special procedural regime of the right to file a lawsuit (Section 11 LkSG). German trade unions and NGOs are allowed to support victims of human rights violations abroad in representing their rights before German courts.

In practice, enforcement so far has mainly taken place through complaints filed with the Federal Office for Economic Affairs and Export Control (BAFA), which is responsible for supervising compliance with the LkSG. NGOs have submitted several complaints against companies alleging human rights violations or environmental harm in global supply chains. BAFA may investigate such complaints and order corrective measures. The law also provides for administrative fines of up to 800,000 EUR or up to 2% of a company's global annual turnover in serious cases.

11. Responsibility for host communities, environment and indigenous populations – in relation to adverse impact on human rights or the environment in host communities: a. Are there any statutory duties to perform due diligence; b. Have there been any test cases brought against companies?

a. Yes, companies with 1,000 or more employees are required to establish and implement risk management systems that identify potential human rights and environmental risks in their supply chains, including those that may affect host communities. The LkSG includes the ban on the processing of mercury under the Minamata Convention, the ban on the production and use of certain chemicals under the POPs Convention, and the ban on the export of hazardous waste under the Basel Convention (Section 2 (3) LkSG). The law also prohibits the unlawful eviction and unlawful deprivation of land,

Section 2 (2) no. 10 LkSG. The scope of the CSDDD has been expanded to include only companies with at least 5,000 employees and a turnover of at least 1.5 billion EUR in the previous financial year. Accordingly, the number of those liable will be reduced.

b. Although there have not been any test cases related to this area, individual claims are being raised. One example is the lawsuit brought against the German company Bayer AG, which acquired the agrochemical company Monsanto in 2018. The lawsuit was filed by thousands of farm workers who claim that they were exposed to the company's glyphosate-based herbicide products, which they allege caused them to develop cancer. The lawsuit raises questions on the responsibility of companies regarding the adverse impacts of their products and activities, including in host communities, and underscores the need for due diligence and risk management measures. In February 2026, the lawsuit was settled out of court with a 7.25 billion USD agreement.

12. Have the Advertising authorities required any businesses to remove adverts for unsubstantiated sustainability claims?

Driving force in this area is the privately organized German Advertising Standards Council (Deutscher Werberat), a self-regulatory body in the advertising industry in Germany, which is responsible for reviewing complaints regarding advertising content. The Council has issued several rulings against companies for making unsubstantiated or misleading sustainability claims in their advertising. In 2019, for instance, the Council issued a ruling against a company that claimed its product was "100% biodegradable" and "completely environmentally friendly," finding that the company did not have sufficient evidence to support these claims. In another case, the Council ruled against a company that advertised its product as "CO₂-neutral", finding that the company had not provided evidence to support this claim. These rulings demonstrate that advertising authorities in Germany actively monitor and enforce sustainability claims made by companies. Companies claiming sustainability should ensure that they are supported by solid evidence and accurately reflect their environmental or social impact to avoid complaints and potential sanctions.

13. Have the Competition and Markets authorities taken action, fined or prosecuted any

businesses for unsubstantiated sustainability claims relating to products or services?

The German competition and markets authority (Bundeskartellamt) is primarily responsible for enforcing competition law and preventing anti-competitive behaviour. While the Bundeskartellamt does not have a specific mandate to address unsubstantiated sustainability claims, it can take action against companies that engage in misleading or deceptive practices that harm competition or consumers. In recent years, the Bundeskartellamt has investigated several companies for environmental claims that could be considered misleading. These cases have mostly focused on greenwashing or misleading claims related to the environmental attributes of a product. For example, the Bundeskartellamt imposed a fine on a major car manufacturer for using manipulative software in its diesel engines. While this case focused on emissions fraud rather than unsubstantiated sustainability claims, it does demonstrate the authority's willingness to take action against companies that engage in deceptive environmental practices.

Currently, the EU Commission has issued an EU wide regulation against greenwashing. Under the new Directive (EU) 2024/825 (so called "Empco Directive"), vague environmental claims ("climate neutral"), without evidence of excellent environmental performance or voluntary sustainability labels, that have not been verified by third parties or authorities, are to be added to the so-called blacklist of prohibited misleading business practices. This goes further than the ban on labelling products as climate neutral or positive if they are based on CO2 compensation, which the EU has already adopted. The German Bundestag approved the implementation in December 2025. The regulations will take effect from September 2026.

14. Have there been any test cases brought against businesses for unsubstantiated enterprise wide sustainability commitments?

In recent years, there has been an increase in lawsuits brought by environmental NGOs against German companies with the aim of stopping the use of what the plaintiffs consider to be misleading advertising. The lawsuits invoke the general clause for prohibition of misleading advertising pursuant to Sections 5, 5a of the Act against Unfair Competition (UWG). Among others, in 2022 dm-drogerie markt GmbH & Co. KG and in 2023, HelloFresh Deutschland SE & Co. KG, Danone Deutschland GmbH, A.W. Faber-Castell Retail GmbH and

in 2024 the travelling company TUI were sued for alleged greenwashing. According to the plaintiffs, all sued companies advertise their company or their products as "climate-neutral" or "CO2-neutral" without providing consumers with a transparent and verifiable statement explaining how this status is achieved. A current example is the verdict against Adidas AG, which advertised with the slogan "Climate neutral by 2050" without specifying sufficient measures and interim targets.

15. Is there a statutory duty on directors to oversee environmental and social impacts?

The German Stock Corporation Act (AktG) outlines the duties and responsibilities of management board (Vorstand) and supervisory board (Aufsichtsrat) of German stock corporations (AGs). Pursuant to Section 76 AktG, the management board of an AG is required to take fully into account the interests of the company's shareholders, employees, customers, and other stakeholders in carrying out their duties. This includes considering the potential impact of the company's activities on the environment and society. Additionally, Section 289c of the German Commercial Code (HGB) requires certain large companies to include a non-financial statement in their annual report that provides information on the company's environmental and social impacts, as well as its approach to corporate social responsibility. The non-financial statement must be prepared by the management board and approved by the supervisory board. Due to the increase in the threshold for the application of the CSRD, an adjustment also seems conceivable.

16. Have there been any test cases brought against directors for presenting misleading information on environmental and social impact?

There have been some cases in Germany where directors have been held accountable for presenting misleading information on environmental and social matters. One example is the Volkswagen emissions scandal, where the company installed software in diesel cars that fraudulently passed emissions tests. In 2019, Volkswagen's former CEO was charged with fraud and breach of competition law by German prosecutors for his part in the case. The trial has been postponed due to the defendant's state of health.

Another example is a case concerning Deutsche Bank, which was fined 15 Mio EUR in 2021 by German financial authorities for misleading information on its sustainability efforts in its annual report. The authorities

stated that the bank had exaggerated its progress in reducing its carbon footprint and had failed to adequately disclose information about its sustainability risks.

The asset management company DWS was fined 25 million EUR for greenwashing in 2025. DWS had sold so-called green financial products as being more environmentally friendly than they actually were.

In 2025, the Cologne Regional Court has prohibited Lufthansa AG from advertising using certain statements that portray flights as sustainable due to monetary payments. This advertisement was considered misleading. In the same year, Adidas AG was prohibited from advertising with the goal of being climate-neutral by 2050. According to the court, Adidas AG had not sufficiently demonstrated how this goal was to be achieved. Both verdicts are based on lawsuits filed by the German environmental organization Deutsche Umwelthilfe. The verdicts are not yet legally binding.

17. Are financial institutions and large or listed corporates required to report against sustainable investment criteria?

In January 2023, the game-changing Corporate Sustainability Reporting Directive (CSRD) came into force. This new directive modernised and strengthened the rules about the social and environmental information that companies must report. A broader range of companies are now required to report on sustainability – around 50,000 companies in total. The new rules were designed to ensure that investors and other stakeholders have access to the information they need to assess investment risks arising from climate change and other sustainability issues. The directive should also create a culture of transparency about the impact of companies on people and the environment. Finally, reporting costs will be reduced for companies over the medium to long term by harmonising the information to be provided. Companies with more than 500 employees and total assets of over 20 Mio EUR or net revenue of over 40 Mio EUR should apply the new rules for the financial year 2024 for the first time. Those reports should be published in 2025. Companies subject to the CSRD should report according to European Sustainability Reporting Standards (ESRS). The draft standards were developed by the European Financial Reporting Advisory Group (EFRAG), an independent body gathering various stakeholders. The thresholds have been raised significantly, so that only companies with at least 1,000 employees and at least 450 million EUR in revenue in the previous financial year are now included.

Additionally, the SFDR requires financial market participants, including asset managers, pension funds, and insurance companies, to disclose how they integrate sustainability risks and factors into their investment decisions. In November 2025, the European Commission presented a draft for a comprehensive revision of the SFDR, which is called SFDR 2.0. This is intended, in particular, to curb greenwashing and increase transparency. These new rules are expected to come into force from 2027 onwards. According to the draft, portfolio management and investment advice will no longer be subject to the product-related requirements of SFDR 2.0. meaning that asset management firms might no longer fall within the scope of the regulation.

18. Is there a statutory responsibility on businesses to report on managing climate related financial risks?

Pursuant to the Non-Financial Reporting Directive (NFRD) companies in Germany must submit non-financial statements that include environmental issues such as greenhouse gas emissions and the use of renewable energies. The directive is implemented in Section 289c (2) no. 1 HGB. Specifically, this law applies to listed companies, credit institutions, and insurance companies with more than 500 employees and total assets of over 20 Mio EUR or net revenue of over 40 Mio EUR. These companies are required to provide information on the impact of climate change on their business model, as well as their greenhouse gas emissions and the measures they are taking to reduce them. The law is in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which encourages companies to disclose information on the financial risks and opportunities associated with climate change. The directive and its implementation will be replaced by the CSRD, which Germany was supposed to implement into national law by summer 2024 at the latest. The CSRD should extend the scope of application to more companies and further climate-related reporting obligations. As a result of the Omnibus Simplification Package, the thresholds were significantly raised. Now, only companies with at least 1,000 employees and a turnover of at least 450 million EUR in the previous financial year are subject to the CSRD. Accordingly, it is estimated that only 5% of German companies are still being recorded.

In addition, companies importing certain products into the EU will now have to report on their CO₂ use and will be required to pay compensation under the new Carbon Border Adjustment Mechanism (CBAM). As mentioned

above, companies that emit CO₂ will have to pay for CO₂ allowances. However, this was not the case for companies that imported their products. The CBAM aims to make importers pay for the CO₂ they emit. Since 2026, certificates must be purchased to offset emissions. Their price corresponds to the certificates in the European Emissions Trading System.

19. Is there a statutory responsibility on businesses to report on energy consumption?

Pursuant to the German Energy Services Act (EDL-G), large companies and energy-intensive industries are obliged to conduct regular energy audits and report their energy consumption. Specifically, companies with at least 250 employees or an annual turnover of more than 50 Mio EUR and an annual balance of more than 43 Mio EUR are required to conduct an energy audit at least once every four years.

Since the new Energy Efficiency Act (EnEFG) came into force in November 2023, companies with an energy consumption of 7.5 gigawatt hours have been obliged to implement an energy or environmental management system. As part of this, they must identify and implement potential energy-saving measures if they are economically viable. Furthermore, since 2025 there has been an obligation to submit annual information on waste heat generated, provided that the average total annual energy consumption within the last three completed calendar years exceeds 2.5 GWh. The German Federal Office of Economics and Export Control (BAFA) will monitor implementation and can impose fines of up to 100,000 EUR.

20. Is there a statutory responsibility on businesses to report on EDI and / or gender pay gaps?

In Germany, companies may be required to report on EDI and gender pay gaps. Companies with more than 500 employees are required to report on gender equality and equal pay, describing their measures to promote equality and to create equal pay (Section 21 of the Transparency in Wage Structures Act (EntgTranspG)). Companies which apply no such measures must justify this in their report. The report must be filed every three to five years, in accordance with Section 22 (1), (2) EntgTranspG.

With the introduction of the Second Leadership Positions Act (FüPoG II), the reporting obligations for corporations now also include statements on which gender quotas are targeted in their boards, Section 289f (1), (2), (4) HGB.

Should companies not reach their target values or set "zero" as a target value, they must justify this in the report. In addition, companies are required to describe a diversity concept that includes the composition of their boards with regard to gender equality.

Furthermore, companies with more than 100 employees will have to publish their gender pay gap and other information on equal pay due to the EU Pay Transparency Directive. The report will need to be made publicly available, e.g. by publishing it on the company's website (Art. 9 Pay Transparency Directive). The Directive needs to be transformed into national law until June 2026. However, as the principle of equal pay is already established in German law and therefore mainly only a revision of the EntgTranspG will be necessary, long implementation periods are not to be expected. The fact that this implementation was an election campaign issue and was explicitly included in the coalition agreement also speaks in favor of timely implementation. Therefore, employers should soon begin to assess how they can comply with the requirements of the directive.

21. Is there a statutory responsibility to report on modern day slavery in the supply chain?

Although a legal obligation to report on modern slavery in the supply chain formally exists, it has been suspended due to the pending changes. The reporting obligation is to be abolished retroactively to January 1, 2023. Currently, the reporting obligation is only suspended until December 31, 2025. Accordingly, no further reports can be submitted to BAFA.

The internal corporate documentation requirement regarding compliance with due diligence obligations remains fully in effect, Section 10 (1) LkSG. The LkSG is to be replaced in the long term by a new law that implements the European Supply Chain Directive (CSDDD) in order to minimize bureaucracy. The LkSG will remain in force until that time.

At the EU level, the Corporate Sustainability Due Diligence Directive (CSDDD) has completed the legislative procedure. Adopted by the EU Parliament on April 24, 2024, and by the EU member states on May 24, 2024, it was published in the Official Journal of the European Union on July 5, 2024, and came into force 20 days later. After the scope of the CSDDD was initially formally shifted due to the Omnibus Regulation by the "Stop-the-Clock" Directive, the scope is to be adjusted. Furthermore, a general inventory ("Scoping Exercise") should suffice in the future. However, companies should monitor this development closely.

22. Trends and developments – Where do you see the most significant legal developments in ESG in your jurisdiction in the next 12 months? Do you expect a rise in Court disputes or enforcement actions?

Regarding significant legal developments in the area of ESG expected in Germany over the next 12 months, it is expected that they will continue to be strongly shaped by EU legislation. One key issue will be the implementation of the Corporate Sustainability Reporting Directive (CSRD), which was introduced by the EU to expand sustainability reporting. Companies will be required to report on material environmental and social aspects of their business activities and related risks and impacts. At the same time, the EU has adopted simplification measures through the Omnibus reform (Directive (EU) 2026/470), which aims to reduce administrative burdens and limit the scope of companies subject to certain sustainability obligations.

Another important development concerns the Corporate Sustainability Due Diligence Directive (CSDDD). The directive entered into force in 2024, but has been amended as part of the Omnibus reform, which narrowed the scope of companies subject to the directive and postpones its application. Member States will have to adapt their national legislation accordingly. In Germany, this is expected to trigger amendments to the German Supply Chain Due Diligence Act (LkSG), and discussions are already ongoing about simplifying or adjusting the existing regime during the transition period.

Further developments are expected in connection with the EU Deforestation Regulation (EUDR), whose application has been postponed to December 2026 and June 2027. Companies placing certain commodities on the EU market will have to implement due diligence systems to ensure that these products are not linked to deforestation. In addition, recent amendments to the EU Taxonomy framework aim to simplify sustainability reporting, including adjustments to reporting templates and the introduction of materiality threshold for certain disclosures.

Further legislative changes concerning litigation are currently under discussion. The Federal Government has proposed amendments to the Environmental Appeals Act (Umwelt-Rechtsbehelfsgesetz) in order to accelerate infrastructure projects and streamline court procedures. The reform aims, inter alia, to limit environmental lawsuits to arguments already raised during administrative proceedings and to remove the automatic suspensive effect to certain challenges against major infrastructure projects, which could significantly influence the role of environmental litigation in the coming years. It remains to be seen to what extent these changes will be taken into account in the legislative process.

Overall, ESG regulation in Germany is expected to remain dynamic. Although some recent EU reforms aim to simplify existing obligations, increased enforcement by supervisory authorities and further strategic litigation by NGOs in areas such as climate protection, environmental pollution and supply chain responsibility can be expected.

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