Regulatory Outlook

Welcome to Osborne Clarke's new year edition of the Regulatory Outlook, featuring important forthcoming regulatory developments expected in 2026, together with an interactive timeline illustrating key dates to be aware of, across all 19 areas that we cover.

Hot topics for the coming year include employment and data law reforms and continued focus on ESG.

January 2026

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Advertising and marketing

Advertising and marketing

A busy regulatory agenda lies ahead in 2026 for advertisers, platforms and brands. In the UK, the Advertising Standards Authority (ASA) and the Committee of Advertising Practice (CAP) are likely to continue focusing on influencer disclosures and protecting children, and the ASA will scale up its AI based Active Ad Monitoring system to proactively identify non compliance. UK restrictions on the advertising of less healthy food and drink are now in force and environmental claims remain a high-priority enforcement area for the regulators. With the unfair commercial practices regime in the Digital Markets, Competition and Consumers Act 2024 (DMCCA) now fully in force, the Competition and Markets Authority (CMA) is starting to use its enhanced consumer protection powers and sharpening its focus on drip pricing and pressure selling. In the EU, the proposed Digital Fairness Act may also target influencer marketing. Below, we set out in more detail the key developments most likely to shape 2026.

Influencer marketing

The UK Advertising Standards Authority (ASA) continues to monitor influencers' compliance with the rules on the disclosure of ads in social media posts. While some improvement has been observed, the ASA still identifies compliance gaps, and it has said that it will apply targeted sanctions for repeated breaches.

All parties in the advertising supply chain – influencers, brands and agencies – share responsibility for clear disclosure of advertising content. Parties must use platforms' disclosure tools, mark posts with "Ad" or "#ad", and not rely on ad disclosure in bios or other advertising posts. The ASA will only find disclosure "clear by context" for own-brand advertising if it is absolutely clear that the ad is indeed own-brand advertising (for example, when the brand name matches the advertiser's account name).

The EU's proposal for the Digital Fairness Act (DFA), expected to be published in the fourth quarter of 2026, may address influencer marketing. The European Commission is concerned about hidden marketing (influencers not clearly labelling ads as ads), the promotion by influencers of potentially harmful products (such as tobacco or vaping, unhealthy food and drink) and the promotion of unrealistic beauty standards. In its consultation on the DFA, the Commission asked various questions on influencer marketing to assess what needs to be done (whether that is new binding legislation in the form of the DFA, more effective enforcement of existing rules or simply the publication of some new guidelines) to prevent these harmful practices by influencers. This would include potentially ensuring that influencer compliance responsibilities are shared with the brands that collaborate with them.

AI: disclosure and enforcement

The UK advertising codes do not contain specific rules on the use of AI in advertising content. However, the Committee of Advertising Practice (CAP) advises that the codes apply to all advertising content, regardless of how it is created. Accordingly, ads created using AI are subject to the same requirements as those produced through more traditional creative processes. When using AI, CAP suggests that advertisers ask themselves whether the audience would be misled if the use of AI is not disclosed and, where there is a risk of the ad misleading consumers, whether disclosure would clarify or contradict the ad's overall message. Disclosure cannot remedy fundamentally deceptive messaging. CAP encourages marketers to exercise particular caution around the use of deepfakes and other AI technologies that could potentially mislead viewers.

The ASA is constantly scaling up its AI-based Active Ad Monitoring system to proactively identify non-compliance across online advertising, enabling faster identification and banning of irresponsible ads.

The EU AI Act's transparency obligations are due to take effect from 2 August 2026 (subject to proposed changes contained in the recently published Digital Omnibus). The European Commission is developing a voluntary code of practice for providers and deployers of generative AI on the marking and labelling of AI-generated content, including deepfakes and other synthetic audio, images, video and text, expected by summer 2026.

Protection of children

Protecting children remains a core priority for the regulators. UK action has focused on protecting under 18s from gambling advertising through ASA adjudications and CAP's updated guidance in this area.

In the EU, the Digital Services Act prohibits online platforms from displaying ads based on profiling to minors and requires platforms accessible to minors to put in place measures to ensure a high level of privacy, safety and security for minors. The Commission has published non-binding guidelines to support compliance with these obligations, including in respect of advertising. Providers of online platforms accessible to minors should ensure that minors are not exposed to harmful,

unethical and unlawful advertising; commercial communications are clearly visible, child friendly, age appropriate and accessible; and minors are not exposed to hidden or disguised advertising.

Price transparency under the DMCCA

The UK Digital Markets, Competition and Consumers Act's (DMCCA) unfair commercial practices provisions, fully in force since April 2025, prohibit practices such as drip pricing and fake reviews. The Competition and Markets Authority (CMA) now has direct enforcement powers, which include the power to impose significant fines, and is focusing initial action on online pricing practices such as drip pricing and pressure selling.

Subscriptions

The DMCCA introduces a new regime for paid business-to-consumer subscription contracts that includes rules on providing certain pre-contract information, sending renewal reminders and making cancellation of subscription contracts simpler. The regime is expected to come into effect in autumn 2026, with further detail to be set out in secondary legislation and guidance.

The EU DFA is expected to address problems with digital contracts, including subscription cancellation processes, auto-renewals and free trials automatically converting to paid subscriptions.

Restrictions on less healthy food and drink advertising

The UK's restrictions on the advertising of less healthy food and drink are in effect from 5 January 2026, following a delay to provide for an explicit exemption for pure "brand advertising". The regime introduces a 21:00 watershed on broadcast TV and a total ban on paid-for advertising of in-scope products online. The ASA has confirmed its commitment to start enforcing the rules from January 2026, and CAP has published new advertising guidance to help marketers understand how the ASA is likely to apply the rules.

Tobacco and vapes

The UK Tobacco and Vapes Bill proposes banning vapes and nicotine products from being deliberately branded, promoted and advertised to children. The bill is progressing through Parliament, currently at the report stage in the House of Lords.

Green claims

The ASA has reiterated its commitment to the Climate Change and Environment project, prioritising action on advertising for carbon neutrality and net zero, greener homes, fast fashion, transport and travel, energy, green disposal and meat, dairy and plant-based alternatives. CAP's recent series of guidance notes on environmental claims covered the homes, cruise and aviation industries, and the ASA's proactive sweep of environmental claims focused on online ads by major UK travel agents.

The EU Green Claims Directive proposal, which would, among other things, require companies to provide verified evidence for any green claims, is currently on hold following the European Commission's attempt to withdraw the directive. According to the Commission's 2026 work programme, the proposal remains pending.

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Artificial Intelligence

Artificial Intelligence

AI and copyright

The UK government's response to its consultation on copyright and AI has yet to emerge. Detailed responses to the consultation are expected by 18 March 2026.

By the same date, the government also needs to publish a report on the use of copyright works in the development of AI systems and an economic impact assessment, as required by the Data (Use and Access) Act 2025 (DUA Act). In its report the government must consider the copyright policy options regarding AI training which were set out in its consultation, including proposals on technical measures, transparency, licensing, enforcement and AI developed outside the UK.

In December 2025, the government published a progress report summarising initial consultation feedback. The progress report notes that a majority of respondents supported the option of requiring licences in all cases (the consultation's option 1).

The remaining options presented in the consultation were supported as follows:

- Making no changes to copyright law (supported by 7% of respondents).
- Introducing an exception to copyright for all text and data mining (TDM) purposes with rights reservation (that is, an "opt-out" approach), which was the government's preferred option in the consultation (supported by 3% of respondents).
- Introducing an exception to copyright for all TDM purposes with no rights reservation (option 2, supported by 0.5% of respondents).

This distribution partly reflects strong engagement from the creative sector. Creative industry respondents were largely opposed to the opt-out approach and favoured requirement for licences in all cases. Technology respondents, including AI developers, tended to prefer an opt-out option and option 2. Various proposals for new or modified options were also put forward.

The secretary of state for culture, media and sport, Lisa Nandy, has stated that following the consultation, the government does not have a preferred option. It remains to be seen how the government will balance the protection of creatives' rights with innovation.

UK AI bill

As most jurisdictions are grappling with the question of whether to regulate AI, an anticipated UK AI bill did not materialise during 2025. The government appears to be focusing on innovation through AI Growth Zones and AI Growth Labs (regulatory sandboxes). The AI minister, Kanishka Narayan, has stated that a range of existing rules already applied to AI systems, including data protection, competition, equality legislation and online safety. Whether a dedicated AI bill will appear in 2026 remains uncertain and currently seems unlikely.

EU AI Act

Digital omnibus on AI

As part of its Digital Omnibus simplification initiative, the European Commission proposed targeted changes to the EU Artificial Intelligence Act (EU AI Act) in November 2025. As reported in our November 2025 issue, key elements include:

- Rules governing high-risk AI systems pursuant to Article 6(2) and Annex III are currently scheduled to take effect from 2 August 2026. Under the new proposals they would be delayed until up to **2 December 2027**. This is not an absolute delay. Rather, the Commission retains the right to bring forward the implementation date for the high-risk rules, should it decide that everything is in place to do so before December 2027. As soon as the EU executive decides that the standards and guidance are sufficient, companies would have six months to comply.
- Similarly, rules governing high-risk AI systems pursuant to Article 6(1) and Annex I are currently scheduled to take effect from 2 August 2027. Under the new proposals they would be delayed until up to **2 August 2028**. Again, this is not set in stone but is more of a backstop: once a Commission decision has been adopted that states that the standards and guidance are ready, companies would have 12 months to comply. The delays are supposed to give the Commission enough time to develop technical standards and compliance guidance.
- The general AI literacy obligation under Article 4 would be abolished, though specific training obligations for high-risk deployers would remain.

- The rules in Article 50(2) that oblige providers to ensure that their AI systems mark AI-generated synthetic audio, image and text would now not apply until **2 February 2027** (for systems put on the market before 2 August 2026; for systems put on the market from that date, the provisions would apply straightaway).
- Special category data could be processed for the purposes of detecting and correcting bias in all AI systems (not only high risk ones), subject to strict safeguards, and the EU GDPR would be amended to make clear that organisations can rely on its "legitimate interest" legal basis to use personal data for training or operating AI systems and models.
- The Commission also proposes exempting a wider range of companies from reporting obligations under the Act.

The proposals are being debated in the European Parliament and the Council and are expected to progress to the trilogue stage in mid-2026.

Labelling AI-generated content

The transparency obligations for providers and deployers of generative AI systems under Article 50 of the EU AI Act are scheduled to apply from 2 August 2026, subject to a proposed delay under the Digital Omnibus proposal (see above).

When in force, Article 50 requires:

- Providers of AI systems, including general-purpose AI systems, generating synthetic audio, image, video or text content, to ensure that their outputs are marked in a machine-readable format and are detectable as artificially generated or manipulated.
- Deployers of AI systems that generate or manipulate image, audio or video content constituting a deepfake to disclose that the content has been artificially generated or manipulated.

The Commission has begun work on a voluntary code of practice on marking and labelling AI-generated content. A first draft was published in December 2025. The draft consists of two sections covering rules for marking and detection of AI-generated and manipulated content applicable to providers of generative AI systems, and rules for labelling of deepfakes and AI-generated and manipulated text applicable to deployers of AI systems. The Commission is collecting feedback on the first draft from participants and observers to the code until 23 January 2026. A second draft is expected in March 2026, with the final code anticipated to be released by June 2026.

Further guidance

The Commission has set out guidance it aims to develop during 2026 to support the implementation of the EU AI Act, including for high-risk AI.

Guidance is also planned on the EU AI Act's interaction with other EU legislation, including joint guidance with the European Data Protection Board on the interplay with EU data protection law.

The Commission will prioritise clearer guidance on how the EU AI Act's research exemptions in Articles 2(6) and (8) should be applied in practice, particularly in specific areas such as pre-clinical research and product development for medicines and medical devices, following requests from stakeholders.

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Bribery, fraud and anti-money laundering

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SFO publishes foreign bribery indicators

The Serious Fraud Office (SFO), as part of the International Foreign Bribery Taskforce (IFBT), has published new cross-jurisdictional guidance on identifying foreign bribery indicators to help businesses and professionals working in high-risk sectors to identify, prevent and address potential instances of foreign bribery.

The IFBT (comprising the SFO and National Crime Agency in the UK, as well as law enforcement agencies across the Five Eye Nations) created a common framework, drawing on the collective casework experience of the members, which can be used by businesses that operate internationally.

The guidance highlights indicators across six categories, which are of relevance to individuals and companies with elevated risk profiles for engagement in corrupt practices:

- conduct – such as the use of third party agents or consultants and shell companies;
- government affiliations – such as where business involves foreign government contracts or requires foreign government permits, approvals or licences to undertake or operate business;
- country links – including where the individual or company has links to a country with a Corruption perception index score of less than 40 or is incorporated in a county with no real connection to that country;
- ownership – such as owning property through a trust or cryptocurrency;
- registration information – including the existence of a charity registered with the same name as the company or the business description does not align with the officeholders' occupation; and
- other associations – including an individual who is a politically exposed person (PEP), or has links to a PEP, whose wealth greatly exceeds their public service salary.

The guidance stresses that these indicators are common to other financial crimes, such as money laundering, and do not automatically equate to criminal activity. Instead, they highlight factors, which, when considered in combination, raises the risk profile of the individual or company and suggests that further evaluation and assessment is necessary.

The IFBT encourages compliance professionals, businesses in high-risk sectors and advisers to review the list and strengthen their programmes where necessary. Individuals are also encouraged to report any activity indicative of foreign bribery to the appropriate authority in their jurisdiction. In the UK, reports can be made to the SFO or the National Crime Agency.

The guidance demonstrates a broader shift in economic crime enforcement strategy, placing greater emphasis on early detection and prevention.

See the SFO press release.

UK Anti-Corruption Strategy 2025

The government published the UK Anti-Corruption Strategy 2025. The multi-year strategy details its approach to tackling corruption in the UK and overseas. The paper sets out commitments to prioritise stronger enforcement action, industry support and whistleblowing reforms.

The strategy is built on three pillars: corrupt actors, tackling UK vulnerabilities and global resilience. To support industry in preventing and identifying corrupt activity, the country's anti-money laundering and counter-terrorist financing (AML/CTF) supervisory system will be reformed by consolidating supervision for professional services under the Financial Conduct Authority (as previously reported in this Regulatory Outlook).

The government will also consult on whether to amend the UK's AML regulations to respond to emerging risks, and explore opportunities to reform the existing whistleblowing framework, including through potential financial incentives.

The government has committed to publishing a new, expanded Fraud Strategy, and a new Anti-Money Laundering and Asset Recovery Strategy, following the conclusion of the Economic Crime Plan 2023-2026 (read more in this Insight).

To support law enforcement teams in investigating corruption cases, the strategy commits to delivering a new SFO-led international anti-corruption prosecutorial taskforce, and a more efficient investigative process in the SFO, including the use of artificial intelligence and machine learning to speed up investigations.

See the government press release.

SFO publishes corporate cooperation guidance

The SFO has published an updated Guidance on Corporate Cooperation and Enforcement on how it will evaluate corporate compliance programmes. It aims to help organisations understand how their compliance measures will be assessed in enforcement contexts, including prosecution decisions and eligibility for deferred prosecution agreements (DPAs).

The SFO is keen to make early use of the new the failure to prevent fraud offence, and we anticipate that will influence its focus and conduct of investigations and prosecutions in 2026. Businesses should also prepare for the amendments to the Money Laundering Regulations (as previously reported), which is expected to come into force in early 2026, as well as the upcoming Anti-Money Laundering and Asset Recovery Strategy.

For more information see our Insight and the SFO press release.

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Competition

Competition

Digital markets

In 2024, the Competition and Markets Authority (CMA) flexed its new digital markets regulatory powers, designating both Apple and Google as having strategic market status, with both online search and mobile ecosystems joining the list of the UK's regulated sectors. These designations last five years, establishing a framework for the CMA to mandate changes to improve competition, though the specifics of these conduct requirements are now being consulted on.

For **search services**, the initial measures focus on giving consumers meaningful choice over their search provider (including AI assistants), ensuring fair ranking of search results, giving publishers control over how their content appears in AI-generated responses, and enabling users to move their data between services.

For **mobile platforms**, the priority is ensuring app reviews and rankings are fair and transparent, and preventing platform operators from misusing data gathered through the app review process.

For both investigations, the CMA is expected to consult on additional measures in the first half of 2026. Updated timelines for these interventions are expected in early 2026.

The CMA has also signalled that it may designate another major digital firm as having SMS in the first half of 2026.

Predictions: Implementation will be gradual – SMS investigations take nine months and designated firms may challenge decisions in court. Even firms without SMS designation should prepare for increased regulatory engagement, as the CMA has broad powers to request information and can reach conduct outside the UK.

Products using AI will face particular scrutiny around how they access data, work with other services, and present choices to consumers. Legal challenges to designations and conduct requirements could slow the process.

Merger remedies

The CMA published revised merger remedies guidance (CMA87) on 19 December 2025, allowing more flexible use of behavioural remedies at Phase 1 and 2 while maintaining effectiveness requirements. The guidance recognises remedies can lock in rivalry-enhancing efficiencies and provides detail on assessing relevant customer benefits (RCBs).

Parties should expect greater CMA receptiveness to behavioural remedies at Phase 1 as well as increased consideration of rivalry-enhancing efficiencies, and RCBs. They must provide detailed implementation plans, monitoring mechanisms and compliance frameworks.

Predictions: More Phase 1 clearances with behavioural undertakings are likely to reduce Phase 2 references. We anticipate increased scrutiny of remedy design, requiring detailed monitoring mechanisms and potentially independent trustees. The guidance aligns with the government's pro-growth agenda and CMA's commitment to supporting investment and innovation, particularly in tech.

Civil engineering

The CMA published its interim report on 17 December 2025 examining civil engineering for public road and railway infrastructure, identifying poor market outcomes and options for improvement regarding pipeline uncertainty, procurement policy, capacity constraints and regulatory barriers. Consultation deadline: 28 January 2026; final report: spring 2026.

Expected recommendations include procurement reforms for competition and value, regulatory streamlining to reduce barriers, fairer risk allocation frameworks, and improved pipeline visibility.

Predictions: The Procurement Act enables CMA information-sharing with contracting authorities on competition infringements, signalling sustained focus on anticompetitive conduct in public procurement. Regulatory barriers to entry and expansion will be addressed. Fragmentation in procurement and regulatory approaches across government may be identified as a key problem. Significant competition problems could trigger a full market investigation with remedy powers.

Regulatory action plan

HM Treasury's Regulation Action Plan includes competition reforms, with the Department for Business and Trade (DBT) consulting on merger control certainty, remedy reviews and CMA decision-making changes. The government will consult

on opt-out collective actions reform to strengthen predictability, incentivise alternatives to litigation, and ensure meaningful consumer redress while protecting against speculative litigation.

Expect early 2026 DBT consultation on jurisdictional thresholds, remedy reviews and replacing the CMA's panel model with a committee structure. Collective actions reform will address certification criteria, funding and costs, and settlement incentives. The CMA's "4Ps" programme (pace, proportionality, predictability, process) and new KPIs will enhance business confidence.

Predictions: Pro-growth reforms will continue with increased regulatory accountability through the Regulator Dashboard and Regulators Council. The CMA must balance pro-growth agenda with enhanced enforcement against anticompetitive behaviour. Legislative merger control changes will take time; parties should engage with consultations.

Subsidy Control Act

The Subsidy Advice Unit (SAU) must publish its first report on the Subsidy Control Act's effectiveness by summer 2026 (reporting period ends 31 March 2026). Following a call for inputs (closed 24 June 2025), the government is consulting on refining thresholds for mandatory CMA referral and creating streamlined routes for subsidy delivery.

Expected 2026 reforms include revised thresholds for mandatory/voluntary CMA referral, streamlined routes for community regeneration and arts/culture subsidies, and revised sensitive sectors list.

Predictions: Calls for simplification will address complexity criticisms. Reforms must balance flexibility in subsidy delivery with effective scrutiny to prevent competition distortions. Competition considerations will remain central to the regime.

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Consumer law

Consumer law

This year there is already a packed agenda for consumer protection law. In the UK, the subscription contracts regime under the Digital Markets, Competition and Consumers Act 2024 (DMCCA) may begin to take effect and the Competition and Markets Authority (CMA) is expected to test its enhanced powers of enforcement against the unfair commercial practices provisions in the Act. In the EU, the Commission's recently published 2030 Consumer Agenda will set the tone, including the possible publication of the Commission's legislative proposal for a Digital Fairness Act. Overarching priorities for the EU in this area of law include protecting vulnerable consumers, particularly children, in the digital environment, as well as simplifying the regime and reducing the administrative burden. Below, we set out in more detail the key developments most likely to shape 2026.

UK DMCCA: subscriptions and unfair commercial practices in focus

Subscriptions regime. The regime for paid business-to-consumer subscription contracts under the DMCCA may commence in autumn 2026. The regime includes rules on providing certain pre-contract information, sending renewal reminders and making cancellation of subscription contracts simpler. Further detail is expected to be set out in secondary legislation and guidance.

Unfair commercial practices. The DMCCA unfair commercial practices provisions, including the express bans on fake reviews and drip pricing, as well as the CMA's direct enforcement powers, have been in force since April 2025. The CMA has also published various guidance to support businesses' compliance with the rules – see our Digital Regulation timeline for more information.

In April 2025, the CMA also outlined its intended approach for the first year of the new regime. The CMA expected to focus on "egregious practices where the law is clear", such as aggressive sales practices targeting consumers in vulnerable positions, providing objectively false information, banned practices such as fake reviews, hidden fees and clearly imbalanced and unfair contract terms, including those imposing unfair exit charges on consumers.

Following the publication of its price transparency guidance under the DMCCA, the CMA has already launched various investigations into potentially non-compliant businesses, targeting online pricing practices, which signals its readiness to use its new powers. The regulator has also sent advisory letters and requests for information to businesses in a variety of sectors, showing that its aim is also, where possible, to work with companies and encourage compliance, rather than move straight to enforcement.

That trajectory is expected to continue through 2026, reinforced by the CMA's strategy for 2026-2029. As the CMA's chief executive Sarah Cardell put it when launching the strategy: "Supporting businesses to comply with the law, alongside tough enforcement where it really matters to people. That is the recipe to maximise the value of the new regime for consumers and fair dealing businesses – and you can expect it to continue."

European Commission's 2030 Consumer Agenda

The European Commission has published the 2030 Consumer Agenda, "a new strategic framework for EU consumer policy that sets out concrete priorities and actions for the next five years."

Digital Fairness Act. The European Commission intends to table a legislative proposal for a Digital Fairness Act in the fourth quarter of 2026. The initiative is expected to target online dark patterns, addictive design features, unfair personalisation and pricing and problematic influencer marketing practices as well as to include simplification measures. See Osborne Clarke's Digital Fairness Act microsite for more information.

Geo-Blocking Regulation evaluation. The Commission aims to complete its evaluation of the Geo-Blocking Regulation in the second quarter of 2026, following the launch of its review in February 2025. It will also further analyse the benefits, challenges and possible risks of extending the regulation's scope. This may include consideration of whether audiovisual content, currently excluded from scope, should be brought within the regulation's framework.

Consumer Protection Cooperation (CPC) Regulation revision. The Commission intends to propose a revision of the CPC Regulation in the fourth quarter of 2026 to address persistent enforcement inefficiencies, including lengthy procedures, insufficient resources at national level, the absence of stronger deterrent measures (such as the power to impose fines) and difficulties in addressing infringements by traders established outside the EU. In parallel, the Commission intends to continue supporting coordinated enforcement actions and activities of the CPC Network to tackle widespread breaches of EU consumer law.

Consumer law

Audiovisual Media Services Directive (AVMSD) review. The Commission plans to evaluate the AVMSD in light of significant changes in the audiovisual media environment since the directive was last revised in 2018. It launched a call for evidence on the evaluation and review of the AVMSD, which closed in December 2025. As part of the evaluation, the Commission intends to look at its scope, prominence of media services of general interest, audiovisual commercial communications, protection of minors rules applicable to video-sharing platforms and promotion of European works. The Commission aims to launch a further consultation on the AVMSD evaluation in the first quarter of 2026.

The protection of vulnerable consumers (with children front and centre), simplification and reducing the administrative burden are cross-cutting priorities.

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Cyber-security

Cyber-security

The Cyber Security and Resilience Bill

The Cyber Security and Resilience (Network and Information Systems) Bill (CSRB), which was introduced to Parliament on 12 November 2025, had its second reading on 6 January 2026. The bill updates the Network and Information Systems Regulations 2018 (NIS Regulations), with reforms focused on improving the country's resilience to cyber attacks. As previously reported, the National Cyber Security Centre's (NCSC) 2025 Annual Review noted a 50% increase in highly significant incidents for the third consecutive year.

Changes introduced in the bill include bringing managed service providers, data centres and large load controllers into scope, as well as enhanced incident reporting and customer notification measures and enforcement powers, including higher fines for non-compliance.

Businesses should continue monitoring the progress of the bill and identify whether they are likely to fall within its expanded scope. Organisations can prepare for compliance by reviewing existing incident response plans and conducting supply chain risk assessments.

The Public Bill Committee has launched a call for evidence seeking views on the bill. The committee is scheduled to meet on 3 February 2026 to scrutinise the bill line by line and is expected to report on 5 March 2026. The government intends to launch consultations on implementation proposals, with responses to be considered before secondary legislation is laid before Parliament.

The bill is anticipated to come into force at some point in 2026, with phased implementation to be delivered through secondary legislation.

Businesses should expect a busy year ahead on the cyber security front. Royal assent for the CSRB Bill is anticipated in the latter part of the year, subject to parliamentary time. Beyond the UK, businesses with EU operations should monitor trilogue negotiations on the Digital Omnibus package, which aims to streamline incident reporting obligations across multiple pieces of EU cyber legislation, including GDPR, NIS 2 and DORA (see our dedicated microsite for more).

Read more on the bill in our Insight. See our Digital Regulation Timeline to follow the progress of the CSRB and read the ICO's response to the bill.

Cyber essentials supply chain playbook

The NCSC has published a guide to help businesses effectively manage cyber risk by supporting their use of Cyber Essentials across their supply chains. Organisations are encouraged to use the playbook to manage their supply chains more effectively, with recent high-profile incidents demonstrating the escalating threat posed by vulnerabilities in supply chains and the financial and reputational impact it can have on an organisation.

The playbook sets out sets for organisations to:

- audit their supply chain by using the IASME Supplier Check tool;
- assess whether their entire supply chain, or certain supplier security profiles will require Cyber Essentials certification as a minimum security requirement; and
- choose the most effective approach to embed Cyber Essentials within their supply chain.

This forms part of the government's efforts to strengthen the cyber security and resilience of the UK ahead of the Cyber Security and Resilience Bill. Alongside driving uptake of Cyber Essentials, businesses may also consider aligning with the Cyber Assessment Framework principles, and the Cyber Governance Code of Practice, a dedicated package to support board members and directors in governing cyber security risks.

Government cyber security strategy

The government published the Cyber Action Plan, which sets expectations for how it will improve the cyber security and resilience of public services.

Announced alongside the second reading of the Cyber Security and Resilience Bill, the plan will hold government and the public sector to equivalent standards through increasing visibility of cyber risk, addressing the most serious and complex risks, improving responsiveness to incidents, and increasing government-wide cyber resilience.

Cyber-security

Supported with a £210 million investment, the plan will be delivered across three phases, and includes steps to hold organisations to account for improving their cyber defences, including setting minimum standards and investment in cross-government platforms, services and infrastructure to address critical risks.

Businesses providing services to the government should monitor the implementation progress of the plan, including assessing whether their software security practices align with the Software Security Code of Practice. The government aims to promote this voluntary framework through the new Software Security Ambassador Scheme, with the aim of reducing software supply chain attacks and related disruption.

Read the government press release.

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Data law

Data law

A busy year ahead: what will this mean for business?

Businesses can expect significant developments to data law (including data protection) in 2026, as set out in this bumper edition of the Regulatory Outlook. Ten years after the text of the General Data Protection Regulation (GDPR) was finalised, the European Commission is now proposing changes that follow (some) of the similar revisions made to the UK GDPR in 2025. In both the UK and the EU, these changes are more about evolution than revolution; for some businesses, they will have very little impact; for others, the impact will be significant (for better or worse). All businesses will be looking to keep on top of developments and continually assess their specific impact.

Increased legislative divergence between the UK and the EU poses practical challenges for businesses operating across both jurisdictions (and more widely). Will they continue to take a uniform approach to data protection across the UK and the EU (for example, in the context of cookies) for practical simplicity? Or will they change their approach in the UK or the EU (as applicable) to take advantage of business-friendly changes in law?

Data protection regulators in the UK and the EU will continue to actively enforce data protection laws, focusing on where they see the most potential for harm. In practice, that means continued focus on online advertising practices, unlawful direct marketing, processing of children's data, artificial intelligence (AI) (particularly where it is used to make decisions about people) and data security. Businesses engaged in areas of focus for regulators can expect further developments in the form of guidelines, codes of practice and enforcement.

Beyond data protection, there is plenty going on. Whether it is smart data schemes in the UK, the European Health Data Space, a focus on digital identities or data and digital sovereignty, there will be no shortage of data-related news in 2026.

Legislative changes – UK and EU

UK Data (Use and Access) Act 2025

The main changes to data protection and privacy law introduced by part 5 of the Data (Use and Access) (DUA) Act 2025 are expected to come into effect this January.

They include amendments to the UK GDPR and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (PECR) concerning the lawfulness of processing (including the introduction of a new "recognised legitimate interest" lawful basis and the addition of certain processing purposes more likely to amount to "legitimate interests"), an easing of the current restrictions on automated decision-making, an extension of the soft opt-in for charities, and new exemptions relating to the use of cookies and other tracking technologies. Maximum fines for breaches of PECR will also increase to UK GDPR levels (the higher of £17.5 million or 4% of global annual turnover), up from the current £500,000 limit.

The changes requiring controllers to implement formal processes for handling data protection complaints will not take effect until the summer, giving organisations more time to prepare. Organisations will be required to provide individuals with a way to raise data protection complaints, acknowledge receipt of those complaints within 30 days, and investigate them without undue delay.

Further Information Commissioner's Office (ICO) guidance on the changes is expected through 2026, such as final guidance on handling data protection complaints and on recognised legitimate interest and an updated guidance on direct marketing and privacy and electronic communications to reflect changes in relation to charitable purpose soft opt-in. The ICO has set out its plans for new and updated guidance.

The DUA Act is about more than just data protection, though, and further legislation and developments is expected this year relating to digital identities and smart data schemes.

UK Cyber Security and Resilience (Network and Information Systems) Bill

See Cyber security section

EU Digital Omnibus: proposals for simplification of EU data laws

As part of its simplification drive, the European Commission has released its proposal to make significant changes to the EU GDPR and other data legislation. This is part of a wider proposed "Digital Omnibus Regulation" package, which also includes (among others) proposals for changes to the EU AI Act (see AI section).

As reported in our November edition, key proposals include:

EU GDPR

The definition of "personal data" is to be amended to make clear that information is not to be considered personal data in respect of a particular entity:

- merely because a potential subsequent recipient has the means reasonably likely to be used to identify the data subject, nor
- when it does not have the means reasonably likely to be used to identify the data subject.

There is also provision for the Commission and the European Data Protection Board (EDPB) to help controllers assess the position by specifying means and criteria relevant for an assessment, including the state of the art of available techniques and criteria to assess the risk of reidentification of pseudonymised data.

Additional exemptions from the prohibition on processing special category data in the following cases:

- Processing of biometric data, when it is necessary for confirming the identity of the data subject and when the data and means for such verification are under the sole control of that data subject.
- Residual processing of special categories of personal data for development and operation of AI, subject to conditions, including appropriate organisational and technical measures to avoid collecting such data, and removing it after use.

Related to this, but included in the separate AI Omnibus, there would be an extension to the situations in which special category data can be processed for the purposes of detecting and correcting bias in AI systems (subject to strict safeguards). This is currently limited to providers of high-risk AI systems, but would also cover deployers of high-risk systems, and providers and deployers of non-high-risk systems and models where "reasonable and proportionate".

An amendment to make clear that organisations can rely on the EU GDPR's "legitimate interest" legal basis to use personal data for training or operating AI systems and models.

Clarification of the requirements for automated decision-making in the context of entering into, or performance of, a contract between the data subject and a controller, in particular that the requirement of "necessity" applies regardless of whether the decision could be taken otherwise than by solely automated means.

A controller will not have to notify a data breach to the competent supervisory authority unless the breach is likely to result in a high risk to the data subject's rights, aligning this threshold with that for notification to affected data subjects. In addition, the notification deadline for breach reporting would be extended from 72 to 96 hours. It is also proposed that controllers use a new "single-entry point" when they notify data breaches to the supervisory authority.

Cookies

- It is proposed that processing personal data via cookies and other tracking techniques would fall entirely under the EU GDPR, rather than the ePrivacy Directive.
- Consent will no longer be needed for some low-risk cookie uses including when providing services explicitly requested by the data subject, when creating aggregated audience measurements for the provider's own online service, and certain security functions.

Other data laws

- Abolition of the Data Governance Act 2022, the Open Data Directive 2019 and the Free Flow of Non-Personal Data Regulation 2018. The Data Act would remain as the central law and would include essential elements retained from the other three acts, which would be repealed.
- Changes to definitions currently used in the Data Act. For example, the terms "data user", "data holder" and "public emergency" are to be harmonised and clarified.

- Protection of trade secrets will be further strengthened by allowing data owners to refuse disclosure under the Data Act if this could result in sensitive information being transferred to third countries with an inadequate level of protection or which could compromise the EU's security interests.

- Switching obligations under the Data Act will be amended. For example, customised services will be exempt from the interoperability requirements in existing contracts and small and mid-cap companies (up to 750 employees) will be exempt from additional obligations.

The legislative process is now under way, with trilogue negotiations among the EU institutions expected in mid-2026. For more details see Osborne Clarke's Digital Omnibus microsite.

EU regulation on cross-border EU GDPR enforcement in force

The regulation laying down additional procedural rules on the enforcement of the EU GDPR came into force on 1 January. It does not introduce new procedures but clarifies the existing EU GDPR framework and harmonises rules on certain elements of cross-border enforcement of the EU GDPR. It will apply from 2 April 2027. See our Digital Regulation Timeline for more information on the regulation.

UK adequacy decisions

In late December 2025, the European Commission renewed two 2021 UK adequacy decisions, permitting the continued free flow of personal data between the European Economic Area and the UK, under the EU GDPR and the Law Enforcement Directive. The renewed decisions will remain in effect until 27 December 2031 and may be further extended. The Commission, in conjunction with representatives of the EDPB, will conduct a review of the decisions after four years.

ICO priorities

In 2025's edition of our Regulatory Outlook, we highlighted artificial intelligence, online advertising and children's data as the ICO's key priorities. Those will continue to be key focus areas for the ICO through 2026, developing and delivering on the work the ICO has done to date, as summarised below.

More generally on the ICO's approach, ICO fines in 2025 were predominantly limited to personal data breaches and unlawful direct marketing (particularly cold calls and spam texts) and we expect more of the same in 2026. However, the ICO increasingly prioritises proactive engagement, education and systemic change over punitive fines, as evidenced by the ICO's work on websites' use of cookies and the implementation of its Children's Code strategy in the context of social media and video sharing platforms.

The ICO, like other UK regulators, has a duty when exercising its functions, to consider the desirability of promoting economic growth and ensuring regulation isn't unnecessarily burdensome (the Growth Duty). In March 2025, the ICO summarised how its approach to regulation is supporting economic growth and we expect this to be a continuing theme in 2026.

ICO and AI

Aligned with the Growth Duty, the ICO's AI and biometric strategy, launched in June 2025, is as much about supporting innovation and economic growth as it is about regulating AI.

The ICO is focusing on uses of AI and biometrics that cause the most concern and potential for harm if misused; including, continued review of the use of automated decision-making in recruitment, use of facial recognition technology by police forces and looking at how personal data is used to train generative-AI foundation models.

In 2026, updates are expected to the ICO's guidance on automated decision-making and profiling, a statutory code of practice on AI and automated decision-making and a horizon scanning report on the data protection implications of agentic AI.

ICO's approach to regulating online advertising

As part of its online tracking strategy, launched in 2025, and following a consultation on the topic, the ICO is expected to publish a statement identifying advertising activities that are unlikely to trigger enforcement action under the PECR. The

ICO is working with stakeholders and the government to explore how it could amend legislation to reinforce this, with a further update expected in 2026.

In the ICO's December 2025 update on its efforts to ensure cookie compliance across the top 1,000 websites in the UK, the ICO confirmed its intention to "periodically test" those websites. It said that most of these websites now meet the rules on the use of advertising cookies, with only 21 websites identified as still non-compliant with the ICO's testing criteria. The ICO will continue to take action in relation to those websites. As well as engaging with the top websites, it has also been engaging with trade bodies representing industries appearing in the top 1,000 websites and the consent management platforms (CMPs) providing consent management solutions to nearly 80% of the top 500 websites. Those CMPs have made significant changes to the options they provide to their customers to ensure compliance by default.

The ICO's focus on ensuring websites' cookie compliance is ongoing, and the regulator has indicated that it will continue its monitoring and engagement with industry.

ICO's focus on children's online privacy in mobile games

Having previously focused on the implementation of its Children's Code strategy in the context of social media and video sharing platforms, the ICO has recently turned its attention to online privacy in the most popular mobile games played by children in the UK. The ICO is launching a monitoring programme into 10 popular online games to assess their compliance with default privacy settings, geolocation controls and targeted advertising practices. The regulator will also consider any other privacy issues identified during the review process. The ICO's early review suggests that many mobile games' design features can be intrusive, which raises concerns about their compliance with the ICO's Children's Code standards.

The ICO has stated that its focus in 2024/25 on children's privacy on social media and video-sharing platforms resulted in significant improvements. In March 2025, it published an update on its strategy. Since then, the ICO says that it has secured improvements to the approach to children's privacy settings by 10 platforms, including setting private profiles by default, just-in-time privacy notices and restricted visibility of child users. The regulator will also start a monitoring programme to drive the adoption of more robust and proportionate age assurance methods on high-risk platforms.

Priorities for EU data protection authorities

The EDPB's priorities for 2025 included guidance on the interplay between EU data protection law and other digital regulation. The EDPB published draft guidelines addressing the interplay between the Digital Markets Act and the Digital Services Act with the EU GDPR; with final versions of the guidelines awaited. The interplay between data laws and other digital regulation as well as simplification of digital regulation (see above) will continue to be a focus area this year.

Last year also brought significant case law from the Court of Justice of the EU (CJEU) interpreting the EU GDPR; such as, the responsibilities of online marketplaces for processing of personal data contained in ads (*Russmedia Digital and Inform Media Press*), on whether pseudonymised data is necessarily personal data when shared with third parties (*European Data Protection Supervisor (EDPS) v Single Resolution Board (SRB)*), and the decision of the General Court of the EU dismissing an action for annulment of the EU-US personal data transfer framework (*Latombe v Commission*).

EDPB 2026 coordinated enforcement action

For 2026, the EDPB has chosen "compliance with the obligations of transparency and information" under the EU GDPR (in other words, compliance with GDPR articles 12-14) as the topic for its coordinated enforcement action. This means that the EDPB will prioritise it as an area for national data protection authorities to work on at Member State level. The results of these national actions will then be aggregated and analysed to generate deeper insight into the topic. If warranted, this might lead to targeted follow-up at both national and EU level.

This follows the EDPB's focus in 2025 on the right to erasure (right to be forgotten) by controllers (see this Regulatory Outlook). The report on the outcome of that action is expected to be adopted in the coming months.

AI compliance and interplay between EU AI Act and GDPR

The core framework of the EU AI Act is set to become fully operational in 2026. The provisions on general-purpose AI under the legislation have been effective since 2 August 2025, and the rules governing high-risk AI systems as well as transparency obligations, requiring providers and deployers of generative AI systems to label AI-generated content including deepfakes, are currently scheduled to take effect from 2 August this year (subject to proposed delays under the AI Omnibus – see AI section). This makes AI compliance one of the primary focuses for 2026. However, organisations will also need to

navigate interplay of the EU AI Act with other legislation, such as the GDPR, including areas where laws overlap creating compliance difficulties. To provide clarity for businesses in this area, the Commission is working on joint guidelines with the EDPB on the interplay between the AI Act and EU data protection laws.

See our Digital Regulation timeline for more information on the EU AI Act.

Sectoral focus

- Children's online safety remains high on the regulatory agenda. See Digital Regulation section for more information.
- The European Health Data Space Regulation, which aims to establish a common framework for the use and exchange of electronic health data across the EU, is in a transitional phase throughout 2026, with the regulation set to apply from 26 March 2027. We should see further consultations on guidelines in 2026.

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Digital regulation

Digital regulation

A busy year lies ahead for digital platforms, online services and media businesses. In the UK, Ofcom is set to finalise the Online Safety Act 2023 (OSA) categorisation register, implement the fees regime and intensify enforcement activity, with child protection as a priority. Implementation of the Media Act is due to step up, with a dense implementation timetable across multiple areas. In the EU, the European Commission's simplification drive across its digital rulebook will play a significant role in 2026. Below, we set out in more detail the key developments we expect to shape 2026.

UK Online Safety Act: fees, categorisation and enforcement

Fees regime. The OSA requires that the costs of Ofcom's regulatory work are to be covered by providers of regulated services under an online safety fees and penalties regime. Providers meeting specified Qualifying Worldwide Revenue (QWR) thresholds that are not exempt must notify Ofcom of their fee liability. Both the fee amounts and the maximum penalties that Ofcom may impose for breaches of the OSA are based on the provider's QWR.

The government has established a QWR threshold of £250 million in the Online Safety Act 2023 (Fees) (Threshold Figure) Regulations 2025, with providers whose UK referable revenue falls below £10 million during a qualifying period being exempt from both fee payment obligations and the requirement to notify Ofcom. Ofcom has published:

- A statement outlining its intended approach to implementing the fees and penalties framework and defining QWR as "total amount of revenue the provider receives that is referable to relevant parts of a regulated service" (see this Regulatory Outlook for further details on the statement).
- Guidance on QWR, explaining how to calculate QWR in accordance with the Online Safety Act 2023 (Qualifying Worldwide Revenue) Regulations 2025.
- Guidance on Fees Notification, detailing the notification process and the information that must be submitted to Ofcom.
- A notice of the initial charging year, which will be 1 April 2026 to 30 March 2027. Providers subject to fee obligations must notify Ofcom by 11 April 2026 if they exceed the £250 million QWR threshold.

Before Ofcom is able to request fees from regulated service providers, the OSA requires that a Statement of Charging Principles issued by Ofcom must be in force. In November 2025, Ofcom published a draft statement for consultation, outlining the proposed principles for determining provider fees and addressing practical matters including payment procedures and invoicing.

Service categorisation and additional duties for categorised services. On 27 February 2025, the regulations came into force that set the thresholds determining when in-scope services are classified as "categorised services" and thereby become subject to additional obligations under the OSA. Following its assessment of services against these thresholds, Ofcom is required to publish a register of categorised services and a list of emerging category 1 services. Publication of the register was, however, delayed following a legal challenge brought by Wikimedia, which resulted in the first High Court judgment under the OSA. See this Regulatory Outlook for more information.

Ofcom is expected to publish the categorisation register and consult on the additional duties applicable to categorised services around July 2026. The consultation will cover duties relating to fraudulent advertising, terms of service, user empowerment, ID verification, news publisher and journalistic content and content of democratic importance. This timing remains subject to a representations process planned for early 2026, which will afford services that Ofcom considers to meet the relevant threshold conditions an opportunity to comment on its provisional decisions before the register is finalised.

Categorised services will be liable to produce transparency reports, and Ofcom has published guidance on transparency reporting. Ofcom expects to issue transparency notices, requiring the relevant categorised services to produce a transparency report, within a few weeks after the publication of the register. Categorised services are expected to be required to publish their first reports by summer 2027.

Priorities and enforcement. Protecting children remains Ofcom's foremost priority. Throughout 2025, Ofcom's enforcement of the OSA concentrated primarily on protecting children from illegal and harmful content, with penalties already imposed for failures to provide requested information and inadequate age checks. Ofcom has said that services that are most used by children must provide Ofcom with information regarding their child safety measures and implement timely improvements where necessary, with particular attention to risks associated with personalised feeds. Additional priorities for 2026 include addressing child sexual abuse material and grooming beyond file-sharing and file-storage services, enhancing the effectiveness of illegal content removal, and improving online safety for women and girls.

UK Media Act: a year dense with 'go-live' dates

Digital regulation

Public service broadcasters (PSBs). From 1 January 2026, changes to the PSB quotas system came into force. The Media Act modernises the productions quota obligations of PSBs (that is, the minimum amounts of original, regional and independent productions that must be commissioned or produced and subsequently made available by each PSB) so that they better reflect the shift from purely linear broadcasting to a mix of linear and on-demand services. PSBs will therefore be allowed to use their on-demand services, as well as their linear services, to meet their productions quotas. Each PSB has a quota for original, regional and independent productions respectively. Ofcom sets the quota levels for original and regional productions for each PSB, while the secretary of state sets the quotas for independent productions in secondary legislation. Ofcom has published a statement confirming its approach to implementing the changes to the regulatory framework governing productions quotas for PSBs and setting out the revised quota levels for PSBs. The government has made two statutory instruments to bring the changes into effect. See this Regulatory Outlook for more details.

Listed events regime. The updated listed events regime under the Media Act is expected to come into force in early 2026. Ofcom's revised listed events code, reflecting the changes introduced by the Media Act, together with final regulations defining certain terms used in the regime (such as "live coverage", "adequate live coverage" and "adequate alternative coverage"), on which the regulator has consulted, are awaited.

Video-on-Demand (VoD) services regime. In early 2026, the secretary of state is expected to designate UK on-demand programme services (ODPS) and non-UK ODPS as "Tier 1" services under the Media Act's VoD regime, following Ofcom's report on the operation of the ODPS market (see this Regulatory Outlook). Tier 1 services will be required to comply with new stringent content and accessibility obligations.

Ofcom is also expected to consult on the VoD code and guidance early this year and publish its final statement towards mid-2026.

Availability and prominence regime. Under the new online availability and prominence regime introduced by the Media Act, connected TV platforms (referred to as "television selection services" (TSS)) designated by the secretary of state will be required to ensure that PSB TV apps designated by Ofcom, as well as their public service content, are available, prominent and easily accessible.

Following Ofcom's final report to the secretary of state setting out its recommendations on the designation of TSS, the secretary of state is expected to designate the relevant connected TV platforms in early 2026. Ofcom also intends to consult this year on a draft code of practice setting out how designated platform providers can comply with their new prominence and accessibility duties and guidance explaining how those platform providers and PSBs may agree terms that are consistent with the requirements of the Media Act.

See Ofcom's Media Act implementation timeline for more information.

EU simplification and a path to the Digital Fairness Act

In November 2025, the European Commission published its Digital Omnibus Regulation proposal, as part of its digital simplification package. The proposals include changes to the EU General Data Protection Regulation and other data legislation as well as amendments to the EU Artificial Intelligence Act (see AI and Data sections).

The Commission has opened a call for evidence and a consultation, closing on 11 March 2026, on a "digital fitness check". It is seeking to understand how EU digital rules interact and stress-test their efficiency and effectiveness. It intends to complete the evaluation in the first quarter of 2027, with further consultations through 2026 on specific issues and the interplay between certain rules that have simplification potential, especially in relation to SMEs.

The Digital Fairness Act is also expected to have a simplification focus – the consultation on the Act sought views on reducing market fragmentation and legal uncertainty, as well as simplification in relation to, for example, certain consumer information requirements in repeated transactions with the same trader (for example, in-app purchases) and the consumer's right of withdrawal in respect of certain subscription services.

See also Consumer law section for information on the UK Digital Markets, Competition and Consumers Act 2024 and the Competition and Markets Authority's priorities, and more details on the Digital Fairness Act.

Digital regulation

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Employment and immigration

Employment and immigration

Employment

Employment Rights Act

The Employment Rights Act 2025 received royal assent and became law on 18 December 2025, with a number of changes coming into force over the next two years.

6 April 2026

The government's roadmap indicates that the following reforms may take effect in April 2026:

- Collective redundancy protective award – doubling the maximum period of the protective award.
- Day one paternity leave and unpaid parental leave.
- Sexual harassment included as a protected disclosure.
- Fair Work Agency body established.
- Statutory sick pay – remove the lower earnings limit and waiting period.
- Simplifying trade union recognition process.
- Electronic and workplace balloting.

Gender pay gap and menopause action plans are also expected to be introduced on a voluntary basis, with a statutory requirement taking effect in 2027 (see below).

1 October 2026

The government's roadmap indicates that the following reforms may take effect in October 2026:

- Fire and rehire.
- Procurement – two tier code.
- Tightening tipping law.
- Duty to inform workers of their right to join a trade union.
- Strengthen trade unions' right of access.
- Requiring employers to take "all reasonable steps" to prevent sexual harassment of their employees.
- Introducing an obligation on employers not to permit the harassment of their employees by third parties.
- New rights and protections for trade union reps.
- Employment tribunal time limits.
- Extending protections against detriments for taking industrial action

During 2027

The government's roadmap indicates that the following reforms may take effect during 2027:

- Gender pay gap and menopause action plans (introduced on a voluntary basis in April 2026).
- Rights for pregnant workers.

- Introducing a power to enable regulations to specify steps that are to be regarded as "reasonable" to determine whether an employer has taken all reasonable steps to prevent sexual harassment.
- Blacklisting.
- Industrial relations framework.
- Regulation of umbrella companies.
- Collective redundancy – collective consultation threshold.
- Flexible working.
- Bereavement leave.
- Ending the exploitative use of zero-hours contracts and applying ZHC measures to agency workers.

National minimum wage increases

New national minimum wage limits come into force on 1 April.

The government has announced the increases to the statutory minimum pay rates which apply from April 2026 (accepting in full the Low Pay Commission recommendations) as follows:

- National living wage (NLW) for 21 and over: £12.71
- National minimum wage (NMW) 18 to 20 year old rate: £10.85
- NMW 16 to 17 year old rate: £8.00
- Apprentice rate: £8.00
- Accommodation offset: £11.10

These rates reflect the government's intention to achieve a single adult rate by narrowing the gap between the NLW and NMW year on year in order to achieve a single adult rate.

Increases to statutory pay rates for family leave/sick pay

The proposed 2026-27 rates for statutory maternity, paternity, adoption, and shared parental will go up from £187.18 a week to £194.32 a week. Statutory neonatal care pay and parental bereavement pay will also increase by the same amount.

Statutory sick pay (SSP) will increase from £118.75 to £123.25 per week from 6 April 2026.

Employment Rights Act: Unfair dismissal reforms

The government has indicated that the reforms to the unfair dismissal qualifying limit and the removal of the statutory compensatory cap are expected to take effect from January 2027.

UK agency workers, umbrella workers and self-employed contractors

UK umbrella companies: new tax legislation introducing joint and several liability from 6 April 2026

New UK tax legislation will come into effect in April 2026 which will affect all those who have umbrella companies in their contingent worker supply chains.

An "umbrella company" will include anyone who employs agency workers to be supplied to work under a client hirer's control, meaning that UK employers of record (EORs), some consultancies and hire-train-deploy providers, as well as the more obvious umbrella companies will be caught.

Agencies (or in certain cases, client hirers) will be jointly and severally liable for any failure by an umbrella company to pay PAYE and National Insurance Contributions on payments to umbrella workers. There will be no statutory defence to liability, which means that compliance due diligence, relying on industry accreditations or payslip checking services will provide no defence to liability if an umbrella company fails to account to HMRC for any PAYE and/or NICs for any reason.

All those involved in the procurement, supply and payment of umbrella workers will want to ensure that umbrella arrangements in their contingent worker supply chains operate compliantly and do not present a joint and several liability risk.

See Osborne Clarke's full briefing.

New guaranteed hours rights for agency workers, launch of the Fair Work Agency and regulation of umbrella companies

The Employment Rights Act includes some new rights for agency workers. The following provisions are currently scheduled to commence in April 2026:

- Statutory sick pay payable from day one of absence with removal of the lower earnings limit. This will apply to agency workers as well as employees and workers.

- Fair Work Agency will launch to tackle enforcement or minimum wage, holiday and sick pay, labour exploitation and agency worker rights. The current Employment Agency Standards Inspectorate will become part of the Fair Work Agency to enable more joined-up regulation of the UK agency market.

Under the government's current proposed timetable, new rights for agency workers to be offered guaranteed hours contracts with hirers after they have worked a reference period, are expected during 2027. The government has indicated that a consultation on the details, including on what the "reference period" should be, will be issued in 2026.

A consultation is also expected on changes to the Conduct of Employment Agencies and Employment Businesses Regulations 2003 to finalise how umbrella companies will be within the regulation of the Employment Agency Standards Inspectorate (which will become part of the Fair Work Agency from April 2026). This new regime will apply in addition to the new umbrella tax legislation and will affect those who use, supply and/or pay agency workers.

Consultation on new definitions of employment and self-employment?

Government plans, announced in August 2025, for a consultation on employment status by late 2025 have been delayed with no clear indication as to when they will commence.

The consultation is intended to clarify the current complex rules for determining whether someone is an employee, a worker or self-employed. The "single worker status" originally proposed by the government seems to have been dropped in favour of looking at the employment status framework and the possibility of a "dependent contractor" classification. Introducing a definition of "self-employment" is notoriously difficult and something governments on all sides have struggled to tackle for decades.

There are concerns that the Employment Rights Act, the recent increases in Employer's NICs and national minimum wage will incentivise a push towards increased use of self-employment engagements to reduce employment costs and avoid the new employment rights.

First off-payroll tax assessments likely in 2026

It has been four years since the private sector off-payroll rules (IR35) were introduced, which means the first tax assessments are likely to be in 2026. Reports of HMRC enforcement in this area will likely affect end hirers' and agencies' view of the risk associated with using and supplying personal service company contractors.

UK immigration

2025 saw a significant number of changes and announcements in relation to UK immigration. There was an increase in compliance audits for licence holders, consultation on earned settlement being opened and significant changes to the skilled worker route.

Employment and immigration

It is anticipated that 2026 will bring with it additional changes which will affect not only employers who sponsor overseas workers but also those who do not.

Most notably:

Changes to right to work checks

These changes will have an impact on most, if not all UK companies. The UK government launched a six-week consultation (29 October to 10 December 2025) on extending right to work checks to a wider part of the labour market, including the gig economy and zero-hours workers. Currently, employers are only required to conduct right to work checks for individuals classified as "employees", leaving significant gaps in sectors such as construction, food delivery, beauty salons, courier services and warehousing where businesses engage workers, individual sub-contractors, or use online matching services.

The proposed extension, to be implemented through the Border Security, Asylum and Immigration Act, will require all businesses engaging individuals under worker's contracts, sub-contractors, and online platforms to carry out right to work checks, with civil and criminal sanctions for non-compliance.

Changes to the settlement route following closure of the consultation

Under the proposed system, the baseline qualifying period for settlement will increase from five to ten years for most migrants, with adjustments based on four core pillars: character, integration, contribution, and residence. Applicants must demonstrate sustained economic participation through earnings above £12,570 for three to five years, achieve English language proficiency at B2 level, pass the Life in the UK test, maintain a clean criminal record, and have no outstanding government debt. The government will conduct a root-and-branch review of criminality thresholds, with the expectation that settlement should not be available to those with criminal records.

The system introduces a "time adjustment" model allowing migrants to reduce their qualifying period through exceptional contributions. High earners with taxable income exceeding £125,140 for three years could reduce their pathway by seven years, while those earning above £50,270 could earn a five-year reduction. Public service workers in skilled occupations (RQF Level 6 or above), including medical and teaching professionals, could also qualify for a five-year reduction.

Conversely, the qualifying period will be extended for those claiming public funds: by five years for less than 12 months of claims, and ten years for more extensive benefit usage. The consultation also proposes that benefits should be reserved for British citizens rather than those with settled status, and considers a separate 15-year baseline qualifying period specifically for low-skilled, low-wage Health and Care visa holders who arrived with non-working dependants.

Dates to keep in mind:

8 January 2026 – Increase in English language requirements for new applicants to certain visa categories. Extending the English requirement to dependants.

12 February 2026 – Earned Settlement consultation closes. Expect changes to the qualifying period and requirements for indefinite leave to remain for main applicants and dependants. Removal of the long residence category also likely to be confirmed and date set.

Osborne Clarke's dedicated tracker is regularly updated following changes and any key dates are flagged.

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Environment

Environment

UK Emissions Trading Scheme developments

Draft order to implement free allocation and carbon leakage changes

On 16 December 2025, the draft Greenhouse Gas Emissions Trading Scheme (Amendment) Order 2026 was laid before Parliament. The order intends to amend the UK ETS to implement the remaining outcomes from the 2023 free-allocation review consultation and 2024 carbon leakage consultation. In particular, it will change how free allocations of allowances are calculated. The draft order will:

- Start to phase out the annual free allocation over the 2027-2030 allocation period for industrial installations in cement, fertilisers, iron and steel, aluminium and hydrogen sectors, which are due to be covered by the UK Carbon Border Adjustment Mechanism.
- Enable operators to choose to have their activity data from either 2020 only or 2020 and 2021 excluded from determining their historic activity level for the 2027-30 allocation period.
- Provide that existing benchmarks, which reflect the average emissions intensity of the most efficient installations in each sector, will be used to calculate free allocation in the 2027 scheme year.
- Clarify that, where an installation ceases operation in a relevant scheme year, the reporting requirement (in force from 1 January 2026) applies in the adjustment of the recalculation of free-allocation entitlements even if the installation is not a free-allocation installation at the end of the relevant scheme year.

Consultations to address the future markets policy and UK ETS cap

On 5 December 2025, the UK Emissions Trading Scheme (ETS) Authority published two consultation outcomes.

The future markets policy consultation ran until 11 March 2024, with the outcome published nearly two years later. The government has set out the final markets-policy decisions agreed by the UK ETS Authority and a summary of the responses. The following actions were determined: to retain and inflation-proof the auction reserve price and the current cost containment mechanism and to rule out introducing a quantity-triggered supply adjustment mechanism.

The cap extension consultation which ran until 9 April 2025, aimed to ensure the ETS market policies remained fit for purpose and effective in managing the risks faced by an established and maturing scheme. The results of this consultation are that the authority will extend the UK ETS beyond 2030 by introducing a phase two from 2031. This will run for 10 years from 1 January 2031 to 31 December 2040, with banking allowances to be permitted between these phases.

Developments in UK environmental policy and delivery frameworks

Environmental delivery plans under the Planning and Infrastructure Act 2025

The Planning and Infrastructure Bill 2024-25 was introduced to Parliament in March 2025 and received Royal Asset on 18 December 2025, becoming the Planning and Infrastructure Act 2025 (PIA).

Part 3 of the PIA introduces new environmental delivery plans (EDPs) that give Natural England powers to prepare and draw up EDPs for an area, which set out how the environmental impacts of development on protected sites and species will be addressed. In most cases, EDPs will be voluntary and developers can choose to participate in the plans by paying a nature-restoration levy. Where a developer chooses to participate in an EDP, it would no longer be required to carry out its own environmental assessments or deliver project-specific mitigation. The first EDPs are expected to focus specifically on mitigating nutrient pollution.

Now that the Planning and Infrastructure Bill has been finalised, developers will be paying close attention to the implementing regulations as well as the pace at which Natural England develops and rolls out EDPs, which are expected to be launched in 2026.

Government publishes the Environmental Improvement Plan 2025

Environment

On 1 December 2025, The Department for Environment, Food and Rural Affairs (Defra) published its third Environmental Improvement Plan (EIP) to secure delivery in England of the targets and objectives in the Environment Act 2021. The EIP supports 10 long-term goals designed to improve the natural environment, as well as waste and air quality targets.

Key elements of the EIP include:

- Reconfirmation of the government's intention to implement biodiversity net gain (BNG) for nationally significant infrastructure projects by May 2026, and to improve the operation of BNG for minor, medium and brownfield sites.
- Launch of the first environmental delivery plans in 2026, enabling the roll-out of the Nature Restoration Fund that will be introduced under the Planning and Infrastructure Act 2025.
- A consultation on new measures to reduce emissions from domestic combustion.
- Use of environmental outcomes reports to "better identify and manage the impact of development on air quality".

The EIP sets out a wide range of new targets and commitments which, if delivered, could significantly strengthen the environmental regulatory landscape. However, the detail on implementation in practice is limited, and businesses will need to track how these proposals are taken forward.

Marine Recovery Funds Regulations 2025 come into force

The Marine Recovery Funds Regulations came into force on 17 December 2025 to establish a new UK regulatory framework to streamline the consenting process for offshore wind projects affecting Marine Protected Areas. The voluntary scheme allows developers carrying out relevant offshore wind activities to secure appropriate compensation measures for the adverse effect of their projects on these areas.

Sustainability reporting

Potential for UK Sustainability Reporting Standards to apply to businesses on a voluntary basis

On 25 June 2025, the government published a consultation on its draft UK Sustainability Reporting Standards (SRS). The publication represents a milestone in aligning the UK framework with the inaugural sustainability disclosure standards published by the International Sustainability Standards Board.

The initial consultation closed on 17 September 2025. Once the standards are endorsed, the UK SRS are anticipated to be available initially for businesses to adopt on a voluntary basis, which is expected to be possible from the start of 2026 at the earliest. Mandatory reporting requirements are likely to target listed companies initially, although the timeframe for their introduction is not yet confirmed.

EU Sustainability Reporting requirements

See ESG section.

Biodiversity net gain

Biodiversity net gain reforms for minor, medium and brownfield development

On 16 December 2025, the Ministry of Housing Communities and Local Government (MHCLG) announced key changes to biodiversity net gain (BNG) reform. As part of the government's new consultation on reforming the National Planning Policy Framework (NPPF), the MHCLG indicated that the government will:

- Introduce an area-based exemption: smaller sites (up to 0.2 hectares) will now be exempt from mandatory BNG requirements which means more developments will not need to deliver BNG.
- Consult "rapidly" on brownfield development: a consultation for a new exemption for residential brownfield sites (testing ranges up to 2.5 hectares).
- Introduce measures for the delivery of BNG offsite: new measures to simplify offsite BNG for medium-sized developments, with the aim of reducing complexity for developers and reducing costs.

A full consultation report is expected to be published in 2026, alongside an implementation timeline and a consultation response on implementing BNG for NSIPs (which is due to go live in May 2026).

Finance Bill 2026 implementation to follow the Autumn Budget

Following the Autumn Budget in November 2025, the first resolutions for the Finance Bill were published on 4 December 2025.

Once enacted, the legislation will affect several environmental tax measures:

- Firstly, the government has confirmed that the UK plastic packaging tax (PPT) rates will increase in line with the consumer price index (CPI) inflation for 2026-2027. The tax applies to the import and production of plastic packaging containing less than 30% recycled content. The government will also consult on a mandatory certification for mechanically recycled plastic packaging, as a condition for claiming PPT exemptions. Businesses should factor the CPI-linked increase into their planning for the year ahead.

- Secondly, the government has decided not to merge the standard and lower rates of landfill tax into a single rate. The increased landfill tax rates will apply from 1 April 2026. The exemption for backfilling quarries will be retained, with the aim of maintaining low-cost alternatives to landfill for housebuilders and the wider construction sector.

Permitted development rights for electric vehicle charging consultation

As part of the Autumn Budget, the government announced a consultation on changes to permitted development rights (PDRs) for electric vehicle charging. The consultation closes on 21 January 2026.

Further changes are proposed to allow for:

- Multiple units of equipment housing or storage units for electric vehicle charge points in non-domestic, off-street car parks.

- The installation of cross-pavement solutions and associated domestic charge points.

- £100 million to be given to local authorities and public bodies to accelerate the installation of home and workplace charge points.

UK carbon border adjustment mechanism

See ESG section.

COP 30 outcomes

From 10 to 22 November 2025, the international climate conference (COP 30) was held in Belém, Brazil. The key outcome of the conference was the Mutirão Decision that proposed actions to maintain plans to combat climate change in line with the 2015 Paris Agreement, climate finance and aligning global trade with climate objectives. This decision includes:

- The Global Implementation Accelerator: a voluntary incentive to accelerate implementation to keep 1.5°C as a realistic target and support countries in implementing their nationally determined contributions (NDCs) and national adaptation plans.

- The Belém Mission to 1.5: this is designed to support ambitious implementation of NDCs and NAPs.

- An agreement that by 2035 developed countries will triple adaptation finance.

- International economic co-operation, with the aim that climate change measures do not constitute trade barriers.

The outcomes of COP 30 were criticised by many developing countries and NGOs for not adequately addressing the divisions inherent in the COP process.

Environment

Although the achievements of COP 30 were limited, companies should continue to focus on climate action to ensure compliance with relevant decarbonisation legislation and to minimise the risk of litigation.

New climate-change agreement scheme coming into force

From 1 January 2026 to 31 December 2030, eligible sectors and operators will need to enter into new climate change agreements (CCAs) with revised terms and updated targets. This is a distinct scheme, not simply an extension of the existing scheme.

CCAs are voluntary agreements under which sector associations and their members, who operate energy-intensive installations and facilities, commit to improving energy efficiency or reducing carbon emissions. In return, participants receive a reduced rate of climate change levy (CCL).

Under the new CCA scheme, targets will run to the end of 2030 and participants that meet their obligations will continue to benefit from reduced CCL rates until March 2033.

UK ETS scope expanding to include waste incineration and energy-from-waste operations

The UK ETS is set to expand to include energy-from-waste (EfW) operations within the scope of UK ETS beginning in 2028. From 1 January 2026, there will be a voluntary monitoring, reporting and verification period for in-scope waste incineration and EfW operations.

The aim of the policy is that by incorporating EfW into UK ETS, operators will invest in technology and operations that minimise waste incineration emissions. Operators are encouraged to participate in the voluntary scheme and should review their emissions and aim to reduce them where possible, ahead of the scheme being fully integrated in 2028. The expansion of the UK ETS into EfW demonstrates the government's commitment to decarbonising the waste industry.

Environmental Permitting (Electricity Generating Stations) (Amendment) Regulations 2025 coming into force

The Environmental Permitting (Electricity Generating Stations) (Amendment) Regulations introduce a new requirement for operators of new and substantially refurbished combustion plants in England to submit a decarbonisation readiness (DR) report as part of their environmental permitting (EP) application. For applications made after 28 February 2026, the DR requirements will shift from the planning consent process into the EP regime, giving regulators greater flexibility to update and adapt those requirements in line with rapidly developing technologies.

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Environmental, social and governance

Environmental, social and governance

EUDR application delayed until the end of 2026 with further simplification measures introduced

The European Parliament and the Council of the EU approved the delay to the enforcement of the EU Deforestation Regulation (EUDR) at a vote which took place on 17 December 2025. The regulation was published in the Official Journal and has entered into force. This means medium and large enterprises will have until 30 December 2026 to comply with micro and small operators being given an additional six months until 30 June 2027.

Along with the delay, a number of simplification measures will also be introduced, with the aim of reducing compliance burden for companies while preserving the regulation's environmental goals:

- micro and small primary operators will only be required to provide a one-off simplified declaration (rather than per transaction);
- downstream operators and traders will no longer need to file additional due diligence statements;
- micro and small operators may provide postal addresses instead of detailed geographical coordinates; and
- books, newspapers and printed pictures have been excluded from scope.

Also introduced by this regulation is an obligation for the European Commission to conduct a simplification review of the regulation and present a report by 30 April. This report will evaluate the impact and administrative burden of the EUDR, particularly for smaller operators and will, where appropriate, be accompanied by a legislative proposal. Businesses should therefore be alert to potential further changes to deforestation requirements being proposed in 2026.

Update on changes agreed to CSRD and CSDDD

The European Parliament has approved a provisional agreement on simplified sustainability reporting and due diligence rules for businesses. The text now needs to be approved by the Council and will enter into force 20 days after its publication in the Official Journal, which is anticipated to be in March 2026.

CSRD

The criteria for a company to be required to report under the Corporate Sustainability Reporting Directive (CSRD) has been significantly increased meaning many more companies will be out of scope. The previous required a company to meet two of the following: 250 employees, €50 million turnover and €25 million balance sheet. The requirement is now 1000 employees and €450 million of net worldwide turnover. Non-EU ultimate parents (other than financial holding companies, as below) of groups with €450 million net EU turnover or more (no employee threshold) will need to report via an obligation which sits with their EU subsidiary, where that subsidiary has a net turnover of €200 million.

The reporting requirements will be significantly simplified and sector-specific reporting will become voluntary. Importantly, companies required to prepare sustainability reporting will not be permitted to shift that responsibility to their smaller business partners. To facilitate compliance, the Commission will establish a digital portal with access to templates and guidelines on EU and national reporting requirements.

As reported in our November edition, the requirement for "second wave" and "third wave" companies to report will begin for financial years starting 1 January 2027 onwards with publication in 2028. With member states being given discretion as to whether to exempt "wave one" companies from reporting for 2025 to 2026.

CSDDD

If the proposed text is agreed, fewer companies will need to carry out due diligence under the Corporate Sustainability Due Diligence Directive (CSDDD), which will only apply from 26 July 2029 for businesses within its new scope. Under the revised rules, this will only be required from large EU corporations with more than 5,000 employees and a net annual turnover of over €1.5 billion, with the same turnover threshold for non-EU companies. They will have to carry out scoping exercises to identify risks in their chain of activities and should only request information from business partners with fewer than 5,000 employees when the information for in-depth assessment cannot be obtained another way.

Transition plans ensuring a company's business model is compatible with the shift to a sustainable economy will no longer be required. Businesses will be liable at the national level for failures to apply the rules correctly and could face fines of up

to 3% of their net worldwide turnover, a decrease from existing penalties which are a minimum of 5% of the group worldwide turnover.

Businesses need to ensure that when the final text is agreed and comes into force, they are aware of which of these CSRD and CSDDD requirements apply to them and when the requirements come into force.

CBAM

EU CBAM

From 1 January, businesses have to comply with additional requirements under the EU CBAM legislation which came into force in September 2023. This includes the requirements to submit CBAM declarations; CBAM importers are required to register with the national CBAM authority and businesses will be obligated to pay for the CO2 emissions generated in the production of CBAM goods outside the EU.

In response to feedback received from industry, starting 1 January 2028, CBAM's scope will be expanded to close circumvention loopholes and strengthen its effectiveness. CBAM will expand to cover 180 steel and aluminium-intensive downstream products, such as machinery and appliances, preventing carbon leakage through product substitution. The proposals introduce anti-circumvention measures, including enhanced reporting requirements, incorporation of pre-consumer scrap in emissions calculations, and authority to address misdeclarations by requiring additional evidence or defaulting to country values when actual data proves unreliable.

A temporary Decarbonisation Fund will support EU producers facing carbon leakage risks in third-country markets, reimbursing a portion of EU Emissions Trading Scheme (ETS) carbon costs for companies demonstrating decarbonisation efforts, with financing derived from 25% of CBAM certificate revenues from 2026-2027 (contributed by member states) and 75% from EU own resources.

UK CBAM

Following the government's consultation on the proposed UK Carbon Border Adjustment Mechanism (CBAM) legislation, it has now published its response with the government confirming that it intends to legislate for the introduction of a UK CBAM from 1 January 2027.

CBAM will apply a levy to greenhouse gas (GHG) emissions embedded in certain highly traded, carbon-intensive imported products, affecting the cement, fertilisers, iron and steel, aluminium and hydrogen sectors, so that they face a carbon cost equivalent to what would have applied had they been produced in the UK. It is a levy designed to mitigate the risk of carbon leakage and to support decarbonisation.

The consultation response confirms that indirect emissions associated with the production of CBAM goods will not be included in scope of CBAM until 2029 at the earliest, to reflect continued support for the energy intensive industries compensation scheme.

Key technical changes made to the legislation following consultation include:

- the free allowance adjustment in the CBAM rate calculation will be based on a sectoral average of emissions covered by free allowances over a baseline period, adjusted annually to reflect the phase out of free allowances under the UK ETS;
- carbon price relief has been extended to enable recognition of carbon prices incurred under CBAMs;
- exemptions will be included for emissions embodied in UK-produced precursor goods that are imported into the UK as part of a complex CBAM good and for emissions embodied in CBAM goods under temporary admission in the UK with a full relief from customs duties (customers who have mistakenly overpaid CBAM will have three years to claim repayment); and
- the group treatment provision has been removed.

The consultation response also indicates that the government is considering the role of refineries and will publish a call for evidence on the fuel sector, considering whether to include refined products in CBAM in future. HMRC will publish detailed guidance ahead of 2027 with draft secondary legislation and notices for technical consultation expected in early 2026.

Environmental, social and governance

European Commission proposes Environmental Omnibus to simplify environmental legislation

On 10 December 2025, the European Commission presented a package of measures to simplify environmental legislation in the areas of industrial emissions, circular economy, environmental assessments and geospatial data. The Commission expects the changes to save businesses approximately €1 billion per year while maintaining the EU's environmental and health protection objectives.

Key simplifications include:

- streamlined environmental assessments with single points of contact, digitalisation and faster procedures for granting permits, particularly for strategic sectors such as digital projects, critical raw materials and affordable housing;
- more flexibility for companies under the Industrial Emissions Directive, including removal of transformation plan requirements and exemptions for farmers from certain reporting obligations;
- repeal of the SCIP (Substances of Concern In articles as such or in complex objects (Products)) database on hazardous substances, to be replaced by more effective digital solutions such as the Digital Product Passport;
- suspension of the requirement for EU-based companies to appoint authorised representatives in every Member State for extended producer responsibility obligations; and
- alignment of geospatial data requirements under the INSPIRE Directive with horizontal legislation to facilitate access to high-value datasets.

The proposal, which reflects contributions from over 190,000 responses to a call for evidence launched in July 2025, will now be submitted to the European Parliament and Council for adoption. The Commission has committed to continuing simplification efforts, including upcoming guidance on the Packaging and Packaging Waste Regulation, revision of the Water Framework Directive in 2026, and the Circular Economy Act scheduled for 2026.

EU launches consultation on Climate Risk Management Framework

The European Commission has opened a public consultation running until 23 February to gather evidence for a new climate-risk management initiative. The consultation seeks input from a broad range of stakeholders, aiming to address significant knowledge gaps across the climate risk landscape and ensure stakeholder engagement in developing this framework.

The consultation aims to fill knowledge and evidence gaps in:

- Climate risk assessments and disclosure
- Regulatory frameworks and standards
- Governance and oversight
- Incentives and enforcement
- Financial frameworks
- Cross-border cooperation and consistency
- Sector policy commitments and contributions
- Stakeholder engagement and participation
- Emerging socio-economic trends
- Technological innovation

Environmental, social and governance

Businesses should consider participating in this consultation to help shape the regulatory framework and ensure their operational concerns are reflected in future climate risk requirements.

FCA proposes new rules for ESG ratings transparency

The Financial Conduct Authority (FCA) published proposals on 1 December 2025 to ensure environmental, social and governance (ESG) ratings are transparent, reliable and comparable. The move is estimated to deliver approximately £500 million in net benefits over the next decade.

ESG ratings inform investment decisions, risk management and regulatory reporting, with global spending on ESG data projected to reach $2.2 billion in 2025. The proposals follow the government's decision to bring ESG ratings within the FCA's remit, supported by 95% of consultation respondents.

Key proposals:

- Increased transparency to allow easier comparisons for users and rated entities
- Improved governance, systems and controls to ensure clear decision-making and strong oversight
- Identification and management of conflicts of interest
- Clear expectations for stakeholder engagement and complaints handling

The FCA's research shows around half of ESG ratings users are concerned about how ratings are built (55%) and their transparency (48%). The proposed rules are designed to be proportionate to business size and risk, drawing on the existing voluntary industry code of conduct and International Organisation of Securities Commissions recommendations.

The consultation closes on 31 March 2026. Final rules are expected in the fourth quarter of 2026, with the new regime taking effect from June 2028.

PFAS in the UK and EU in 2026

See products section.

First set of requirements under the EU PPWR come into effect

See products section.

Ecodesign for Sustainable Products Regulation – provisions on destruction of unsold consumer goods

See products section.

EU forced labour regulations

See modern slavery section.

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Fintech, digital assets, payments and consumer credit

Fintech, digital assets, payments and consumer credit

Fintech

Fintech FCA approach to AI regulation remains principles-based

In September 2025, the Financial Conduct Authority (FCA) confirmed that its regulatory approach to firms' use of AI would remain principles-based and outcomes-focused, with no plans to introduce new rules. The FCA continues to rely on existing regulatory frameworks – including the Consumer Duty and Senior Managers and Certification Regime (SMCR) – to regulate AI use in financial services.

The FCA is focusing its AI work on ways to allow firms to safely adopt AI, experimenting and developing via initiatives such as AI Live Testing, its Supercharged Sandbox and AI Sprints. Applications for the first cohort of the supercharged sandbox are now closed – with accepted firms now able to test early-stage proofs of concept.

Artificial Intelligence (Regulation) Bill reintroduced to Parliament

The Artificial Intelligence (Regulation) Bill was reintroduced to Parliament in March 2025 as a private members' bill. It proposes creating a dedicated AI supervisory authority, mandating AI officers in companies, and requiring independent audits. As a private members' bill, it is not backed by the government and is unlikely to become law – although it has sparked debate and may well influence government-backed legislation.

Digital Assets

Cryptoassets regulation moves closer

Three further consultation papers were published by the FCA in December, in another significant step towards the regulation of cryptoassets:

- CP25/40: Regulating cryptoasset activities – a consultation on proposed rules and guidance for firms conducting regulated cryptoasset activities such as trading platforms, intermediaries (including cryptoasset lending and borrowing), staking and decentralised finance;
- CP25/41: Admissions & disclosures and market abuse regime for cryptoassets; and
- CP 25/42: A prudential regime for cryptoasset firms.

CP25/40 includes proposals relating to: cryptoasset trading platform (CATP) operation; cryptoasset intermediaries; lending and borrowing; staking; decentralised finance (DeFI).

All consultations remain open until 12 February 2026, after which final rules in relation to each consultation will be set out via policy statements published later in the year.

Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025

As promised, on 15 December, HM Treasury laid the Financial Services and Markets Act 2000 (Cryptoassets) Regulations 2025. Establishing new regulated activities for cryptoassets (such as operating a cryptoasset trading platform and issuing stablecoins), the regulations also set out, among other things:

- the majority of the provisions will come into effect on 25 October 2027, bar some that will commence early to allow the FCA to make rules and give guidance;
- two designated activity regimes: (i) for public offers of qualifying cryptoassets and admissions to trading on qualifying cryptoasset trading platforms and (ii) covering market abuse (including insider dealing, the disclosure of inside information and market manipulation);
- Regulated Activities Order amendments: new regulated activities include the issuing of qualifying stablecoin, the safeguarding of certain cryptoassets, operating cryptoasset trading platforms, dealing in cryptoassets as principal or agent, arranging deals in cryptoassets, and cryptoasset staking. Carrying on these activities will require authorisation, subject to relevant exclusions;

- Financial Promotions Order amendments: specifying certain activities relating to cryptoassets as controlled activities and updating the controlled investment of “qualifying cryptoassets”.

BoE publishes consultation on regulating systemic stablecoins

In November 2025, the BoE published a consultation paper on regulating sterling-denominated systemic stablecoins for UK payments issued by non-banks, setting out proposals on their use as a settlement asset in wholesale financial markets, and its approach to non-sterling denominated stablecoins that could become systemic in the UK. The consultation closes on 10 February 2026.

Stablecoins used as assets for non-systemic purposes, such as the buying and selling of cryptoassets, would be regulated by the FCA.

FCA launches Regulatory Sandbox cohort for stablecoin issuers

At the end of November 2025, the FCA announced the launch of a special cohort within its Regulatory Sandbox for firms issuing stablecoins, with applications due by mid-January 2026. The FCA also plans to host stablecoin policy sprints in March 2026, with expressions of interest opening in January 2026.

Reporting Cryptoasset Service Providers Regulations come into effect

On 24 June 2025, the Reporting Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 (SI 2025/744) were made and will come into effect on 1 January 2026. The draft regulations incorporate CARF rules and outline due diligence, record-keeping, and reporting obligations for UK RCASPs. The CARF will apply from 1 January 2026, with the first reports due by 31 May 2027.

Property (Digital Assets etc) Act 2025 receives royal assent

On 3 December 2025, the Property (Digital Assets etc) Bill received royal assent and came into effect. For the first time in British history, digital holdings including cryptocurrency, non-fungible tokens such as digital art, and carbon credits can be considered as personal property under the law.

HM Treasury confirms FCA to publish Open Finance roadmap by March 2026

HM Treasury's Financial Services Growth and Competitiveness Strategy confirms that the FCA will set out an Open Finance roadmap by March 2026, to align with the National Payments Vision. It is expected to sequence priority datasets and use cases (such as SME lending and mortgages), set technical and trust-framework expectations, and signpost the secondary legislation required to establish sectoral schemes. The work sits alongside plans for the planned "future entity" to steward open banking standards with potential to scale into Open Finance, and the government's broader Smart Data programme to deliver interoperable schemes across the economy.

Payments

FCA safeguarding regime

In August 2025, the FCA published its policy statement on changes to the safeguarding regime for payments and e-money firms (PS25/12). The supplementary regime will come into effect on 7 May 2026, reflecting an increase in the proposed implementation period from six to nine months.

Key modifications include: a £100,000 threshold below which payment firms will not require an annual external safeguarding audit; simplified internal reconciliation rules; and an amended monthly safeguarding return. Firms within scope should review the policy statement to assess the likely impact on their business.

Tackling authorised push payment fraud

The Payment Systems Regulator (PSR)'s mandatory APP fraud reimbursement requirements for FPS and CHAPS payments came into effect in October 2024. Marking the first 12 months in October 2025, the PSR's quarterly dashboard reported approximately £112 million reimbursed, with 97% of claims resolved within 35 days and a 15% fall in claim volumes versus the prior-year period. UK Finance reported that 66% of APP fraud cases started online and 17% via

telecommunications networks. An independent evaluation of the reimbursement policy is expected in spring 2026, at which point the PSR will consider whether any aspects of the policy should be amended.

Open banking and variable recurring payments

In August 2025, the FCA published feedback statement FS25/4 confirming that a new entity will replace JROC as the primary standard-setting body for Open Banking APIs in the UK. The FCA confirmed in October 2025 that it would continue to engage with stakeholders and government to shape and publish an Open Finance roadmap by March 2026. Commercial VRPs (cVRPs) are progressing, with 31 organisations announcing joint funding efforts under a multilateral agreement to create an independent operator. 2026 is likely to be a key year in terms of laying the foundations for broad adoption of VRPs and cVRPs in the UK.

Interchange and card scheme fees market reviews

In October 2025, the PSR published a consultation on methodology for developing a price cap on multilateral interchange fees for UK-EEA card-not-present outbound transactions, proposing the merchant indifference test as a starting point. The consultation closed on 21 November 2025. Separately, in April 2025, the PSR consulted on proposals requiring greater information transparency from card scheme operators, regulatory financial reporting, and obligations on schemes to pay due regard to principles on system outcomes. A final decision on implementing a price cap is expected at some stage in 2026.

National Payments Vision and PSR consolidation

Launched in November 2024, the National Payments Vision seeks to build a world-leading payments ecosystem. In November 2025, the Payments Vision Delivery Committee published its strategy for retail payments infrastructure, setting a public-private governance model around five outcomes: greater user choice and innovation; seamless interoperability across a multi-money ecosystem; stronger fraud protection; fair access for participants; and high operational and financial resilience. HM Treasury is consulting on consolidating the PSR's functions within the FCA, with the consultation having closed on 20 October 2025 and further information expected in 2026. The BoE published a progress update on the potential digital pound in October 2025, with the blueprint expected in 2026.

UK review of PSRs vs PSD3

In June 2023, the European Commission proposed PSD3 and a new Payment Services Regulation to modernise EU payment services by enhancing consumer protection and competition. The package would consolidate and replace PSD2 and EMD2, strengthen fraud prevention through enhanced monitoring and data sharing, improve Open Banking, and ensure non-bank payment service providers can access all EU payment systems and hold bank accounts. Through 2024 and 2025, the European Commission, European Parliament and the Council of the EU have proposed amendments to the legislative proposal and are aiming to reach political agreement. PSD3 is expected to take effect around 2027 or early 2028.

The proposals will affect firms operating in the EEA, but there are no current plans to mirror PSD3 changes in the UK. In January 2023, HM Treasury launched a review and call for evidence on the UK Payment Services Regulations, highlighting shortcomings and seeking views on improvements for firms and consumers. The call for evidence closed in April 2023, and HM Treasury's response is still awaited, potentially pending clarity on the EU's PSD3 and the new Payment Services Regulation. Given the UK PSRs and EMRs are based on PSD2 and EMD2 and support UK equivalence for SEPA access, the UK may wish to assess the final EU framework before proceeding with any domestic reforms. Firms operating in the EU will need to continue to track the draft legislation, while firms operating in the UK should keep track of any changes to UK requirements and be aware of any discrepancies between the two regimes.

Consumer credit

Consumer Credit Act reform

On 19 May 2025, HM Treasury published its Phase 1 consultation on reforming the consumer credit regime, outlining the government's overall vision and its approach to information requirements, sanctions and criminal offences. Central proposals include repeal of prescriptive information requirements and associated unenforceability sanctions, and consideration of removing CCA criminal offences. Phase 2 is expected to address more sensitive matters including business lending scope and section 75 purchase protection. Firms should look out for further consultations and announcements from HM Treasury on next steps, with implementation not expected until 2026 at the earliest.

Fintech, digital assets, payments and consumer credit

Regulation of buy-now pay-later products

The FCA published its consultation on draft rules for deferred payment credit (DPC) in July 2025, following HM Treasury's consultation on the legislative framework. New FCA rules will mandate provision of key product information at pre-contract stage, require provision of a copy of the DPC agreement once made, and require notification of missed payments. The temporary permissions regime (TPR) will start on 15 July 2026 (Regulation Day), with firms required to apply for authorisation by January 2027. Firms should review the FCA's draft proposals and begin preparing for the arrival of TPR and Regulation Day.

Broker commissions judgment – Johnson, Wrench and Hopcraft

The beginning of August 2025 saw the Supreme Court hand down its much-anticipated decision in the Johnson, Wrench and Hopcraft motor finance commission case, establishing when a motor dealer owes a fiduciary duty to a consumer.

Although motor dealers are capable of influencing a borrower's decision on finance, the court decided that is not enough for a fiduciary duty to exist – that would require a single-minded duty of loyalty preventing the fiduciary from having a personal interest in the transaction. Throughout the transaction, including the arranging of finance, motor dealers have their own commercial interest in getting the purchase of the vehicle concluded.

As a motor dealer does not owe a customer a fiduciary duty, the question of whether commissions were paid "secretly" or whether "informed consent" needs to be obtained does not arise. However, the FCA regulatory framework still applies in terms of transparency and disclosure. As a result of the unfair relationship provisions in section 140A of the Consumer Credit Act 1974, a lender can still be liable for the acts or omissions of a motor dealer if they have not disclosed commissions in line with their regulatory obligations.

Motor finance redress scheme

Soon after the Johnson, Wrench and Hopcraft judgment was handed down by the Supreme Court, the FCA announced a consultation on the redress scheme for consumers who may have lost out where a lender has acted unfairly and, therefore, unlawfully.

The scheme will cover regulated motor finance (including hire-purchase, but not leasing) agreements taken out by consumers (including sole traders and small partnerships) between 6 April 2007 (when section 140A of the Consumer Credit Act 1974 came into effect) and 1 November 2024 (after the Court of Appeal judgment). The FCA expects eligible consumers to receive approximately £700 per agreement on average.

Strong objections to the proposed scheme were almost immediate. As well as the total cost of the scheme, key concerns include:

- quantum and calculation method;
- time periods; and
- definition of "high commission".

The consultation on the redress scheme closed on 12 December 2025. The FCA expects to publish its policy statement and final rules in February or March 2026.

FCA's Mortgage Rule Review

In 2025, the FCA published CP25/11 on simplifying rules and increasing flexibility (May), DP25/2 on reforms to its mortgage rules (June), and PS25/11 following feedback to CP25/11 (July). Rule and guidance changes came into effect on 22 July 2025, making it easier to remortgage with a new lender and reduce the overall cost of borrowing through term reductions. DP25/2 considered the wider mortgage market and conduct regime, seeking input on revising responsible lending rules, amending the framework for later life lending, and increasing flexibility to promote consumer understanding. Firms should look out for any further consultations launched as a result of feedback to DP25/2.

Fintech, digital assets, payments and consumer credit

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Food law

Food law

UK

Developments in the UK-EU SPS agreement

The EU-UK Sanitary and Phytosanitary (SPS) agreement aims to reduce the burden of trading agricultural products between the EU and the UK by aligning sanitary and phytosanitary rules. An SPS agreement would align Great Britain's sanitary and phytosanitary standards with those of the EU, removing the need for most certificates and checks on animals, plants and related products moving between Great Britain and the EU.

This agreement is particularly important for food businesses: since Brexit, exports to the EU are down 21% and imports down 7% (2018-2024), with many businesses having scaled back or stopped trading altogether due to increased costs, paperwork and delays at borders.

Following agreement between the EU and UK, at the May 2025 summit, that each party would work to agree a new SPS agreement, on 13 November, the European Council authorised the Commission to open negotiations with the UK. 2026 will be a crucial year for negotiations of this agreement, with the UK cabinet office minister wanting the agreement to be in place for 2027.

The key issues to be worked out include how much the UK should pay for participation in EU programmes and the EU's concerns around unsatisfactory implementation of checks of goods to Northern Ireland by the UK. Once an agreement is in place, the UK will be required to dynamically align to EU regulations in relation to food safety standards. The effect this would have on the newly in force UK precision breeding regulations (discussed further below) are not currently known.

If an SPS agreement is concluded, food businesses can expect significant cost savings and simplified trade with the EU.

In its explainer document following the UK-EU summit, the UK government has stated its proposals for the agreement, including:

- simpler documentation, with most certificates such as export health certificates, plant health certificates and organic certification no longer being required;
- routine border checks to stop, allowing fresh produce to reach market faster; and
- previously banned British products such as fresh sausages, certain shellfish and seed potatoes to regain EU market access.

These proposals will need to be negotiated and agreed with the EU. Should an agreement between the UK and EU be reached, businesses will need to align with both current and future EU food safety standards, requiring ongoing monitoring of EU regulatory changes.

Windsor Framework Committee reports progress on SPS implementation in NI

The Specialised Committee on the Implementation of the Windsor Framework met on 3 December 2025, with co-chairs noting further progress in several areas while emphasising that important work remains to deliver safeguards underpinning flexibilities for goods movement between Great Britain and Northern Ireland.

In the sanitary and phytosanitary area, the committee noted positive progress on individual labelling requirements, operational delivery of all SPS inspection facilities, and provision of information in general SPS certificates. Significantly, the frequency of SPS identity checks has been reduced from 10% to 8%, leading to smoother flow for agri-foods under the Northern Ireland Retail Movement Scheme. The co-chairs agreed that progress should continue at high pace on all pending issues, particularly achieving full compliance of certificates and ensuring flexibilities are applied for compliant goods only.

Precision breeding in England and the EU

With the UK Genetic Technology (Precision Breeding) Regulations 2025, which came into force on 13 November, businesses in England are now able to grow and release precision-bred crops. Where these crops are being released for research and development purposes, a "release notice" must be submitted and where the business plans to market these crops, a "marketing notice" must be submitted.

In the EU, the European Parliament and Council have now reached a provisional agreement on a new regulation for gene-edited plants. See this Insight for more detail on the proposals and the differences between the proposed EU legislation and UK legislation.

The provisional agreement will now need to be officially endorsed by the Council and Parliament before being published, expected in 2026, with the regulation starting to apply in 2028.

While businesses are now able to take advantage of the relaxed regulatory requirements in the UK, those looking to operate in the EU will need to continue to follow progress there.

National food regulation system to be introduced by the FSA

The UK's Food Standards Agency (FSA) has released a blog post following the budget announcement, confirming that it has been asked by the government to develop a new national level food regulation system for large food businesses in England. The FSA will present its proposals to its board in March 2026 as part of a wider programme of reform to ensure food regulation remains effective and fit for the future.

This follows a year-long trial with major retailers. It will be a fundamental shift away from inspections by local enforcement officers to a national system using data generated by these large companies to enable the FSA to scrutinise their data and systems at a national level, to identify and address food safety risks across entire businesses more quickly and reduce administrative burdens. FSA chief executive Katie Pettifer has emphasised that protecting public health must remain at the heart of everything the FSA does and that any changes should benefit consumers.

This new national system will include "some checks on the ground" but would free up local authority food teams to concentrate on smaller local shops and restaurants that need more direct support. The FSA Board has confirmed it will work in partnership with local authorities and businesses throughout this process. Although concerns have already been raised that this new system will allow supermarkets to police themselves and could jeopardise food safety for consumers, the Chartered Institute for Environmental Health has welcomed the announcement and the FSA's commitment to full engagement with stakeholders.

Cell cultivated products - FSA sandbox programme progresses

Last month, the FSA and Food Standards Scotland published the UK's first safety guidance for cell-cultivated products as part of their £1.6 million regulatory sandbox programme, which runs from February 2025 to February 2027.

The first guidance confirms that cell-cultivated products produced using animal cells are defined as products of animal origin, meaning businesses must apply existing food safety regulations during production. The second provides guidance on allergenicity assessments and nutritional quality evaluation as part of the approval process.

Further guidance on cell identity, production, microbiology, toxicology and growth media composition is under way and will be published throughout 2026 with the FSA scheduling workshops throughout 2026 covering hygiene, production, labelling, toxicological considerations and growth media and regulatory approval. The FSA is committed to completing full safety assessments of two cell-cultivated products within the programme's two-year timeframe and has launched a Business Support Service to assist all companies wishing to submit applications for cell-cultivated products to the GB market, offering both pre- and post-submission support.

Businesses in this sector should review the new guidance and continue to monitor forthcoming guidance, which will help inform and support their product development.

UK to launch mandatory health reporting consultation

The government will launch a UK-wide consultation in March 2026 on plans for mandatory health reporting across all major food companies, with any resulting legislation not coming into force until at least 2029.

Ministers are working with the devolved governments in Scotland, Wales and Northern Ireland on the "world first" proposals, while separate plans for mandatory targets for the industry are to be delayed until the next Parliament. Businesses should review the consultation when published to decide if they wish to respond.

The government also confirmed it will publish its response to the 2018 nutrient profiling model (NPM) review in the new year, followed by a consultation on plans to "modernise" the system. The food industry has warned of a "disaster" if the new NPM comes into force as proposed, with the Food and Drink Federation claiming hundreds of reformulated products would be forced off the shelves, as cereals, fruit juices, yoghurts and smoothies all face being rebranded as high in fat, salt or sugar (HFSS) despite manufacturers having spent hundreds of millions making them healthier. Businesses should

monitor developments in this area. If a new NPM is introduced, they will need to review and audit their products to determine whether they fall within the scope of an HFSS under the new model.

Advertising restrictions on HFSS food come into force

See advertising and marketing section.

EU

PFAS restrictions in food contact materials from August 2026

From 12 August 2026, under the EU Packaging and Packaging Waste Regulation, food contact packaging will be banned if it contains PFAS at or above: 25 parts per billion for any PFAS, 250 parts per billion for sum of PFAS, or 50 parts per million for PFAS including polymeric PFAS.

By 31 December 2026, the European Commission, assisted by the European Chemicals Agency (ECHA), will prepare a report on the presence of substances of concern in packaging and packaging components to determine the extent to which they negatively affect reuse and recycling or impact chemical safety, with the report to be submitted to the co-legislators and consider appropriate follow-up measures.

Businesses should consider obtaining PFAS testing information from suppliers, if PFAS is detected, they may need to explore alternative materials. While the PFAS ban in August 2026 only affects food contact packaging, the ECHA has proposed a ban on more than 10,000 PFAS substances for all consumer goods. This proposal is currently under review by the Committee for Risk Assessment and the Committee for Socio-Economic Analysis, who are due to issue their opinions to the European Commission by the end of 2026.

Ban of Bisphenol A in food contact materials to come into effect

As reported last year, the ban on Bisphenol A (BPA) in food contact materials will come into effect on 20 July 2026. The ban means that food contact materials, such as reusable plastic drink bottles and coatings on metal cans, cannot contain BPA, with some limited exceptions where no alternatives exist, to allow industry time to adapt and avoid disruption in the food chain.

Businesses should ensure they have identified a safe alternative to replace BPA in food contact materials and articles in advance of 20 July to ensure compliance with these changes.

EU Food and Feed Safety Simplification Package

The European Commission has proposed a package to streamline EU food and feed safety legislation, with claimed potential savings exceeding €1 billion in administrative and compliance costs. The package simplifies rules across plant protection products, biocidal products, feed, official controls, and animal health and welfare, while maintaining the EU's strict food safety, health and environmental protection standards.

Key changes affecting businesses:

- **Accelerated bio-pesticide approvals**: Faster market access for environmentally friendly plant protection products, expanding farmers' options for crop protection.
- **Streamlined renewal procedures**: More efficient processes for pesticide and biocide renewals, reducing waiting times and administrative burden.
- **Feed additives**: Simplified renewal obligations and digitalised labelling requirements, cutting paperwork.
- **Fermentation products**: Facilitated market access for this growing product category.
- **Simplified border controls**: More pragmatic approach to border controls for plant products.
- **Laboratory accreditation**: Simplified rules for official laboratories.
- **Updated BSE requirements**: Science-based adaptations to bovine spongiform encephalopathy surveillance and risk mitigation measures.
- **Level playing field**: Work towards aligning import production standards on pesticide residues to ensure fair competition.

The legislative proposals have now been submitted to the European Parliament and Council for adoption. Throughout 2026, businesses should monitor progress through the EU legislative process, as this will determine implementation timelines.

Food law

This package forms part of the Commission's Vision for Agriculture and Food and contributes to the broader goal of reducing administrative burdens by at least 25% (35% for SMEs) before the end of the current mandate. Food and feed businesses – particularly those in farming, pesticides, biocides, and feed production – should prepare to adapt to the new simplified procedures once adopted.

MEPs signal openness to regulating energy drinks for minors

MEPs signalled openness to EU-level regulation of energy drinks for minors during a Food Safety Committee hearing on 4 December 2025, citing health risks including cardiovascular diseases, diabetes, anxiety and sleep disorders. Regulations across Europe remain patchy, with nine Member States enforcing age limits and two planning similar measures.

Experts reported that high consumers drink at least seven litres monthly – equivalent to 35 espressos plus one kilogram of sugar – far exceeding the 150mg daily caffeine limit recommended for a 50kg child. Industry representatives emphasised voluntary commitments, while MEPs called for a multilevel approach including education, marketing regulation, targeted restrictions and tax incentives. Despite these calls for action, the European Commission "sees no need for additional EU-level action at this stage" so the sector will have to wait to see if there are any further developments throughout 2026.

Meanwhile in the UK, the government is expected to publish its response to the consultation it ran between September and November last year proposing a ban on high-caffeine energy drinks to children under the age of 16 as part of its plan to tackle childhood obesity. It is proposed that a new power will be introduced to allow enforcement by authorities through fines, as an alternative to criminal prosecution.

EU ban on plant-based food with meat names

The European Commission has proposed banning 29 meat-related terms (including "beef", "pork", "bacon" and "chop") from being used for products not derived from animals. In October, the European Parliament adopted its mandate, going further to reserve terms such as "steak", "sausage" and "burger" exclusively for meat products, while also excluding cell-cultivated products from using these terms. However, negotiations between the Parliament and Council failed in December, with talks scheduled to continue in January.

The UK has not announced plans to introduce an equivalent ban. The Food Standards Agency has indicated to stakeholders that if the EU ban is adopted, UK businesses may be required to follow EU rules under any future SPS agreement. Businesses should monitor the outcome of EU negotiations and the progress of UK-EU SPS discussions to understand the potential implications of this ban.

EUDR application delayed until the end of 2026 with further simplification measures introduced

See ESG section.

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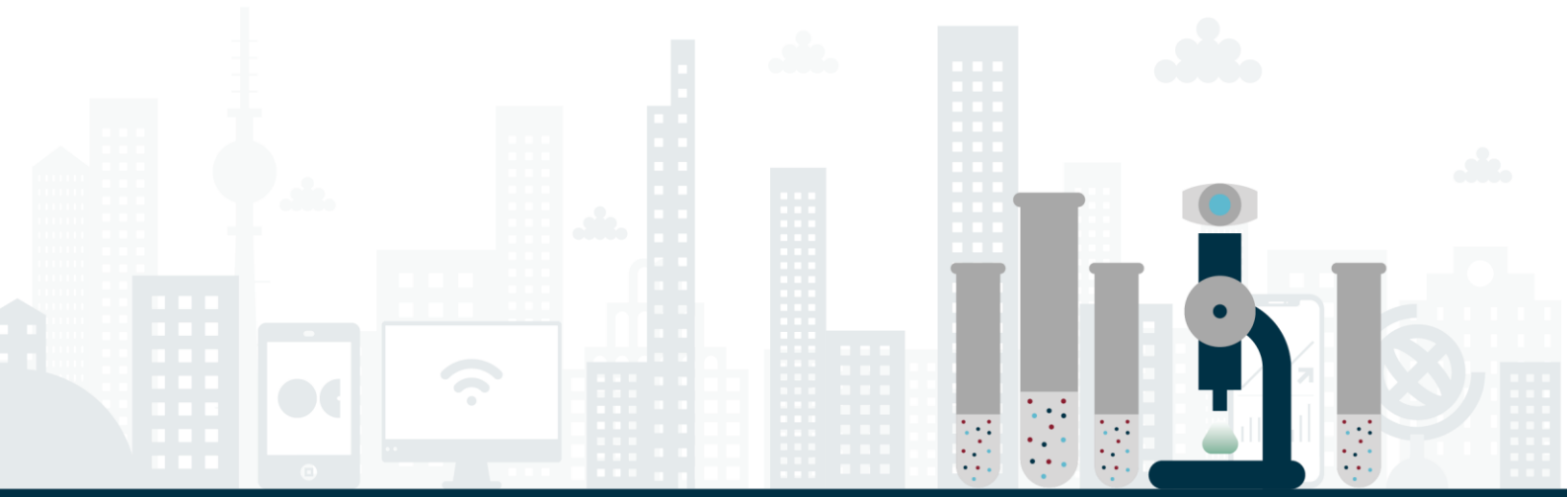

Health and Safety

Health and Safety

Building Safety update

BSR to become standalone body

On 27 January 2026, the Building Safety Regulator (BSR) will transition from its current position within the Health and Safety Executive (HSE) to become a standalone arm's-length public body legally constituted as a body corporate and sponsored by the Ministry of Housing, Communities and Local Government (MHCLG). This reform aims to improve accountability and streamline Gateway 2 and 3 processes for Higher-Risk Buildings (HRBs), addressing delays in building control approvals that have affected the sector.

Under the new arrangements, the regulator will have the ability to levy charges for advice, research and associated services, supporting its operational independence and reinforcing its central role within the new building safety framework.

Secondary legislation to be introduced (Welsh building safety)

The Building Safety (Wales) Bill is currently making its way through the Welsh Senedd and is expected to come into force in phases from 2027. Following a consultation which closed on 25 May last year, The Building (Higher-Risk Buildings Procedures) (Wales) Regulations 2025 were laid before the Senedd on 17 December and come into force on 1 July 2026.

Any project which does not have its initial notice accepted or full plans deposited before 1 July will be subject to this new regime.

Changes to fire safety regulation come into force

The Fire Safety (Residential Evacuation Plans) (England) Regulations 2025 will come into force on 6 April, affecting HRBs, requiring the active management of fire risks in residential properties.

This involves person-centred fire risk assessments and Personal Emergency Evacuation Plans by the Responsible Person of the building for all consenting Relevant Residents, whose ability to evacuate the building without assistance in the event of a fire is compromised as a result of a cognitive or physical impairment or condition.

Businesses should review these regulations to ensure they are able to comply with the new requirements by April.

Building Safety Levy

The Building Safety Levy will be coming into force on 1 October 2026, following its postponement for one year. It will be charged on developments comprising at least 10 new dwellings or 30 new bedspaces for purpose-built student accommodation. Please see our Insight for further details on which levy rates will apply.

Martyn's law – guidance expected in 2026

The Terrorism (Protection of Premises) Act 2025 received royal assent on 3 April 2025 with a two-year implementation period, coming into full effect on 3 April 2027. The regulations introduce obligations for those in control of certain premises or events accessible to the public to mitigate the risk of injury in the event of terrorist attacks.

During 2026 the Home Office will be providing guidance on how businesses can comply with these regulations. Once this guidance has been released, the Security Industry Authority will be consulting on its own section 12 guidance which will detail how it proposes to exercise its functions and investigatory powers.

Failure to comply with the new regulations can lead to fines of up to £18 million or 5% of worldwide turnover (whichever is higher), along with daily penalties and restrictions placed on businesses preventing them from operating, so it is vital businesses are aware of the new regulations and start preparing now. See our Insight for further details on what the regulation covers and what businesses can be doing to prepare.

New guidance in the EU to protect workers from asbestos exposure

The European Commission has released comprehensive guidelines for businesses on compliance with the 2023 EU Asbestos at Work Directive, which was transposed by Member States into national law by 21 December 2025. The guidance provides practical advice to businesses on training, control measures and risk management in sectors such as construction, renovation and maintenance, using real-life case studies to help reduce exposure and prevent cancer.

Health and Safety

Last month's edition reported on the HSE consultation on the UK Control of Asbestos Regulations, which closed on 9 January. HSE's analysis of the responses and any potential proposed legislative changes is expected in the first half of 2026.

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Modern slavery

Modern slavery

New NHS procurement regulations target modern slavery in supply chains

The National Health Service (Procurement, Slavery and Human Trafficking) Regulations 2025 were made on 17 November 2025 and are designed to help eradicate goods or services tainted by slavery and human trafficking in the NHS in England. Coming into force on 17 May 2026, the new regulations will apply to public bodies procuring goods or services for the purposes of the NHS in England, including central purchasing organisations and local authorities.

The regulations follow the government's consultation response earlier this year. A review delivered in December 2023 showed that across 60% of spend on medical consumables, 21% of suppliers were identified as high risk for modern slavery and 16% were medium risk, highlighting the need for standardised risk management across the NHS.

From 17 May 2026, in-scope public bodies will have to complete a modern slavery risk assessment before advertising a contract or framework opportunity where a competitive procedure is being used, or prior to contract award if competition is not used. They must then take reasonable and proportionate steps to address and, where practicable, eliminate any identified risks when designing the procurement procedure (such as by setting conditions of participation and award criteria), when setting the terms of the contract, and when managing the contract. The regulations will apply to all procurement activities undertaken by a public body, regardless of value, including those procurements covered under the Procurement Act 2023, those awarded under the Health Care Services (Provider Selection Regime) Regulations 2023 and any other procurement activity not covered by either of those regimes.

NHS England has updated draft statutory guidance, although the final version has not yet been announced, to which public bodies in scope for the regulations will need to have regard. The guidance sets out proposed reasonable steps public bodies should apply according to the level of modern slavery risk that has been assessed, including:

- For medium- and high-risk procurements, undertaking pre-market engagement to understand how supply chains respond to modern slavery risk.
- Including conditions of participation to ensure suppliers in scope of the Modern Slavery Act 2015 have a compliant modern slavery statement.
- Requiring completion of the Modern Slavery Assessment Tool (MSAT) within three months of contract award for medium-risk procurements, or as a condition of participation for high-risk procurements.
- Requiring KPIs on modern slavery in contracts such as sharing MSAT recommendations, handling confirmed cases within an agreed timeframe and requiring staff to complete modern slavery training.
- Taking a positive, proactive and collaborative approach with suppliers during contract management to foster transparency and encourage them to raise issues as they emerge.

Suppliers to the NHS should take steps now to ensure they meet the additional requirements that will be implemented in procurements from May 2026 onwards.

The European Forced Labour Regulation

The EU Forced Labour Regulation (Regulation 2024/3015) introduces a ban on products made with forced labour, ensuring they cannot be sold in the EU market. The regulation entered into force on 13 December 2024 and comes into full effect on 14 December 2027. With less than two years until full application, 2026 represents a critical year for businesses to prepare.

By 14 June, the European Commission will issue guidelines for the implementation of the regulation including due diligence, risk indicators and best practices. The Commission will also establish a public database by the same date providing indicative information on forced labour risks in specific geographic areas or products groups. Along with this, guidance on calculating financial penalties and applicable thresholds will be published allowing businesses to understand the full consequences of non-compliance.

UK companies that place or make available products on the EU market will be directly affected by this regulation, with products deemed to have been manufactured using forced labour being prohibited from being sold in the EU, and offending products being seized at EU borders. Companies should use the two-year implementation period to ensure compliance with the Forced Labour Regulation, as the penalties could cause significant business disruption, including reduced revenue

and increased reputational risk. Please see our Insight for details on what businesses should be doing now to prepare for the 14 December 2027 deadline.

Update on changes agreed to CSRD and CSDDD

See ESG section.

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Products

Products

Jump to: General / digital products | Product sustainability | Life Sciences and healthcare

General/digital products

UK

Product Regulation and Metrology Act consultations and guidance

The Product Regulation and Metrology Act 2025 received royal assent on 22 July 2025. It is intended to modernise the UK's management of product and metrology regulations and to facilitate closer alignment with the European Union. The Act allows ministers to introduce secondary legislation with key measures including responsibilities within supply chains, cost recovery, enforcement and excluded products. See our previous update for further details on the Act or read the full text.

Throughout 2026, we expect to see further consultations and secondary legislation developed under this Act. The government published a Code of Conduct clarifying how it intends to use its new powers, setting out statutory and non-statutory controls to ensure regulations made under the Act are proportionate and evidence-based. Businesses should monitor government announcements for sector-specific regulations that may emerge during the year.

Government response to the independent review of the Windsor framework

The government responded to the Independent Review of the Windsor Framework on 16 December 2025, following the Democratic Consent Vote held in the Northern Ireland Assembly in December 2024. The response addresses Northern Ireland's unique regulatory position post-Brexit and provides clarity on how product regulations will apply in Northern Ireland throughout 2026.

The proposed changes following the review include:

Democratic scrutiny:

- Greater discretion for the Democratic Scrutiny Committee over timelines within the existing two month scrutiny period.
- New "triage" process to identify EU regulatory proposals that may apply in Northern Ireland earlier in the EU policymaking cycle.
- New processes to ensure relevant public authorities can provide clearer analysis of EU regulatory proposals and more readily respond to questions.

Business support and guidance:

- £16.6 million programme to deliver an enhanced "one-stop shop" facility for Windsor Framework guidance and support.
- Online goods advisor using generative AI to summarise relevant rules for moving goods.
- "Business concierge" online portal to guide businesses through trading steps and provide tailored support.
- New second-line Northern Ireland Trade Resolution Centre to resolve complex, interlocking issues.

Companies trading with or through Northern Ireland should review the government response carefully to understand implications for their supply chains.

Call for evidence on the automated vehicles regulatory framework

On 4 December 2025, the government published a call for evidence on developing the automated vehicles regulatory framework, marking further steps to implement the Automated Vehicles Act 2024. This call for evidence will help inform secondary legislation, guidance and policy development, ensuring the AV regulatory framework remains proportionate, forward-looking and responsive to emerging technologies while upholding strong safeguards for public safety, data protection and responsible operation.

The call for evidence is split into two chapters covering "getting AVs on the road" and "once AVs are on the road", addressing issues including vehicle type approval, authorisation processes, user-in-charge requirements, transition demands, operator

licensing, insurance, in-use regulation, sanctions, incident investigation and cybersecurity. Stakeholder responses will shape the regulatory approach throughout 2026 and beyond.

EU

Toy Safety Regulation enters into force

The new Toy Safety Regulation entered into force on 1 January 2026, following its adoption by the European Parliament and the Council, strengthening children's protection from harmful chemicals in toys and improving enforcement of EU toy safety rules.

Under the regulation, substances will be banned from toys as soon as they are identified as hazardous, including chemicals that disrupt hormones, harm the lungs, cause skin allergies, or damage specific organs, with the ban also covering per- and polyfluoroalkyl substances (PFAS) and bisphenols. The new rules also strengthen the existing ban on substances that can cause cancer, genetic damage, or harm reproduction (carcinogenic, mutagenic or reprotoxic substances).

Enforcement will be enhanced through digital tools, with all toys placed on the EU market required to have a digital product passport containing safety and compliance information, accessible to consumers online via a QR code or other data carrier. The new rules will apply from 1 August 2030, providing a transition period for industry compliance.

Product Liability Directive transposition into national law

The Product Liability Directive entered into force on 8 December 2024, updating and adapting the EU's liability rules for new technologies, ensuring better protection for victims and greater legal certainty for economic operators. EU Member States have until 9 December 2026 to transpose it into national law.

The revised directive expands coverage to address digital products, AI systems and software, while clarifying that online platforms can be held liable when they act as one of the economic operators (manufacturer, importer, authorised representative, fulfilment service provider or distributor). Businesses should monitor national implementation measures throughout 2026.

In parallel, the UK Law Commission is consulting on product liability reform, with a formal public consultation on reform proposals planned for the second half of 2026. This presents an opportunity for UK businesses to influence the development of a modernised product liability regime.

Life sciences and healthcare

UK

Clinical trials regulations

On 28 April 2026, the Medicines for Human Use (Clinical Trials) (Amendment) Regulations 2025 will come into force, marking a pivotal moment for the evolving clinical trial landscape. The updated regulations are designed to protect trial participants, strengthen patient safety and accelerate approvals by reducing unnecessary burdens on researchers to support high-quality trusted research in the UK.

The implementation of the latest international Good Clinical Practice (GCP) guidelines (ICH-GCP E6(R3)) will come into force in the UK along with the updated regulations, with all trials needing to adhere to the principles of GCP, and trials for marketing authorisation needing to comply with the full guidelines.

The Medicines and Healthcare products Regulatory Agency (MHRA) and Health Research Authority published guidance in October 2025 to support implementation, with the MHRA planning to publish draft guidance for Good Clinical Practice in January, and updates to the process for Modification of an Important Detail in March 2026. Sponsors and researchers should ensure their policies, processes, procedures, and systems are updated ahead of the 28 April 2026 implementation date.

UK-US pharmaceuticals deal to boost NHS access and investment

A pharmaceutical deal between the UK and US, forming part of the UK-US Economic Prosperity Deal, will give "tens of thousands" of NHS patients faster access to vital drugs and secure medicines supply chains. The UK becomes the only

country with zero tariffs on pharmaceuticals to the US, protecting manufacturing and medtech exports. Major firms like Moderna and BioNTech are investing billions, reinforcing the UK's ambition to lead Europe's life sciences by 2030.

The agreement includes a transformative commitment by the UK government to invest approximately 25% more in innovative, safe and effective treatments – the first major increase in over two decades. This expansion is underpinned by significant reforms to the National Institute for Health and Care Excellence's (NICE) assessment methodology, with cost-effectiveness thresholds increasing from £20,000-£30,000 per quality-adjusted life year (QALY) to £25,000-£35,000 per QALY. NICE will also introduce a new value set for judging health states following consultation, developed from surveying thousands of members of the public about different health conditions.

The UK has also secured mitigations under the US's "Most Favoured Nation" drug pricing initiative, ensuring continued access to the latest treatments and encouraging pharmaceutical companies to prioritise the UK for early launches of new medicines. Bristol Myers Squibb has already announced plans to invest upwards of $500 million over the next five years across research, development and manufacturing in the UK. The pharmaceutical industry has welcomed these commitments as addressing long-standing concerns about NHS access to medicines and the UK's previously record-high and unpredictable payment rates, though stakeholders acknowledge considerable technical details remain to be worked out.

Medical devices future regime implementation

The post-market surveillance statutory instrument was signed into law on 16 December 2024, with the new regulations introducing clearer and more robust requirements that improve patient safety. These requirements came into effect on 16 June 2025.

Further statutory instruments are expected to follow in 2026 to introduce new pre-market requirements including international reliance, and further enhancements to the regulations. Businesses should monitor MHRA announcements for details of these forthcoming statutory instruments, which will progressively build the future medical devices regulatory framework.

Indefinite recognition of CE marked medical devices

Following the government's announcement that it would consult "later this year", in 2025, on proposals to indefinitely recognise CE marked medical devices, no consultation has yet been launched. Under the existing transitional arrangements, the CE mark is recognised in the UK until 30 June 2028 or 2030 (depending on the device classification and legislation complied with). We expect to see this consultation launched at some point this year.

ABPI announces 2026 VPAG payment rate reduction to 14.5% for newer medicines

The Association of the British Pharmaceutical Industry (ABPI) has announced that the government has set the 2026 payment rate for newer medicines under the Voluntary Scheme for Branded Medicines Pricing and Access (VPAG) at 14.5%, down from 22.9% in 2025.

This decline reflects slower growth in NHS use of newer medicines during 2025, with the rate falling below the 15% ceiling agreed in the recent UK-US trade deal. Payment rates for older branded medicines will remain between 10% and 35%, and companies will continue to pay a further 1% voluntary contribution to support investment in UK life sciences infrastructure, bringing the total 2026 rebate for newer medicines to 15.5%.

The government and the ABPI will begin discussions in early 2026 to develop a more sustainable scheme from 2029 onwards, with companies having until 16 December to opt into VPAG or otherwise enter the statutory scheme, which has a 24.3% payment rate for 2026.

Outcome of the MHRA consultation on health institution exemptions published

The MHRA has published the outcome of its call for evidence on health institution exemptions within the medical devices regulatory framework. The survey, which ran from 1 August to 15 September 2025, gathered insights from health institutions across Great Britain on their experience of the exemption, sometimes referred to as in-house manufacturing exemption.

The MHRA aims to refine the policy to enable exempted devices to be used beyond health institutions, strengthen safety measures through enhanced post-market surveillance and support delivery of care closer to communities. The outcome

will inform subsequent consultations, guidance updates and regulatory changes planned for the coming year as part of the Medical Devices Regulatory Reform roadmap.

EU

First four EUDAMED modules become mandatory from 28 May 2026

The European Commission published Decision (EU) 2025/2371 declaring full functionality of the first four EUDAMED modules: actor registration, UDI/device registration, notified bodies and certificates, and market surveillance systems. Under Regulation (EU) 2024/1860 transitional provisions, publication triggers a six-month transition period, after which the modules become mandatory from 28 May 2026. See our Insight for more details.

Deal on comprehensive reform of EU pharmaceutical legislation

On 11 December 2025, co-legislators reached a provisional agreement on revamping the EU's pharmaceutical policy framework to boost competitiveness, innovation and security of supply. The deal includes a regulatory data protection period of eight years with one additional year of market protection. Pharmaceutical companies will be eligible for additional periods of market protection of up to 12 months each if products address unmet medical needs, contain new active substances meeting specific conditions, or obtain authorisation for new therapeutic indications bringing significant clinical benefit, with a cap of eleven years on the combined regulatory protection period.

To combat antimicrobial resistance, negotiators agreed to introduce a transferable data exclusivity voucher for priority antimicrobials giving the right to 12 additional months of data protection, alongside stricter requirements, including compulsory medical prescriptions for all antimicrobials. The updated rules would simplify the European Medicines Agency's internal functioning, with marketing authorisation valid by default for an unlimited period. Companies would be required to put in place shortage prevention plans for certain medicinal products, with shortages monitored at both national and EU levels.

The Parliament and Council have concluded an early second reading agreement. The Council is now expected to formally adopt its position, which can then be endorsed by the Parliament in second reading.

European Commission and EIB Group announce €10 billion biotech investment initiative

The European Commission and the European Investment Bank (EIB) Group announced on 16 December 2025 an initiative to mobilise €10 billion in investment in 2026-27 into the biotech and life sciences sector, aiming to boost the EU's competitiveness in biotechnology by addressing the current investment gap and mobilising public-private investment into promising new health solutions.

The initiative, BioTechEU, will be part of the EIB Group's TechEU programme, leveraging support from the InvestEU guarantee and other sources, and builds on the EIB Group's current life sciences venture debt portfolio of about €3.5 billion across 135 projects and the EIF's long-standing commitment to European venture capital (approximately €800 million annual investments). The BioTechEU initiative could also lay the foundation for the design of a new EU Health Biotech Investment Pilot, which would attract new private investors and act as a market catalyst.

European Commission proposes health sector innovation package

The European Commission proposed on 16 December 2025 an ambitious package of measures to improve the health of EU citizens while ensuring the long-term resilience and competitiveness of the health sector, including a Biotech Act, revised rules for medical devices, and a Safe Hearts Plan.

The Biotech Act aims to increase Europe's biotechnology potential by supporting the transition of innovative ideas from laboratory to market, exploring new means of funding and investment through a new health biotech investment pilot to be developed with the EIB Group, incentivising companies to conduct research and production within Europe, accelerating clinical trials authorisations across countries, and establishing single regulatory pathways for complex innovative products.

The Safe Hearts Plan is the first comprehensive EU approach to tackling cardiovascular diseases, which kill 1.7 million Europeans annually and cost the European economy €282 billion, presenting targeted measures to improve prevention, detection and treatment including supporting Member States in developing national cardiovascular health plans, establishing dashboards monitoring health inequalities, and launching an Incubator to speed up the use of AI.

The medical devices proposals will simplify EU rules, support digitalisation of procedures, introduce timelines to complete conformity assessments to speed up access and guarantee continuous supply, strengthen the EMA's role in coordination and monitoring shortages of medical devices, and ensure uniform rules for medical devices incorporating AI applications, which the Commission claims will lead to overall cost savings of €3.3 billion per year including €2.4 billion annual administrative savings.

Call on the EU to streamline the potential of biotechnology and life sciences in healthcare

The Public Health Committee MEPs adopted their contribution to the upcoming EU Biotech Act, calling for streamlined regulation to position Europe as the leading destination for biotechnology investment whilst maintaining safety standards.

MEPs emphasised policy coherence with pharmaceutical legislation, simplified clinical trials frameworks, and support for regional innovation hubs integrating manufacturing, regulatory expertise and training. The committee calls for increased investment in early-stage development and exploration of an EU Biotech Innovation Fund. The own initiative report was adopted with 25 votes in favour, eight against and three abstentions and will be put to a vote by Parliament during a future plenary session.

Sustainable products

UK

PFAS in the UK and EU in 2026

In August, the Health and Safety Executive (HSE) launched a consultation on the proposal to remove PFAS in firefighting foam. This consultation closes on 18 February and we expect to see the outcome of this consultation later in 2026 and final decision in 2027.

Also expected in 2026, as part of the Environmental Improvement Plan 2025 is the National PFAS plan, which will set out a range of regulatory and non-regulatory interventions, measures and initiatives with specific actions and delivery milestones. These will raise understanding and awareness of PFAS in the environment, identify and address releases of harmful PFAS and protect people and the environment from harm relating to PFAS exposure.

Meanwhile, in the EU, the European Chemicals Agency (ECHA) has proposed a ban on more than 10,000 PFAS substances for all consumer goods. This proposal is currently under review by the Committee for Risk Assessment and the Committee for Socio-Economic Analysis, who are due to issue their opinions to the European Commission by the end of 2026. See our Insight for further details. Please see the Food section for further details on the ban of PFAS in food contact packaging, which comes into force on 12 August 2026.

EPR in force from 1 January 2026

The Producer Responsibility Obligations (Packaging and Packaging Waste) (Amendment) Regulations 2025 came into force on 1 January 2026.

The regulations amend the Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024 (SI 2024/1332), which introduced the extended producer responsibility scheme for packaging waste (pEPR) in the UK, to:

- enable the appointment of a producer responsibility organisation (PRO) to support the scheme administrator PackUK in running the pEPR scheme and ensure closer producer involvement;
- enable producers to deduct tonnage of recycled food grade plastics packaging waste from their pEPR obligations where they have collected it directly from consumers and sent it for reprocessing in a closed loop recycling system; and
- improve the operational efficiency of the pEPR scheme and clarify producers' obligations, including resolving potential loopholes, removing ambiguity, improving the approach to local authority costs modelling and removing barriers to compliance and enforcement.

Defra and PackUK have published guidance for organisations on how to apply to be the PRO, with PackUK intending to appoint the PRO in March 2026 and the government has issued a guidance document which covers closed loop recycling under the EPR, with businesses being required to report their closed loop data for 2024 by 28 January 2026.

Large business in scope of EPR should also be preparing for the next data reporting deadline of 1 April 2026.

Products

Welsh government seeks exclusion from UK Internal Market Act 2020 for its DRS scheme

The Welsh deposit return scheme continues to make progress despite its controversial decision to include glass in the scheme. In a written statement published on 27 November, the Welsh government announced:

- the opening of applications for appointment of a deposit management organisation;
- the implementing regulations will be laid before the Senedd in February 2026; and
- it is seeking exclusion for the DRS from the United Kingdom Internal Market Act 2020.

The Welsh deputy prime minister has warned that if the exclusion from the IMA is not granted "this would lead to the scenario where there would be no DRS in Wales".

Consultation on extending the CE marking recognition mechanism for ESPR

The Department for Energy Security and Net Zero has launched a consultation (closing 20 January 2026) on proposals to extend CE marking recognition to products regulated under the EU's new Ecodesign for Sustainable Products Regulation (ESPR).

Currently, energy-related products bearing the CE marking can be sold in Great Britain without requiring additional UKCA marking, thereby reducing compliance costs for manufacturers. As the EU transitions from the Ecodesign Directive to ESPR (with first regulations expected mid-2027), the government proposes amending the Ecodesign for Energy Related Products Regulations 2010 to maintain this recognition mechanism.

Plastic packaging tax – new mass balance approach

HMRC has released a policy paper outlining measures which introduce a mass balance approach to account for chemically recycled plastic used to make plastic packaging from 1 April 2027. It also addresses a tax loophole by removing pre-consumer waste as a source of recycled content for the purposes of the plastic packaging tax.

The introduction of a mass balance approach addresses a practical challenge that has prevented businesses from benefiting from chemically recycled plastic despite it being recognised as recycled content since the tax's introduction in April 2022. Chemical recycling enables hard-to-recycle plastics to be processed into high-quality recycled material suitable for applications where mechanically recycled plastic is unsuitable due to regulatory or quality constraints, but the physical mixing of recycled and virgin materials during production has made it difficult to track recycled inputs to outputs.

To claim relief from PPT, UK manufacturers and importers will need to demonstrate that their supply chain is covered by a commercial certification scheme compliant with PPT mass balance standards, which will set out requirements for material types, allocation processes, certification body accreditation and record keeping. The simultaneous removal of pre-consumer waste from the definition of recycled plastic aims to close a tax loophole and create stronger incentives for using post-consumer waste, which is typically more challenging and costly to recycle but delivers greater environmental benefits.

Environmental Improvement Plan 2025

See Environment section.

EU

Ecodesign for Sustainable Products Regulation – provisions on destruction of unsold consumer goods

From 19 July 2026, the Ecodesign for Sustainable Products Regulation (ESPR) prohibits the destruction of certain unsold products, applying to apparel and footwear including items made of leather, knitted or crocheted items, hats and headgear, and various types of footwear.

The prohibition aims to reduce waste and encourage donation, reuse or recycling of unsold goods, with exemptions for products that cannot be used safely due to health or hygiene concerns, products damaged beyond repair, items legally or technically unfit for use, donations not accepted, products unfit for reuse or refurbishing, intellectual property violations and where destruction has the least environmental impact. The exemptions will be confirmed by delegated legislation which is currently being produced by the European Commission.

Medium-sized enterprises are required to comply with these rules from 19 July 2030, while micro and small enterprises are currently exempt but encouraged to avoid destroying products.

In 2026, the European Commission is also expected to develop delegated acts in line with its working plan, expanding the scope of ecodesign requirements to additional product categories, with the plan focusing on textiles, furniture, tyres and mattresses along with intermediate products such as iron and steel, and aluminium. See this Regulatory Outlook for more details on when these requirements are expected to come into force

Businesses in scope of the ESPR must also publicly disclose information on how they discarded unsold consumer goods during the previous financial year. This is very broad and affects all consumer goods. Businesses must publish the data via their website. Businesses caught by the Corporate Sustainability Reporting Directive (CSRD) can include this information in their sustainability reports and provide a link to it on their website. The European Commission has recently consulted on the implementing regulation that outlines how the information should be formatted. This is expected to be adopted soon.

To comply with these disclosure requirements, businesses should:

- Start to collate information on the number and weight of unsold consumer products discarded per year.
- Document why these products were destroyed.
- Understand where to report the information and what format this should be in (guidance to be announced).
- Look into measures to prevent the destruction of unsold consumer products, as this will carry reputational risk and, eventually, the ban on discarding unsold goods will expand to include other types of consumer goods.

First set of requirements under the EU PPWR come into effect

A number of new requirements have been introduced by the EU Packaging and Packaging Waste Regulation, with the first coming into effect on 12 August 2026. These include:

- Harmonised EPR schemes.
- PFAS restrictions for food contact materials.
- Labelling requirements.
- Reuse and refill obligations.
- Restrictions on single use packaging.
- Recyclability conditions.
- Recycled content targets.
- Packaging minimisation and waste prevention.

EU Postpones CLP Regulation Application Dates to 2028

Regulation (EU) 2025/2439 was published on 3 December 2025, postponing the application dates of transitional provisions in the CLP Regulation on classification, labelling and packaging of substances and mixtures from 1 July 2026 and 1 January 2027 to 1 January 2028.

The delayed requirements include:

- label format and readability standards, such as minimum font size requirements (for example, text height of at least 1.4mm for packaging under three litres) and line spacing of at least 120% of font size;
- advertising and promotional language standards, which prohibit misleading terms such as "non-toxic" and "ecological" in hazardous chemical advertisements and require hazard pictograms and signal words in all advertisements;
- distance selling and online marketplace obligations, requiring complete label elements to be displayed to consumers before purchase, with a supplier established in the EU being responsible for product compliance; and
- fuel station labelling requirements for supplier names and UFI on fuel pump nozzles and portable containers.

The postponement provides more time and legal certainty to businesses, particularly SMEs, and allows co-legislators additional time to agree on substantive changes in the second part of the Omnibus VI package.

Guidance released prior to the ban on plastic wet wipes

Products

In November of last year, the UK government signed into law a ban on the sale of wet wipes containing plastic. It has since released additional guidance on which wipes will be banned, when they can still be sold and how the ban will be enforced. Businesses should review this guidance now to ensure they are ready for the ban, which comes into force on 19 May 2027.

Sustainable consumption actions from the European Commission's 2030 Consumer Agenda

On 19 November, the European Commission released its 2030 Consumer Agenda and action plan for consumers in the single market. One of its focuses is sustainable consumption, with a number of actions planned. These include:

- supporting Member States in the implementation of the directive on empowering consumers for the green transition, Ecodesign for Sustainable Product Regulation and the directive on common rules to promote the repair of goods – with a harmonised notice on the legal guarantee of conformity and a harmonised label for the commercial guarantee of durability expected in Q3 2026;
- supporting the circular economy – exchanging good practices with stakeholders to promote consumer return of goods that are no longer used, second-hand markets, product-as-a-service business models and innovative circular start-ups in 2027; and
- exploring the need for a recommendation on fostering "green by design" features in e-commerce and encourage the development of digital tools and their use in 2027.

Preparing for EU sustainable battery requirements

As previously reported, the date of application of the due diligence obligations under the Sustainable Batteries Regulation 2023 has been pushed back to 18 August 2027.

The European Commission is expected to publish guidance on these due diligence requirements in July 2026. Further, from 18 August 2026 harmonised labelling requirements come into effect for all batteries.

Also coming into force is the requirement for electric vehicle batteries and industrial batteries over 2 kWh to be electronically registered under the EU Digital Product Passport system from 18 February 2027, which businesses in this sector can start preparing for in 2026.

Once published, businesses should review the Commission's guidelines on due diligence as well as ensuring they are ready to comply with other requirements of the regulation as they come into force.

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Regulated procurement

Regulated procurement

New procurement thresholds come into force on 1 January 2026 under PPN:023

New threshold amounts governing the award of public contracts come into force on 1 January 2026. The thresholds are revised every two years to account for currency fluctuations and to ensure UK compliance with obligations under the World Trade Organization's Agreement on Government Procurement.

The thresholds are inclusive of VAT and apply to any procurements commenced on or after 1 January 2026. Key thresholds include £135,018 for goods or services contracts awarded by central government authorities and £207,720 for goods or services contracts awarded by sub-central government authorities.

Payment compliance and contract performance notices

From 1 January 2026, contracting authorities must publish payment compliance notices and contract performance notices under the Procurement Act 2023.

Payment compliance notices set out the extent to which contracting authorities have paid their invoices within 30 days of receipt and include average payment times and percentage of invoices paid within specified timeframes.

These notices will record performance over a six-month reporting period and must be published within 30 days of the end of the reporting period. The first reporting period will run from 1 October 2025 to 31 March 2026, meaning notices are due by 30 April 2026. These transparency requirements aim to incentivise faster payment and enable direct comparison with private sector payment practices.

Government response to procurement reforms consultation

The Cabinet Office's official response to its June 2025 consultation on further reforms to public procurement is expected to be published in 2026.

The consultation sought views on a wide range of proposals aimed at strengthening the UK's economic resilience, supporting British businesses and improve opportunities for small and medium-sized enterprises and voluntary community and social enterprises. Any proposals taken forward by the Cabinet Office will progress through Parliament as an amendment to the Procurement Act 2023.

First judgments under the Procurement Act 2023 anticipated

The first court decisions made in relation to procurements governed by the Procurement Act 2023 are anticipated to be published from spring 2026. These early judgments will provide crucial guidance on the interpretation and application of the new regime, which came into force in February 2025. The most highly-anticipated judgments will be those dealing with applications to lift the automatic suspension. Under the previous legislation, the court applied the principles in *American Cyanamid* when determining applications on the suspension, but under the Procurement Act, the court will apply the new statutory test set out in the legislation. How the court interprets and applies that new test will be the subject of considerable scrutiny.

First suppliers anticipated to be listed on Debarment List

The Procurement Act 2023 introduced a new debarment regime, in which contracting authorities have a right to exclude suppliers from public procurement who have engaged in serious misconduct, including fraud, bribery, competition law breaches, misconduct and poor performance. Once listed, suppliers face mandatory or discretionary exclusion from public contracts across the UK for specified periods.

There are currently no suppliers on the list, but in February 2025, in the wake of the Grenfell Inquiry, the government announced that it was investigating cladding suppliers named in the Inquiry Report for inclusion on the list. We anticipate that list will begin to be populated with suppliers during the course of 2026.

New NHS procurement regulations target modern slavery in supply chains

See modern slavery section

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Sanctions and Export Control

Sanctions and Export Control

OTSI publishes first Annual Review

The Office of Trade Sanctions Implementation (OTSI), part of the Department for Business and Trade (DBT), was launched in October 2024 with the aim of strengthening the implementation and enforcement of trade sanctions in the UK.

OTSI has published its first annual review, detailing its activities in its first year of operation (10 October 2024 to 9 October 2025) as well as its priorities for the future.

Licensing

OTSI received 60 licence applications as of 9 October 2025, mainly concerning the provision of professional and business services prohibited under the Russia sanctions regime. Of the applications processed, 12 were granted in full or partially granted, three were refused, and seven were withdrawn by applicants.

The average timeframe for receiving an outcome is 82 working days for cases submitted directly to OTSI, which includes time taken by applicants to reply to requests for information. Businesses should therefore ensure submissions are comprehensive to avoid unnecessary delays.

Enforcement activity

In its first year, OTSI's Compliance and Enforcement unit received reports or referrals relating to 146 potential breaches of trade sanction, with the majority submitted by the financial services sector in compliance with their mandatory reporting obligations.

While OTSI yet to impose any civil monetary penalties, it revealed that it currently has a number of investigations under way and has referred a significant number of cases to HMRC and other government partners: a clear indicator that OTSI is committed to using its powers to deter non-compliance and that enforcement action is coming.

Expanded licensing remit

In early 2026, OTSI will take on responsibility for all export sanctions licensing, with the exception of activities that involve goods and technology subject to strategic export controls, which will remain with the Export Control Joint Unit (ECJU). This represents a significant expansion of OTSI's remit and exporters will be informed of when this change will happen and the impact it may have on businesses using this service.

Looking ahead

OTSI committed to developing its capabilities to use actionable intelligence to support proactive compliance monitoring and to "more proactive enforcement". Businesses should leverage the insights from the guidance published by OTSI, including how to identify common tactics in Russian sanctions evasion and ensure proactive engagement with compliance requirements.

Read more about OTSI's enforcement powers in this Insight. OTSI expects to publish a detailed annual review setting out its activities to the end of financial year 25-26 later this year.

UK Sanctions List consolidation

As previously reported, from 28 January 2026, the UK Sanctions List will be the only sanctions list which details sanctions designations published by the UK government. The list is currently live, and businesses are encouraged to move to the list as soon as possible and ensure that sanctions screening is conducted against the UK Sanctions List in future.

Businesses should use this period to prepare any systems before the Consolidated List of Asset Freeze Targets and its associated search tool closes on 28 January 2026, after which it will cease to be updated.

The government has published guidance to help businesses and industry to prepare and a format guide which includes mappings to the fields on the OFSI consolidated list.

Businesses should take note of the two significant regulatory changes that will shape the sanctions and landscape in 2026. As mentioned above, from 28 January 2026, the UK Sanctions List becomes the single consolidated source for all UK

government sanctions designations. Businesses should update their screening systems and compliance processes now to ensure they are drawing from the correct source post-consolidation.

OTSI's expanded licensing remit will also take effect early this year, transferring across responsibility for export sanctions licensing. It remains to be seen how OTSI will balance this substantial expansion of responsibility while simultaneously delivering on its commitments to enforcement activity.

OTSI guidance on breach reporting best practices

OTSI has published a blog post which details best practices for individuals and businesses who wish to report breaches of trade sanctions.

The blog sets out the information that reports should include, such as the date and details of the parties involved in the suspected breach, the specific good or services provided, alongside supporting documents that help explain the situation.

While providers of legal and financial services and money service business are required to report suspected breaches of trade sanctions, those in other sectors are also encouraged to voluntary submit reports of suspected breaches. Reports should be made using OTSI's online form.

HMRC compound settlement for breaches of export controls

HM Revenue and Customs (HMRC) has concluded a £620,000 compound settlement from September 2025 with an unnamed UK business. The penalty related to unlicensed exports of military goods controlled by the Export Control Order 2008.

A reminder that HMRC may consider offering compound settlements on a case-by-case basis where an exporter has committed a breach that was inadvertent or due to inadequate internal controls, and where they have voluntarily reported the breach to HMRC.

Read more on the case study involving HMRC's previous compound settlement.

OFSI general licences and FAQs

OFSI has issued the following new general licence:

- General Licence INT/2025/8202932, which permits wind down wind down transactions involving Russneft, Tatneft, Rusneftegaz and NNK. The general licence came into effect on 18 December 2025 and expires on 31 January 2026.

OFSI has also amended the following general licences:

- General Licence INT/2025/7323088, which permits a UK legal firm or counsel who has provided legal advice to a person designated under the UK Autonomous Sanctions Regimes to receive payment without an OFSI specific licence. The general licence has been extended to cover most UK Autonomous Sanctions, and clarify that the definition of "legal services" includes legal advice and representation in dispute resolution. FAQ 175 has been added explaining the amendments.
- General Licence INT/2022/2349952, which permits transactions related to agricultural commodities including the provision of insurance and other services. The definition of fertiliser has been updated. The general licence took effect from 4 November 2022 and is of indefinite duration.

OFSI has published FAQs 177-183, covering general licence INT/2025/5787748 on arbitration costs.

UK Strategic Export Control List updates

The UK has formally acceded to the Agreement on Defence Export Controls, which is designed to support defence businesses exporting to European countries including France, Germany and Spain. The agreement will reduce the administrative burden on granting export licences, providing more certainty for businesses and supply chains involved in multinational defence programmes.

See the government press release and written ministerial statement from the Ministry of Defence.

Sanctions and Export Control

The UK Strategic Export Control Lists has been updated. Exporters should use the list to assess whether their goods, software and technology require a licence to export.

The ECJU has updated its open general export licences (OGELs):

- OGEL export of dual-use items to EU member states.
- OGEL technology for dual-use items.
- OGEL export after exhibition: dual-use items.
- OGEL export for repair/replacement under warranty: dual-use items.
- OGEL export after repair/replacement under warranty: dual-use items.
- OGEL A400M collaborative programme has been amended to remove a reference to contacting Airbus export control managers for help with licensing issues.
- OGEL printed circuit boards (PCBs) and components for military goods, has been updated to permit the export of O-Rings for gas systems to any of the countries within its scope.

Export Control Joint Unit training and webinars

The ECJU provides training for exporting and trading individuals and companies, with the aim of increasing understanding of the UK's strategic export controls. See details on events and register for training.

Free webinars also provide helpful guidance on strategic export control licences and compliance with UK export control laws. The ECJU is currently reviewing its strategic export control learning path and expects to publish further guidance in due course.

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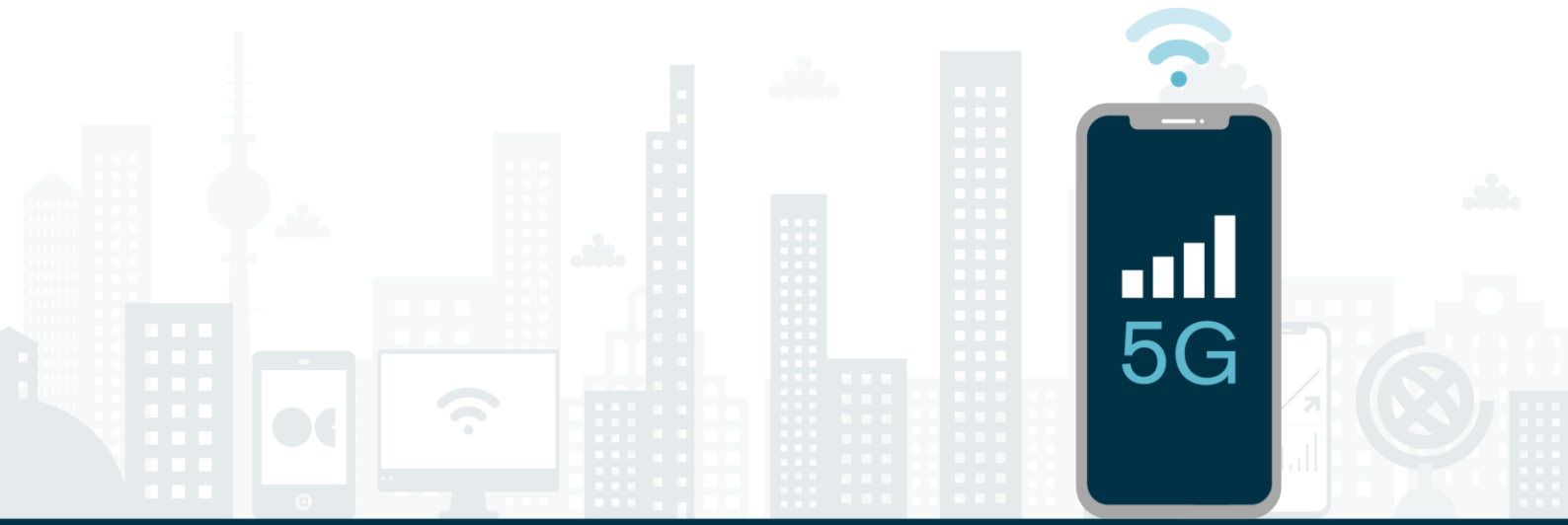

Telecoms

Telecoms

Ofcom Plan of Works for 2026: key themes for communications providers

On 5 December 2025, Ofcom published its proposed Plan of Works for 2026/2027. Although the final plan will not be released until March 2026, the proposal provides a great insight into the areas that it will be focusing on in the coming year. They key points of interest for communications providers are:

- **Telecoms Access Review –** The Telecoms Access Review aims to future-proof the UK's broadband infrastructure by promoting competition and investment in gigabit-capable networks, improving services and choice for consumers. Ofcom will publish a new regulatory framework in March 2026, covering key access and connectivity markets for the period April 2026 to March 2031, and will monitor implementation and finalise rules to support copper retirement in 2026/27.

- **Impact of AI in telecoms –** In winter 2025, Ofcom invited contributions on how AI could affect the experience of residential and business broadband, mobile and pay TV customers. Ofcom's focus on AI will continue into 2026/27, including a further publication setting out any next steps in this area.

- **Migration from legacy solutions –** 2026 is a key year for the transition away from legacy services as preparations continue for the PSTN switch off in January 2027. Additionally, as 3G switch-off nears completion, Ofcom will switch focus to preparations for 2G switch-off and ensuring customers, particularly vulnerable users, are supported and protected through these changes.

- **Meeting demand for spectrum –** Ofcom will pursue a spectrum strategy focused on four areas: updating authorisation frameworks to meet growing space-related demand (including for MSS bands and terminals); releasing and pricing spectrum for wireless broadband (notably the 1.4 GHz band), exploring spectrum sharing and defragmentation; launching a multi-year cross-sector review of sub-1 GHz use (including digital terrestrial television, mobile and critical infrastructure) to inform future policy; and driving more efficient spectrum use through sharing, improved access to the 6 GHz band (including higher-power Wi-Fi and new low-power use cases such as XR), and closer work with defence and other public sector users.

- **Enhancement of consumer supervision –** Ofcom intends to further strengthen its consumer supervision programme to ensure that consumer protection measures and voluntary initiatives are properly implemented and deliver positive outcomes, including for vulnerable consumers. This will be done by increasing intelligence-gathering, monitoring and stakeholder engagement to identify and address policy issues, and they will also be reviewing the impact of the January 2025 changes requiring providers to state in-contract price rises upfront in pounds and pence.

What this means for 2026: Communications providers should expect a more hands-on Ofcom, reviewing how networks are secured, legacy services retired, prices communicated and spectrum used, with greater readiness to intervene where outcomes for consumers or competition fall short.

Practical steps for communications providers: In January, Ofcom will be holding events in Cardiff, London, Edinburgh and Belfast where providers will be able to hear more about the proposals and have a chance to offer their views. Providers should submit written responses no later than 5 February 2026.

Cyber Security and Resilience Bill: implications for telecoms

The government's proposed Cyber Security and Resilience Bill signals a step-up in statutory resilience and incident reporting duties across critical infrastructure. For telecoms, expect strengthened expectations that sit alongside the Telecommunications (Security) Act, particularly around supply chain dependency (for example, cloud/managed services), operational resilience planning and consistent incident reporting.

What this means for 2026: The direction of travel is towards clearer, more enforceable resilience baselines and improved cross-sector coordination.

Practical steps for communications providers: Providers should review existing TSA programmes for gaps likely to be probed under the bill (such as business continuity in extended outages, third-party assurance).

For a fuller cross-sector analysis, see: Cyber security | UK Regulatory Outlook November 2025.

Telecoms

Ofcom compliance programme into access to emergency services

Ofcom has launched an own-initiative compliance programme to test how providers meet General Conditions on access to 999/112 (including reliability during power cuts and across IP voice and fibre migration).

Key focus areas include the adequacy of risk assessments, resilience measures (for example, battery back-up, mobile/alternative routing) and clear customer communications, especially for vulnerable users and those moving to digital voice. As highlighted in recent market commentary, this is not purely a technical compliance check: providers should be able to evidence end-to-end operational resilience, escalation and contingency plans, and that sales and migration scripts do not leave customers without a viable route to 999/112.

What this means for 2026: Communications providers should expect closer regulatory scrutiny of their emergency call arrangements, with Ofcom using its formal powers to check that providers have robust measures in place to ensure uninterrupted access to 999/112 and accurate caller location information, and to take targeted enforcement action (including potential financial penalties) where these General Conditions are not being met.

Practical steps for communications providers: Refresh emergency call risk assessments; validate power-loss scenarios across product sets; stress-test communications and support for vulnerable customers; and document mitigations and decision-making.

Consumer pricing and protections: DSIT–Ofcom engagement and potential regulatory change

Earlier this year O2 decided to increase mid-contract price rises beyond what had been indicated to customers when they signed up. While they remained in compliance with their obligations under the General Conditions by providing customers with the necessary right of exit notices, Ofcom stated that it believed this went against "the spirit" of the rules. This subsequently triggered a series of correspondence with the government including:

- A letter from DSIT to Ofcom asking for a review of how easy it is for customers to switch providers when served with a right of exit notice;
- A response from Ofcom to DSIT expressing concern about companies introducing "mid-contract price rises in such a way that it risked undermining that clarity and certainty for consumers at the point of signing up to a contract"; and
- A letter from the chancellor and DSIT to Ofcom asking that it produce an interim review of the impact of the changes to mid-contract price rises introduced in January by spring 2026 with a full review due in 2027.

What this means for 2026: Communications providers should expect greater scrutiny of practices around mid-contract price rises, especially where providing services to consumers and small business customers. Ofcom consultations may look to further tighten obligations relating to transparency, right of exit notices and disincentives to switch.

Practical steps for communications providers: Providers should ensure that their terms and conditions, pre-contract documentation and customer journeys are fully compliant with the updated rules introduced in January 2025.

Launch of satellite direct to device services in mobile spectrum bands

Ofcom's new authorisation framework for satellite direct-to-device (D2D) in mobile spectrum bands allows mobile network operators (MNOs) to use their existing sub-3 GHz holdings (FDD and SDL) to deliver satellite connectivity to standard handsets, with device use covered by new licence-exemption regulations. D2D will be enabled via variations to MNO wireless telegraphy licences, backed by detailed technical conditions (including PFD limits, radar protection in 2.6 GHz and non-interference/non-protection status) and coordination requirements, with a review of the framework planned after WRC-27.

What this could mean for 2026: Ofcom's satellite direct-to-device framework could signal a 2026/27 inflection point where terrestrial and satellite mobile begin to converge in the mass-market handset ecosystem, paving the way for mainstream "always-on" coverage propositions, new MNO–satellite partnership models and a shift in consumer expectations towards satellite-enabled connectivity as a standard feature rather than a niche add-on.

Practical steps for communications providers: UK MNOs and satellite partners can now move from trials to commercial D2D propositions, but only where they secure licence variations, demonstrate compliance with Ofcom's technical and

coordination conditions, and navigate cross-border and radar-related constraints, making early regulatory engagement a critical part of D2D business planning.

Implementation of new ADR rules

In July 2025, Ofcom published its statement on updating its rules on alternative dispute resolution (ADR). The key change set out under this statement was the reduction in the maximum timeframe for automatic access to ADR from eight to six weeks. This change will enter into force on 8 April 2026.

What this means for 2026: Communications providers should expect closer scrutiny of whether complaints are progressed and resolved within the six-week window and how consistently consumers are signposted to ADR.

Practical steps for communications providers: Before the 8 April deadline, providers should update both customer-facing complaints policies and internal complaints-handling procedures, ensuring alignment with the new six-week threshold.

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