



Luxury, fashion and retail

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European regulatory developments are introducing major new obligations for companies in the retail, fashion and luxury sectors. Upcoming EU rules affect areas such as anti-money laundering, sustainability claims, supply-chain due diligence, AI-driven customer interaction, consumer rights and pay transparency. Companies must prepare their compliance processes accordingly.

In this issue we give you information on:

- **The New European Anti-Money Laundering Legislation and Consequences for Luxury Retail.**
- **Sustainability Claims and Consumer Protection.**
- **Corporate Sustainability Due Diligence Directive (CSDDD) and Global Value Chains.**
- **AI Regulation and Digitalization in Retail.**
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- **EU Pay Transparency Directive**

New European Anti-Money Laundering Legislation and Consequences for Luxury Retail

The entry into force of the Anti-Money Laundering Regulation (AMLR) and establishment of the Anti-Money Laundering Authority (AMLA) introduce stricter compliance requirements for providers of luxury goods, such as the ban on cash payments above €3,000 and the shift toward mandatory reporting of suspicious transactions.

This directly affects the daily practice of luxury retail and requires adjustments to internal processes.

The Anti-Money Laundering (AML) package aims to end the fragmentation of national anti-money laundering regulations within the European Union. Until now, Member States implemented European AML directives in different ways, leading to differences in supervision, enforcement, and compliance. This fragmentation hindered an effective joint approach to money laundering and terrorist financing.



European harmonization

The new AML package introduces harmonized rules and a central European supervisory authority. This aims to ensure that all Member States apply the same standards and that supervision and enforcement are coordinated at a European level. This should lead to a level playing field, greater legal certainty, and more effective combating of money laundering and terrorist financing. Harmonization means that national deviations and interpretations are reduced, strengthening cross-border cooperation and closing gaps in supervision.



Legal and practical consequences

The shift toward European harmonization requires adjustments in national legislation and supervisory structures. Member States will need to align their existing systems with the European frameworks. While this may lead to initial implementation challenges, the effectiveness and efficiency of AML enforcement are expected to increase substantially in the long term. Harmonization aligns with broader developments within the EU, where increasingly more policy areas are being harmonized to better combat cross-border crime.

It is advisable to review internal payment and cash register procedures now and to train staff on the new reporting obligations. Also check whether customer due diligence and documentation processes comply with the tightened European standards. International retailers are advised to harmonize their compliance policies across all countries. Finally, periodic internal audits help identify risks early and prevent sanctions.

Sustainability Claims and Consumer Protection

From September 2026, stricter rules will apply to sustainability information provided to consumers. Generic environmental claims such as 'green' or 'sustainable' without substantiation will be prohibited, as will claims based on CO₂ compensation. Companies must be more transparent about repairability, updates, and sustainability guarantees for their products.

Directive (EU) 2024/825, which had to be transposed into national law in all EU Member States by 27 March 2026, strengthens the position of consumers throughout the European Union during the green transition. The rules enter into force from 27 September 2026 and apply to all companies offering products or services to European consumers, regardless of where they are established.



Main obligations and prohibitions

The directive prohibits generic environmental claims such as 'environmentally friendly', 'green' or 'sustainable' without substantiation, as well as claims based solely on CO₂ compensation. Stricter requirements apply to ecolabels and claims about future environmental performance. Practices such as concealing negative effects of software updates and encouraging premature replacement of parts are also prohibited. These rules apply uniformly throughout the EU and aim to create a level playing field for companies and better protect consumers against greenwashing.



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New information obligations for companies

Companies must clearly inform consumers throughout the EU in advance about, among other things, the commercial guarantee of durability, the availability of software updates, the reparability score, and delivery options with lower environmental impact. This information must be clear, transparent, and easily accessible to all European consumers.

Enforcement and consequences

Enforcement of these rules takes place at national level by authorities such as the ACM in the Netherlands, with equivalent authorities in other Member States also responsible. Companies must take into account the cost of adjusting information provision and certification of ecolabels. The European Commission will publish additional guidelines to clarify application and interpretation of the rules across the EU.

Recommendations

Start reviewing all sustainability claims early so that only fully substantiated and future-proof statements remain. Also ensure that used ecolabels and certifications still meet the new European requirements. Provide clear and up-to-date information about reparability, software updates, and durability guarantees. Preparing early reduces the risk of violations and reputational damage from perceived greenwashing.

Corporate Sustainability Due Diligence Directive (CSDDD) and Global Value Chains

The CSDDD obliges large companies to exercise due diligence throughout their supply chain, including human rights and environmental impacts. This affects sourcing, production, and distribution in these fashion and food sectors and requires an integrated approach to compliance and reporting.

The CSDDD requires large undertakings to identify, prevent, mitigate, and, where necessary, remedy negative human rights and environmental impacts in their entire value chain. This obligation applies not only to their own operations but also to subsidiaries and direct and indirect business partners, from raw materials to finished products and distribution.





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Specific impact on fashion and food sectors

For sectors such as fashion and food, which rely heavily on complex, international supply chains, this means revising sourcing, production, and distribution processes. They must monitor and address risks such as child labor, poor working conditions, or environmental damage throughout the chain. The CSDDD aligns with international frameworks such as the UN Guiding Principles and OECD Guidelines but is legally binding and includes enforcement and liability mechanisms.

Integrated compliance and reporting

The CSDDD require an integrated approach to compliance and reporting. Companies must implement policies and management systems to structurally embed due diligence, evaluate these periodically, and report transparently. This requires chain-wide data collection, collaboration with suppliers, and development of a climate transition plan. Obligations are supported by national sanctions and potential civil liability.

Recent developments and relaxations

Recent adjustments to the CSDDD limit obligations related to indirect business partners and relax requirements for periodic evaluations and stakeholder engagement. Companies must conduct in-depth assessments of indirect partners only when plausible indications of risks exist, and reporting obligations for smaller partners are reduced.

AI Regulation and Digitalization in Retail

The AI Regulation (Regulation (EU) 2024/1689) introduces a comprehensive legal framework for the use of AI in the EU, aiming to ensure trustworthy, human-centric, and safe AI systems. For the retail sector, particularly luxury and fashion, this means that AI use for personalized marketing and customer interaction is subject to strict rules.



Transparency and consumer protection

AI systems that interact directly with consumers, such as chatbots or personalized recommendation systems, must be transparent: consumers must be clearly informed that they are interacting with an AI system. Obligations also apply to protect consumers from deception, discrimination, and unsafe algorithms. This particularly affects personalized marketing involving AI-based profiling and targeting.



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Risk assessment and compliance

The AI Regulation uses a risk-based approach. High-risk AI systems, such as those used for creditworthiness or recruitment, must comply with strict requirements regarding risk assessment, documentation, monitoring, and human oversight. Limited-risk AI systems, such as many marketing tools, are mainly subject to transparency obligations. Obligations will be phased in between 2024 and 2027, with transparency and risk assessment requirements applying from August 2026.

Enforcement and sanctions

National supervisory authorities will oversee compliance. Violations can result in high fines based on global turnover. The regulation requires companies to register and document their AI systems and to provide consumers with rights to lodge complaints and obtain explanations of automated decisions.

Practical consequences for luxury and fashion

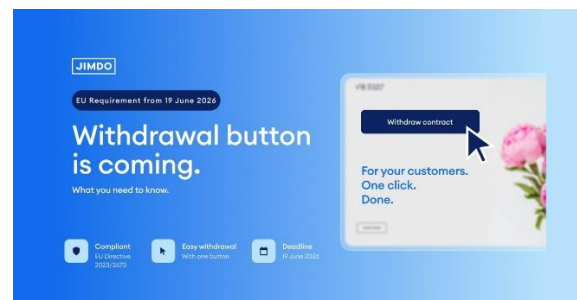
For luxury and fashion, AI-driven customer interaction, personalization, and marketing must be assessed not only technically but also legally for transparency, fairness, and safety. This requires an integrated compliance approach that combines legal, technical, and ethical considerations.

AI in HR

Almost all AI systems used in HR – including recruitment, selection, performance evaluation, workforce planning, and dismissal support – are classified as high-risk systems. Employers must use these systems in accordance with the provider's instructions, ensure human oversight, monitor data quality, maintain logs, and inform employees and applicants. Workers gain the right to an explanation when AI contributes to decisions with legal or significant effects.

Withdrawal Button

From 19 June 2026, all EU Member States are required to implement a withdrawal button in the online ordering environment for consumers. This obligation arises from the insertion of Article 11bis into Directive 2011/83/EU by Directive (EU) 2023/2673. Member States must apply and transpose this provision into national law by that date at the latest. The withdrawal button must enable consumers to exercise their right of withdrawal easily, clearly, and at any time during the withdrawal period. This requirement therefore applies not only to the Netherlands, but to all EU Member States.





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Requirements for the withdrawal button:

- A button on the online interface labelled, for example, 'withdraw agreement here' or 'return here'
- An online form for entering required information
- A confirmation button
- A confirmation receipt sent on a durable medium (e.g., email)

The button must be visible and accessible throughout the withdrawal period. Consumers must be informed beforehand about its presence and location.

EU Pay Transparency Directive

The EU Pay Transparency Directive, which must be implemented by January 1, 2027 (while the original EU deadline was June 7, 2026, the Netherlands delayed national enforcement until January 1, 2027), requires all employers to reassess their pay structures and transparency practices. Employers must disclose starting salaries or salary ranges before hiring and may no longer ask candidates about their previous pay. During employment, workers gain the right to access information about company's pay policy, their own remuneration, and the average pay levels of men and women performing comparable work. Employers with one hundred or more employees must publish detailed reports on their gender pay gap and share these with the board, the works council, the public, and the labor inspectorate.

If an unjustified pay gap of five percent or more exists, employers must take corrective measures and, if the gap is not resolved within six months, conduct pay evaluation together with the works council. Non-compliance may result in significant administrative fines, particularly for large employers.



The Netherlands requested a postponement of the implementation, but: On 18 December, the European Commission announced that it will not accept any delay by the Netherlands in implementing the EU Pay Transparency Directive. All Member States must have transposed the directive into national law by June 2026 at the latest. The Commission emphasizes that pay transparency is essential to ensure equal pay for men and women and warns that infringement proceedings may follow if implementation is not completed on time.



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Recommendation

It is advisable to closely monitor developments regarding the implementation of the directive and to make the necessary legal and administrative adjustments in good time once the national legislation has been finalized.



Legal 500

European Legal 500: Industry focus: Retail:
“Boutique firm Russell Advocaten B.V. is sought-after for its ‘comprehensive understanding of the legal challenges specific to the retail industry’. The firm handles all core retail sector issues, including corporate, commercial, employment, and real estate law, supplementing this with deep industry knowledge regarding the art and luxury spaces. The team is co-led by Reinier W.L. Russell, a specialist in corporate and commercial law, and Jan Dop, who focuses on complex employment and real estate matters’.

Conclusion

As shown above, the upcoming European rules will have a major impact on companies in the retail, fashion and luxury sectors. Early preparation helps prevent compliance issues, reputational risks, and sanctions.

We are most willing and able to assist you with:

- Reviewing and updating compliance policies
- Assessing sustainability and labelling claims
- Implementing due diligence and reporting structures
- Advising on AI use, consumer rights and employment obligations

Timely legal advice ensures that even minor shortcomings do not lead to major consequences.

Please contact us: + 31 20 301 55 55 or info@russell.nl





Where legal issues are not an issue

Russell Advocaten is a full-service law firm. We provide legal assistance in a broad range of fields: corporate law, business formation and reorganization, real estate and lease law, employment law and commercial litigation. Please contact us with your legal issues.