

PANORAMIC

ESG

Cyprus



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LEGISLATIVE AND REGULATORY FRAMEWORK

General ESG legislation and regulation

Does your jurisdiction have any laws or regulations at the national or sub-national level that address environmental, social and governance (ESG) matters across corporate, environmental or administrative law?

As an EU member since 2004, Cyprus aligns its ESG framework with EU directives and regulations, promoting transparency, sustainable finance and responsible business practices

The foundation of Cyprus's ESG regulatory framework is built upon Regulation (EU) 2019/2088 on Sustainability-Related Disclosures in the Financial Services Sector (SFDR), which became effective from 10 March 2021. Non-financial reporting obligations were first introduced in 2017 through the transposition of the EU Non-Financial Reporting Directive (NFRD), requiring large public-interest entities with more than 500 employees to publish ESG statements. However, in December 2022, the NFRD was replaced by the Corporate Sustainability Reporting Directive (CSRD), which expands reporting to all large companies and listed SMEs (excluding micro-enterprises). The EU Taxonomy Regulation (Regulation 2020/852) complements these measures by defining a classification system for environmentally sustainable economic activities.

The CSRD has been transposed into national law through amendments to three key legislative acts, the Companies Law, Cap 113, the Auditor's Law of 2017 and the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007 (Transparency Law). Cyprus's commitment extends beyond EU requirements through local initiatives such as the Interbank Businesses Evaluation system, established through collaboration between the Artemis Credit Bureau, the Association of Cyprus Banks, its member banks and ICAP CRIF SA. This initiative leverages the global Synesgy platform to assess businesses' adherence to ESG criteria, fostering sustainable practices within the Cypriot economy. Additionally, banks are following developments and guidelines published by the European Banking Authority (EBA), such as the Guidelines on the management of ESG risks

(<https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/sustainable-finance/guidelines-management>)

However, it is important to mention that the current ESG regulatory landscape in Cyprus will undergo significant changes following the EU's adoption (not yet fully transposed in Cyprus) of the first Omnibus Package in February 2025, which introduces substantial simplifications to sustainability reporting requirements and delays implementation timelines for certain directives, affecting the timeline and scope of Cyprus's ESG obligations. Part of the Omnibus I package is the Stop-the-clock Directive, which includes postponing the entry into application of the CSRD by two years. The remaining Omnibus provisions will be transposed within 2026 and will significantly limit the scope of the CSRD.

Law stated - 23 March 2026

ESG claims and greenwashing

What legislation or regulations exist within your jurisdiction that govern green marketing or ESG representations by companies?

The regulatory landscape in Cyprus reflects the EU's comprehensive approach to combating greenwashing, combining consumer protection law with financial disclosure requirements to ensure authentic and verifiable ESG communications.

- EU EmpCo Directive Implementation.
- Consumer Protection Law (Amending) implementing the EU Empowering Consumers for the Green Transition Directive.
- CSRD through amendments to Companies Law, Auditors Law, and Transparency Requirements Law.
- Also, Cyprus Advertising Regulation Organization (CARO) Code – clear source, high proof standards.

Law stated - 23 March 2026

Biodiversity and nature-related risk management

How does your jurisdiction regulate corporate impacts on biodiversity and ecosystems? Are companies required or encouraged to assess, disclose or mitigate nature-related risks (eg, habitat loss, deforestation, species protection) as part of their ESG or sustainability strategies?

Corporate impacts on biodiversity and ecosystems are primarily regulated through a combination of EU-derived environmental legislation; obligations are embedded within environmental permitting, land-use regulation and sustainability disclosure frameworks, with the most significant being EIA, SEA and Natura 2000.

Projects likely to affect protected habitats or species must undergo assessment and authorisation is granted only where no adverse impact on the integrity of protected sites is identified, mainly affecting the Real Estate, Infrastructure, Energy, and Tourism sectors. Therefore, companies are required to mitigate biodiversity at the project level.

Moreover, Cyprus has implemented the Environmental Liability Directive, which is otherwise a “polluter pays” framework. This creates financial incentives for businesses to integrate biodiversity considerations into risk management.

Large companies and listed entities subject to the NFRD, CSRD and EU taxonomy regulations obligations, must take into consideration land use, ecosystem impacts, pollution and resource depletion.

Beyond disclosure, biodiversity considerations are embedded in planning approvals, coastal zone regulation, wetlands and forested land.

Currently in the early stages, adoption of the taskforce on nature-related financial disclosure (TNFD) is voluntary.

Law stated - 23 March 2026

International frameworks

Is your jurisdiction a party to or participant in any international ESG-related initiatives? How are these commitments implemented domestically?

Cyprus is a party to multiple international ESG initiatives. The country ratified the Paris Agreement and implements it through EU climate legislation, including nationally determined contributions (NDCs) targeting net GHG emissions reduction by 72.5% below 1990 levels by 2035, with a pathway toward 90% net reduction by 2040 and climate neutrality by 2050. Cyprus ratified the Biodiversity Beyond National Jurisdiction (BBNJ) Agreement in May 2025, committing to the Kunming-Montreal Global Biodiversity Framework's goals, including protecting 30% of the oceans by 2030. Cyprus implements biodiversity commitments through the EU Biodiversity Strategy and national environmental legislation, including the Nature Protection Law and Natura 2000 network. As an EU member state, Cyprus adheres to the OECD Guidelines for Multinational Enterprises through EU mechanisms for responsible business conduct. While Cyprus has not adopted a standalone National Action Plan on the UN Guiding Principles on Business and Human Rights, it implements these principles through the forthcoming CSDDD, which mandates human rights and environmental due diligence across value chains starting in 2027-2028.

Law stated - 23 March 2026

ESG POLICY FRAMEWORK

Government incentives

Are there any fiscal incentives, procurement advantages or other government programmes in your jurisdiction intended to encourage ESG and sustainability activities among businesses?

The cornerstone of Cyprus's sustainability support is its participation in the EU's Recovery and Resilience Facility. Cyprus is committed to addressing critical environmental and social vulnerabilities and has also placed sustainability at the heart of its Cyprus Recovery and Resilience Plan (RRP) 2021–2026 with 41 per cent of its €1.2 billion budget allocated to green transition initiatives, including energy efficiency and renewable energy projects, supporting the European Green Deal.

Several programmes provide non-repayable financial aid for sustainability investments:

- business decarbonisation grants: aiming to reduce greenhouse gas emissions in operations or supply chains;
- energy-efficiency investments for SMEs;
- renewable energy installations;
- public-sector building upgrades;
- sustainable transport incentives, including electronic vehicles; and
- tax incentives.

Law stated - 23 March 2026

Policy guidance and strategy

How would you describe the level and scope of government or regulatory policy guidance on ESG and sustainability at the national and sub-national level?

The policy framework for sustainability issues in Cyprus is progressively developing, shaped primarily by its alignment with EU regulations and initiatives. As an EU member state, Cyprus integrates EU-driven sustainability objectives, such as those outlined in the European Green Deal, which aims for climate neutrality by 2050 and 55% greenhouse gas emission reductions by 2030. This overarching framework guides Cyprus' national policies on sustainability, influencing sectors such as energy, finance and corporate governance. The Green Deal provides a strategic roadmap for Cyprus to integrate ESG principles into its economic and regulatory landscape.

The level of policy guidance on ESG and sustainability issues in Cyprus is primarily driven by the transposition and direct application of EU legislation. Key frameworks such as the SFDR, the EU Taxonomy Regulation and the CSRD set the main obligations for financial market participants and large companies. Cyprus has generally lagged behind the EU timelines and requirements, but opted to follow through rather than introducing extensive national legislation of its own. The CSRD was transposed in Cyprus in July 2025.

At the national level, policy guidance remains moderate and developing. The Human Resource Development Authority of Cyprus (HRDA) provides practical support through subsidised ESG training programmes, while initiatives like the Interbank Businesses Evaluation system demonstrate commitment to practical implementation. However, Cyprus lacks comprehensive domestic policy guidance documents specifically tailored to local market conditions and business culture.

Law stated - 23 March 2026

ESG-focused government bodies

Are there any governmental actors in your jurisdiction at the national or sub-national level specifically tasked with promoting socially and environmentally responsible business practices? What purposes do they pursue and how do they operate?

Each authority promotes ESG practices through relevant actions and programmes. Governmental actors dedicated to promoting and supporting socially and environmentally responsible investment practices include:

- The Cyprus Investment Promotion Agency (CIPA) aims to facilitate foreign direct investment into Cyprus, while also promoting sustainable business practices.
- The Ministry of Energy, Commerce and Industry, the Ministry of Agriculture, Rural Development and Environment, and the Ministry of Finance develop policies and promote initiatives and programs focusing on green transition in their respective industries, including tax incentives for green investment, regulations requiring ESG disclosures (eg, the CSRD), campaigns and investment forums promoting Cyprus as a sustainable destination, capacity building and support to businesses and investors,

and collaboration with stakeholders, civil society organisations and international partners.

For instance, the Department of Environment, through the NextGenerationEU funding, introduced a scheme that encourages greenhouse gas emissions reduction in businesses, aiming to achieve the targets set in the National Energy and Climate Plan. Also, the Service of Industry and Technology of the Ministry of Energy, Commerce and Industry, provides a subsidy dedicated to SMEs to incorporate circular economy practices into their operations.

The Cyprus Securities and Exchange Commission assists in formulating and enhancing regulations, frameworks and guidelines on ESG, to attract and encourage investments that minimise negative environmental impacts and promote conservation efforts, while fostering positive and long-term social and economic sustainability and well-being, creating employment opportunities and fair labour practices, and supporting local communities.

Law stated - 23 March 2026

CORPORATE GOVERNANCE, PURPOSE-DRIVEN COMPANIES AND NGOS

Duties and liability of company directors

What legislation or regulations govern the duties and potential liability of company directors with respect to ESG compliance?

Cypriot law does not establish specific liability rules for directors of purpose-driven companies regarding social and environmental compliance.

Directors remain subject to general provisions under the Cypriot Companies Law, Cap 113 and common law principles. Therefore, directors of purpose-driven companies are subject to general fiduciary duties to act in the company's best interests, which include compliance with its stated social or environmental mission. Directors must ensure that the company's operations align with its memorandum and articles of association, particularly for social enterprises where missions are explicitly defined.

No specific statutory provisions impose direct liability for non-compliance with social or environmental standards, nor are there mandatory ESG reporting requirements. However, directors could face liability if non-compliance results in financial loss or reputational damage, as judged under standard corporate governance principles.

Law stated - 23 March 2026

Corporate sustainability strategy

How are ESG factors incorporated into long-term business strategy and risk management frameworks? Are there any incentives or reporting mandates for this integration?

Market participants in Cyprus may voluntarily adopt international ESG frameworks for their investment activities and generally incorporate ESG factors in their financial planning, beyond their statutory SFDR obligations.

At this stage, institutional investors and financial intermediaries are not expressly required to consider ESG factors when making investment decisions. However, ESG integration is rapidly moving from voluntary best practice to mandatory risk management and strategic planning requirement, with more frameworks being developed, such as the EU's Voluntary Standard for Non-Listed, Micro- Small- and Medium-sized Enterprises (VSME).

Law stated - 23 March 2026

Establishment of social or environmental purposes

What legislation or regulations govern the establishment of companies' social or environmental purposes and mission? Can such purposes be pursued alongside or instead of profit?

In Cyprus, social enterprises are regulated by the Social Enterprises Law of 2020 (207(I)/2020), the Secondary Legislation on Social Enterprises of 2023, and the Companies Law, Cap 113. These purposes must be explicitly stated in the company's memorandum and articles of association.

Article 7 of Law 207(I)/2020 defines the purpose of social enterprises as promoting positive social and environmental outcomes for societal benefit, rather than generating profit for directors or shareholders. Social enterprises must explicitly state their purpose and mission in their memorandum and articles of association and register with the Register of Social Enterprises, though there is no statutory obligation to publish a mission statement publicly. Articles 16-17 of the Law restrict the use of the term "social enterprise" to registered entities only, with non-compliance attracting administrative fines.

While social enterprises combine commercial activities with social missions, traditional companies under the Companies Law, Cap 113, may also incorporate social or environmental objectives in their memorandum of association without being subject to the profit reinvestment requirements applicable to registered social enterprises.

Law stated - 23 March 2026

Purpose-driven companies

What legal forms or statuses are used in your jurisdiction to incorporate purpose-driven companies?

In Cyprus, social enterprises are a relatively new but growing concept. While various entities may pursue social or environmental objectives, the Social Enterprises Law 207(I)/2020 provides the only formally recognised legal framework specifically designed for purpose-driven business operations.

Under the Social Enterprises Law, entities can register as social enterprises in the Register of Social Enterprises maintained by the Registrar of Cooperative Societies if they meet specified conditions. Article 6 establishes two categories: "general purpose" social enterprises, which focus on social, cultural and environmental actions and must reinvest at least 80% of post-tax profits into their mission; and 'social inclusion' social enterprises, which employ

members from underrepresented groups and must reinvest at least 40% of post-tax profits into furthering their social objectives.

Social enterprises may be structured as private limited liability companies (by shares or by guarantee) under the Companies Law, Cap 113, or as cooperative companies under the Law on Cooperative Societies (Law 22/1985) or the Law on Uniform Heterogeneous Cooperatives and Trade Names. Other entities that may adopt social missions without registering as social enterprises include limited liability companies, cooperatives, and associations and foundations under the Law on Associations, Foundations, and Clubs (Law 104(I)/2017).

Cyprus currently has no established national certification system that formally recognises businesses for meeting high standards of social and environmental performance beyond the registration requirements under the Social Enterprises Law.

Law stated - 23 March 2026

NGO activity

Are there any non-governmental organisations in your jurisdiction that are specifically dedicated to promoting and supporting socially and environmentally responsible business practices? What purposes do they pursue and how do they do so?

CSR Cyprus is the only NGO that is specifically dedicated to promoting and supporting socially and environmentally responsible investment practices. In particular, CSR Cyprus' aims include "achieving balanced profitability and sustainable development" through collaborations with businesses and governmental actors, provision of educational programmes, networking campaigns, and promotion of best practices at a local, regional and national level.

However, there are several NGOs that play a crucial role in raising awareness, advocating for policy changes, and providing resources and training to the public, businesses and investors, each with distinct focuses. Examples include:

- The Cyprus Sustainable Tourism Initiative (CSTI) promotes responsible investment in tourism infrastructure that minimises environmental impact.
- Friends of the Earth Cyprus (FoE) advocates for environmental and social protection in Cyprus.
- Terra Cypria collaborate with companies to train and inform the workforce on biodiversity protection and climate change.
- The Cyprus Green Building Council (CyGBC) works with investors, developers and policymakers for responsible investment in the construction and real estate sectors, promoting green building certifications.
- CYMEPA, issue certificates, eco-labels and awards, including the green key, green offices and blue flags.
- CSI (Center for Social Innovation), develops solutions to systemic social, education, and market challenges.

Law stated - 23 March 2026

COMPLIANCE AND PRODUCT REGULATION

ESG compliance obligations

Are there industry-specific ESG or sustainability compliance obligations at the national or sub-national level? Which enforcement bodies oversee compliance?

Cyprus has industry-specific ESG compliance obligations primarily driven by EU directives transposed into national law. The Department of Environment supervises the implementation of government policy and the adoption of European policy and legislation regarding the environment, including environmental permitting, pollution control, waste management and nature protection. The primary enforcement bodies are the Department of Environment (Ministry of Agriculture, Rural Development and Environment), the Department of Labour Inspection (air quality, chemicals), CySEC (financial services ESG compliance), and the Consumer Protection Service (greenwashing enforcement).

Violations result in fines, imprisonment and/or permit cancellation.

Law stated - 23 March 2026

ESG factors in decision-making

Are companies or institutional actors in your jurisdiction legally required to consider ESG or other sustainability factors in their decision-making?

In Cyprus, falling within the scope of the former EU Non-Financial Reporting Directive (NFRD) and the current Corporate Sustainability Reporting Directive (CSRD) are large companies and large public interest entities, which are required to disclose environmental impact, social matters, governance practices, climate and sustainability risks. However, there is currently no general standalone legal duty requiring all companies to consider ESG and/or sustainability factors in decision-making. For most private companies, it remains a matter of strategy rather than a legal obligation. However, these considerations are increasingly embedded through EU-derived regulatory frameworks as mentioned above.

Law stated - 23 March 2026

Environmental and human rights risks

What legislation or regulations require businesses to consider environmental or human rights risks in their operations or supply chains?

Cyprus requires businesses to consider environmental and human rights risks primarily through EU-derived legislation. The CSRD, transposed into Cyprus law in July 2025, mandates sustainability reporting, including supply chain impact for large companies and public-interest entities. The current (subject to upcoming modifications) Corporate Sustainability Due Diligence Directive (CSDDD), which entered into force in July 2024 and must be transposed by July 2028, will introduce mandatory human rights and environmental due diligence across value chains for companies with more than 5,000 employees and net turnover exceeding €1.5 billion, applying to companies' own operations, subsidiaries and

business partners. Labour and human rights standards are governed by the Constitution, employment legislation, and the Equality Law (58(I)/2004), while environmental obligations stem from sectoral regulations, including the Environmental Impact Assessment Law (140(I)/2005) and the Integrated Pollution Prevention and Control Law (56(I)/2003).

Law stated - 23 March 2026

Green procurement

What kinds of sustainable procurement rules and policies exist in your jurisdiction at the national or sub-national level?

Cyprus has established sustainable procurement rules primarily through the transposition of EU public procurement directives into national law. Public procurement in Cyprus is governed by Law 73(I)/2016, which transposes Directive 2014/24/EU into national legislation and includes provisions for integrating environmental considerations into procurement procedures. Green public procurement is mandatory for specific product categories, including air-conditioning systems and road transport vehicles, while environmental criteria may be incorporated as optional requirements in other procurement procedures. Cyprus follows a formal Green Public Procurement Action Plan, approved by the Council of Ministers, which provides guidance and criteria for contracting authorities to incorporate environmental parameters into tender documents, though the use of EU-developed green criteria is largely voluntary. There are no distinct sub-national green procurement policies beyond the national framework.

Law stated - 23 March 2026

ESG considerations in product design

Does your jurisdiction have legal or regulatory requirements that encourage or mandate the integration of ESG or sustainability into product design?

Yes, but mainly via compliance with EU environmental and product rules that apply directly to manufacturers, importers and distributors. These include requirements relating to chemical content, durability and eco-design, resource efficiency and waste reduction (waste framework rules), single-use plastics directive, etc. Therefore, while Cyprus does not impose additional national ESG product design obligations, the EU creates binding requirements that influence the process.

Law stated - 23 March 2026

Circularity

Does your jurisdiction have laws or policies that promote circular economy principles, such as reuse, recycling or extended producer responsibility?

Cyprus has implemented circular economy principles primarily through the transposition of EU directives and national legislation. The country operates Extended Producer Responsibility (EPR) schemes through licensed recovery organisations supervised by the Department of Environment: Green Dot Cyprus handles packaging waste, WEEE Cyprus manages electrical and electronic equipment, and AFIS Cyprus oversees batteries and accumulators. These schemes transpose Directive 94/62/EC on packaging waste, Directive 2012/19/EU on WEEE, and Directive 2006/66/EC on batteries, implemented through the Packaging Law (L.32(I)/2002), the Waste Law (L.185(I)/2011), and accompanying regulations. However, in December 2024, the European Commission issued a reasoned opinion to Cyprus for failing to establish an integrated waste management network under the Waste Framework Directive. Cyprus supports circular economy development through its Recovery and Resilience Plan and has allocated €14 million from NextGenerationEU funds specifically for circular economy subsidies targeting SMEs.

Law stated - 23 March 2026

Carbon footprint

Are companies required to measure or disclose product-level carbon footprints (PCFs)? If so, are there verification requirements or standardised methodologies (eg, ISO 14067)?

In Cyprus, companies are not currently subject to mandatory product-level carbon footprint (PCF) requirements, but CSRD-obligated companies must disclose Scope 1, 2, and 3 GHG emissions under ESRS E1, which often requires product-level calculations to meet Scope 3 reporting obligations. For Scope 3 Category 1 (Purchased goods and services), companies must gather emissions data from suppliers, creating indirect demand for product carbon footprints. Methodologies like ISO 14067 and PEF are increasingly used by Cyprus' businesses voluntarily, mainly for supply chain requirements.

Law stated - 23 March 2026

REPORTING AND DISCLOSURE

Mandatory ESG reporting and disclosure

What statutory ESG reporting and disclosure frameworks apply to businesses in your jurisdiction?

In Cyprus, statutory ESG reporting is driven by EU frameworks. Key regimes include the former EU Non-Financial Reporting Directive (NFRD), the current Corporate Sustainability Reporting Directive (CSRD), EU Taxonomy and the [Sustainable Finance Disclosure Regulation \(SFDR\)](#). In-scope companies need to report on climate risks, double materiality, environmental, social and governance impacts.

Law stated - 23 March 2026

Voluntary ESG reporting and disclosure

What ESG-related voluntary standards and industry best practices are commonly used by businesses in your jurisdiction?

Common voluntary standards used in Cyprus include GRI, ISO14001, TCFD-aligned reporting and UN Global Compact participation. These, however, remain limited. Companies engage through reports, financing requirements and supply chain compliance. It remains to be seen if the newly established VSME standard (as mentioned above) will be adopted by Cyprus companies.

Law stated - 23 March 2026

Climate risk assessments

Are companies required or encouraged to conduct climate risk assessments or scenario analyses (eg, TCFD-aligned)? If so, in which sectors or under what frameworks?

Climate risk assessment is typically not mandatory and required only indirectly under CSRD for in-scope companies. Financial institutions are expected by regulators to integrate climate risk into governance, risk management and strategy.

Law stated - 23 March 2026

Data quality requirements

How do ESG reporting frameworks in your jurisdiction govern the use, reporting and verification of climate and environmental data by businesses? What kind of data quality standards or audit requirements are incorporated into ESG reporting frameworks?

Under CSRD, ESG disclosure must be subject to limited assurance requirements and follow the ESRS. This introduces standardised methodologies and audit-style verification. Climate and environmental data will require independent assurance (limited but expected to expand). Currently outside the CSRD scope, ESG data assurance remains voluntary.

Law stated - 23 March 2026

ENFORCEMENT AND LITIGATION

ESG-related enforcement and litigation

6.1.1. Has your jurisdiction seen any ESG-related litigation or enforcement activity at the national or sub-national level? What courts or forums are hearing these cases?

Cyprus has not experienced an ESG-specific litigation or enforcement activity, though the regulatory framework provides mechanisms to address sustainability-related misconduct. Moreover, a clear distinction exists between public and private enforcement, with public enforcement conducted primarily by the Cyprus Securities and Exchange Commission

(CySEC) under SFDR and MiFID II regulations, while private ESG litigation remains virtually absent.

Law stated - 23 March 2026

Greenwashing enforcement

What enforcement mechanisms are in place to address greenwashing or misleading ESG representations by companies?

Cyprus enforces greenwashing prohibition primarily through the Consumer Protection Service (CPS) under the Unfair Commercial Practices Law 2007 (transposing Directive 2005/29/EC), which prohibits commercial communications containing unclear, irrelevant, or unreliable information regarding environmental attributes. The upcoming Consumer Protection (Amending) (No. 2) Law of 2025 will explicitly prohibit generic environmental claims such as "eco-friendly" or "green" unless recognised environmental excellence can be demonstrated.

The CPS can order content removal, apply for injunctive relief, and impose administrative fines. CySEC enforces ESG disclosure requirements for investment fund managers based on ESMA guidance on greenwashing issued in July 2025.

Under the Corporate Sustainability Reporting Directive CSRD enforcement, non-compliance with sustainability reporting carries criminal liability, which may result in imprisonment and administrative fines for legal entities. Consumers have private causes of action for breaches affecting their economic interests, with courts able to declare contracts illegal, order price reductions, or award damages.

Law stated - 23 March 2026

Responsible sourcing enforcement

What, if any, enforcement mechanisms exist within your jurisdiction relating to responsible sourcing?

Responsible sourcing in Cyprus is governed primarily by EU Regulation 2017/821, which targets importers of conflict minerals, specifically tin, tantalum, tungsten and gold, where import volumes surpass defined thresholds. These importers must implement supply chain due diligence measures consistent with OECD standards. The Ministry of Foreign Affairs acts as the supervisory body, performing post-import verification checks and enforcing compliance through administrative measures, including corrective action orders and monetary sanctions.

Law stated - 23 March 2026

UPDATE AND TRENDS

ESG trends and future outlook

What are the key recent developments, hot topics and future trends in your jurisdiction relating to ESG and sustainability?

The Artemis Credit Bureau, Association of Cyprus Banks, its member banks and ICAP CRIF SA collaborated to establish the Interbank Businesses Evaluation system, leveraging the global Synesgy platform to assess businesses' adherence to ESG criteria and fostering sustainable practices within the Cypriot economy.

The Cypriot government is further promoting the island as an attractive destination for business and investment opportunities, and therefore, recent regulations focus on economic stability, renewable energies and sustainable growth. These measures aim to foster a favourable environment for social finance and purpose-driven companies.

In 2025, Cyprus officially transposed the Corporate Sustainability Reporting Directive (CSRD) into its Company Law and Auditors Law, marking a significant step toward enhanced transparency and accountability in ESG reporting.

Key recent developments include major events, such as the Cyprus Green Agenda, the Cyprus ESG forum and the CIM Summit, etc, addressing topics such as corporate R&D, economic trends and fund indices, fostering knowledge exchange and innovation in the business sector.

A particular focus on enhancing educational and technological infrastructure to support the impact economy is also a key development; initiatives including electronic submission for licences and collaboration with global digital platforms, streamline the processes.

Some further notable efforts include Cyprus's Green taxonomy initiative, where the Central Bank of Cyprus has been involved in developing a national taxonomy for green finance, guiding financial institutions and investors towards sustainable investments and activities. Moreover, the University of Cyprus is participating in research related to social and impact finance through studies examining the impacts on the local economy, focusing on renewable energy, social inclusion and sustainable development. Cyprus also benefits from EU funding and programmes designed to foster ESG practices, including Horizon Europe, to drive economic resilience and social innovation.

Cyprus is currently establishing national strategies and regulatory frameworks to facilitate and simplify procedures and provides tax incentives for businesses to demonstrate social impact, similar to EU models, aiming to encourage more businesses to adopt socially responsible practices and foster a sustainable economic development on the island.

Together, these initiatives signal a vibrant shift toward embedding purpose, social impact and sustainability at all levels of Cyprus's economy.

Law stated - 23 March 2026