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EU Omnibus Simplification Update: Long-Awaited EU Deal Paves the Way for Simplified Sustainability Rules

The European Parliament and the Council of the EU have reached a provisional agreement on December 10, 2025, which will significantly narrow EU sustainability obligations for companies with respect to both the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD). Here is what you need to know.

On December 10, 2025, the Council of the EU and the European Parliament reached a [provisional political agreement](#) regarding the EU Omnibus Simplification Package. It contains expected extensive amendments to both the CSRD and the CSDDD. The Council has already confirmed the compromise, noting that the agreement is still subject to approval by the European Parliament, expected on December 16, 2025, and subsequent adoption.

The key changes include the following:

I. Key Amendments for CSRD

- **Scope:** Reporting will apply only to EU companies with more than 1,000 employees and more than EUR 450 million in net annual turnover.
- **Holding companies:** Ultimate parent companies whose main activity is the holding of shares in operational subsidiaries and who do not engage in taking substantial management decisions may be exempted from carrying out reporting obligations. The exemption applies only if the ultimate parent company designates one of its EU-

established subsidiaries to carry out the reporting obligations on its behalf, including those obligations relating to the activities of the parent's other subsidiaries.

- **Wave 1 companies:** Companies that are already required to report under the CSRD for financial years starting in 2024 ("wave 1" companies) but no longer meet the revised thresholds shall be out of scope for financial years 2025 and 2026, subject to national transposition.
- **Reporting on the value chain:** The agreement introduced a limitation that prevents reporting companies from demanding excessive information from small or mid-sized business partners. Companies within the value chain that employ fewer than 1,000 people will be considered "protected undertakings" and will have a statutory right to decline information requests beyond the voluntary SME standard.
- **Protecting commercial, secret and classified information:** Companies may withhold information where disclosure would seriously prejudice their commercial interests, reveal trade secrets (as defined in Directive (EU) 2016/943), involve classified information or compromise privacy or security, provided certain procedural safeguards are met.

II. Key Amendments for CSDDD

- **Scope:** Due diligence requirements will only apply to very large companies with more than 5,000 employees and a net annual turnover above EUR 1.5 billion, including non-EU companies operating in the EU meeting this threshold for EU generated turnover.
- **Climate Transition Plans:** All obligations are removed.
- **Enforcement:** The CSDDD's enforcement regime will be defined at national rather than on a harmonized EU level. Member States will be required to limit the maximum fine to 3 % of a company's global turnover, replacing the previously more open-ended approach.
- **Transposition:** The deadline for Member States is postponed by another year to July 2028, with compliance required for companies by July 2029.

This agreement is a long-awaited political compromise which paves the way for the announced simplifications. It finally provides companies with the clarity needed to adequately move forward with preparations for their upcoming sustainability reporting and due diligence obligations. Further, Member States with existing supply chain laws, such as Germany with its Supply Chain Due Diligence Act (LkSG), can align their legislations to ensure consistency.

However, the agreement includes a review clause allowing the European Commission to reassess the scope of both CSRD and CSDDD, which may nevertheless leave companies with some uncertainty in the future.

Gibson Dunn will continue to monitor and report on any new developments.

The following Gibson Dunn lawyers prepared this update: Ferdinand Fromholzer, Carla Baum, Vanessa Ludwig, Johannes Reul, and Babette Milz.

Gibson Dunn lawyers are available to assist in addressing any questions you may have about these issues. Please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's ESG: Risk, Litigation, and Reporting practice group, or the authors: :

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