

European Union: EU institutions give businesses the gift of legal certainty on sustainability rules

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Sustainability

EU Regulations

EUDR

Sustainability & ESG

ESG

EU Green Deal

Deforestation

CSRD

CSDDD

Taxonomy

In brief

In February 2025, the European Commission presented its "Omnibus" package aiming to delay application and simplify the CSRD¹, the ESRS², CSDDD³ and the EU Taxonomy with the ultimate goal of reducing administrative burden and thus addressing concerns that the rules would hamper European competitiveness (see our summary of the Omnibus [here](#)). In parallel, and with an aim to address similar concerns, a proposal for simplification and delay to the EUDR⁴ **moved swiftly** through the legislative process.

As Europeans start wrapping-up ahead of the year-end holidays, the EU institutions have been busy engaging in negotiations and finalizing key rules, delivering to businesses the gift of legal certainty, clarity and the ability to plan ahead of the new year.

Key takeaways

The EU Parliament issues final vote on the amendments to CSRD and CSDDD

On 16 December, the EU Parliament's plenary voted to approve the Draft Directive amending the CSRD and CSDDD. Following Council's formal approval (which is expected to be certain and swift given recent communications to the EU Parliament), the text will be sent for publication in the Official Journal and will enter into force twenty days after publication. This officially marks the end of the line for the sustainability Omnibus.

Please click [here](#) to find a detailed breakdown of key changes to CSRD and CSDDD.

EFRAG⁵ delivers the revised ESRS

A key proposal envisaged in the Omnibus was the simplification and streamlining of sustainability reporting through a revision of the ESRS. On 3 December, EFRAG released a draft of revised and simplified ESRS (see our summary of key changes [here](#)). The Commission will now move to adopt a draft Delegated Act amending the ESRS based on EFRAG's advice. The EU Commission is expected to launch another public consultation in early 2026 during which stakeholders can provide

feedback on such draft Delegated Act. Once the EU Commission has adopted the Delegated Act, the EU Parliament and Council will have the opportunity to scrutinise the Delegates Act and provide any objections. The revised ESRS will apply to EU businesses in scope for mandatory reporting under the CSRD.

Given the significant reduction of thresholds, a large number of businesses is likely to fall outside scope of CSRD reporting. This may create unintended complexities, as businesses may still want to report sustainability data voluntarily or may be requested sustainability data by stakeholders on the basis of different standards. To bridge this gap and minimise complexity, businesses falling outside scope of CSRD will have the option to apply the "sustainability reporting standards for voluntary use", which are still to be adopted by the EU Commission through Delegated Act. Until such Delegated Act is adopted, the Commission recommends reporting in line with Commission Recommendation 2025/1710, which is based on the Voluntary Standard for Micro and Small Enterprises (VSME) developed by EFRAG.

EU Taxonomy

Changes to the Taxonomy have unfolded separate from, but connected with, the Omnibus Directive. The Delegated Act amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts (see our summary of proposed changes [here](#) and [here](#)) was adopted in July 2025, but have not yet entered into force (this is expected for early 2026), although the simplified rules are expected to enter into application as from 1 January 2026 for FY 2025. On 17 December, the EU Commission issued a Taxonomy Reporting [guidance](#) to help businesses in scope preparing for the simplified disclosures adopted in July 2025.

EU Deforestation Regulation

On 17 December 2025, the EU Parliament plenary voted to approve the targeted simplifications and application delays to the EUDR, as agreed with EU Member States on 4 December 2025 (see our summary of proposed changes [here](#)). By 30 April 2026, the Commission must present a report following an assessment of the law's impact and administrative burden. The revised EUDR text needs to be endorsed by Council and published in the EU's Official Journal before the end of 2025 for the changes to enter into force.

Next steps

With the dawn of legal certainty finally upon us, it is possible to start considering next steps. Our immediate recommendations would be as follows:

- Reassess scoping for EU entities and non-EU parent based on new thresholds to confirm obligations/ timeline for CSRD and CSDDD
- Create/ update ESG compliance roadmap to consider, inter alia:
 - Updated timeline and compliance obligations for CSRD, EU Taxonomy and CSDDD
 - Impact on double materiality assessment (DMA)

For more information, please contact our team of experts.

1 Corporate Sustainability Reporting Directive

2 European Sustainability Reporting Standards

3 Corporate Sustainability Due Diligence Directive

4 EU Deforestation Regulation

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