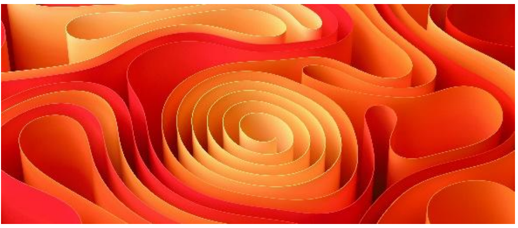
Pills

Regulatory/Supervisory Pills | N.150 October 2025



TOPICS:

ESG risk

SOURCE

European Parliament

European Parliament: Sustainability Reporting and Due Diligence - Simpler Rules for Fewer Companies

- The European Parliament's Legal Affairs Committee has endorsed a legislative proposal aiming to significantly **simplify sustainability reporting and due diligence obligations for EU companies**. The proposed reforms are part of the Commission's broader "Omnibus I" simplification package, designed to reduce compliance burdens, enhance competitiveness, and support the EU's green transition.
- **Key changes** include a major **narrowing of the scope of companies required to report** on environmental and social sustainability. MEPs propose limiting mandatory reporting to entities with over 1,000 employees and an annual net turnover exceeding €450 million, further tightening the Commission's initial proposal, which aimed to reduce the number of reporting entities by 80%. Companies falling outside this threshold would report on a voluntary basis, and large firms would be prohibited from transferring reporting obligations to smaller partners. Sector-specific disclosures and certain sustainability standards would become voluntary, with a shift towards more quantitative data and lower administrative complexity.
- The proposal also advocates for **the establishment of a digital portal**, serving as a centralized, freely accessible repository of templates, guidelines, and information on EU reporting requirements. This would complement the European Single Access Point initiative, aiming to streamline regulatory compliance through digital access.
- On **due diligence**, the proposed rules would apply **solely to large EU firms** with over 5,000 employees and €1.5 billion in annual turnover, and to non-EU companies meeting the same EU revenue threshold. The approach promotes risk-based assessments, requiring firms to request information from business partners only where there is a credible risk of adverse human rights or environmental impacts. Information requests from firms outside the scope would be allowed only as a last resort.
- Pending full parliamentary approval, **trilogue negotiations with EU governments are expected to commence on 24 October 2025**.