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Get Ready for 2026

Wednesday, December 10, 2025 | Deloitte "Legal Update" Webcast #19/2025

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Introduction & Agenda

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Agenda

1. **Equal Pay – Current Developments**
2. **Supply Chain Due Diligence Act & Corporate Sustainability Due Diligence Directive (CSDDD)**
3. **Corporate Sustainability Reporting (CSRD) – Implementation & Update**
4. **Other Current Legal Developments**
5. **Economic Outlook 2026: What lies ahead for companies?**
6. **Q&A**
7. **Fundraising campaign**


Equal Pay – Current Developments

Equal Pay – Current Developments

Gender Pay Gap

- **16% in Germany** (unadjusted) according to the Federal Statistical Office for the year 2024
- The gender pay gap in Germany is very high compared to other European countries

The Pay Transparency Act

(Entgelttransparenzgesetz)

- Individual **right to information** for employees in companies with >200 employees
- Contributes little to the enforcement of the equal pay requirement
- **No sanctions** for companies provided for

EU Pay Transparency Directive

- EU Directive 2023/970 of May 10, 2023
- To be implemented into national law **by June 7, 2026**
- German draft law not yet available

→ **Significant tightening** of the current legal situation

Equal Pay – Current Developments

Key elements of the EU Pay Transparency Directive

Remuneration structures

- Employers must **define remuneration structures**
- No gender-specific pay differences (>5%) for the same or equivalent work that are not justified by objective, gender-neutral criteria

Pay transparency prior employment

- **Disclosure of the starting salary** or its range to ensure informed and transparent salary negotiations
- Prohibition of questions about pay development in current or previous employment

Right to information

- **Right of all employees** (regardless of employer/company size) **to request information about individual and average pay levels**
- Employer must provide information about the right to information on an annual basis

Reporting obligations

- **Reporting obligation** for employers with at least 100 employees **regarding gender-specific pay gaps**:
  - From 250 employees: annually from 2027
  - 150 – 249 employees: every three years from 2027
  - 100 – 149 employees: every three years from 2031

Sanctions

- Entitlement to **compensation**; employees can demand back pay for lost wages
- Burden of proof lies with the employer, who must prove that there has been no discrimination
- **Sanctions** possible (e.g., fines)

Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*) & Corporate Sustainability Due Diligence Directive (CSDDD)

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Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz-LkSG*)

- Obligation to prepare and publish an **annual report** on the fulfillment of human rights and environmental due diligence obligations in the supply chain
- Report must be **submitted** to and is **reviewed** by the Federal Office for Economic Affairs and Export Control (**BAFA** – *Bundesamt für Wirtschaft und Ausfuhrkontrolle*)

Planned amendment to the LkSG

- Goal: Reduction of bureaucracy & relief for the economy
- **Reporting obligation to be retroactively waived from January 1, 2023**
- BAFA has already suspended the submission and review of reports

Corporate Sustainability Due Diligence Directive (CSDDD)

- EU Directive 2024/1760 of June 13, 2024
- Annual publication of a **statement on the implementation of due diligence obligations**
- Extension of the deadline for implementation into national law until July 26, 2027, application postponed to July 26, 2028, respectively July 26, 2029 („Stop the Clock")

December 8, 2025 – Preliminary agreement in trilogue negotiations

- Increase of thresholds
- Postponement of the implementation deadline until July 26, 2028, application postponed to July 2029

Corporate Sustainability Reporting Directive (CSRD) – Implementation & Update

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Corporate Sustainability Reporting Directive (CSRD)

- EU Directive 2022/2464 of December 14, 2022
- **Reporting on ESG** (environmental, social, governance) as part of the management report
- Scope and content of reporting are determined by the European Sustainability Reporting Standards (ESRS)
- Implementation deadline until July 6, 2024, not yet implemented in Germany

Current developments

"Omnibus Package"
of the EU Commission
of February 26, 2025

"Stop the Clock"
of April 16, 2025
(EU Directive 2025/794)

So-called "**Quick Fix**"
in the ESRS
of the EU Commission
of July 11, 2025

Draft law by the German Government
of September 2025

Trilogue negotiations
between the EP, Council, and EU Commission on further amendments since November 18, 2025

December 8, 2025: Provisional agreement in trilogue negotiations

Further Current Legal Developments

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EU AI Act
(EU Regulation 2024/1689)

- Uniform EU legal framework for the development and use of AI systems and models
- **Risk classification** of AI systems (minimal, limited, high, & unacceptable risk)
- Documentation, training, and **compliance obligations**
- Expected to be almost fully applicable across the EU from August 2, 2026
- Various amendments and additions expected as a result of the Digital Omnibus

EU Data Act
(EU Regulation 2023/2854)

- Uniform EU legal framework for access to and use of data generated by connected products and related services
- End users (including consumers) have the **right to access** and transfer generated data; further regulations, e.g., on switching data processing services (Cloud Switching)
- Directly applicable across the EU since September 12, 2025
- Various amendments and additions expected as a result of the Digital Omnibus

EU Digital Identity (EU DI) Wallet
(EU Regulation 2024/1183 - eIDAS 2.0)

- **European digital wallet** for maintaining a legally secure and sovereign digital identity
- Authentication, legitimization, and verification of so-called „*Credentials*," such as name, etc., in the digital environment
- Provision of the Digital Identity Wallet by the end of 2026
- **By the end of 2027**, public authorities and **certain companies must accept the Digital Identity Wallet**

New EU Product Liability Directive
(EU Directive 2024/2853)

- Adaptation of product liability to digitalization
- Applies to all products placed on the market from December 9, 2026
- Extends the definition of product to include **digital products, including software and AI systems**
- To be implemented in national law by December 9, 2026; draft law from the Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbraucherschutz – BMJV*) is available

Further Current Legal Developments

Platform Work Directive
(EU Directive 2024/2831)

- Comprehensive regulation of working conditions for people working via digital platforms
- **Rebuttable presumption of an employment relationship**: platform workers are generally considered employees; **companies must prove otherwise**
- To be implemented in national law by December 2, 2026

Notification obligations to the transparency register

- Ongoing increase of so-called notifications of inconsistency (sec. 23a AMLA; *Unstimmigkeitsmeldung*)
- **Real estate-related notification of inconsistency** from January 1, 2026 (sec. 23b AMLA)
- **From July 10, 2027: New and, for the first time, EU-wide uniform requirements** for the determination of beneficial owners and notifications to the national transparency registers

Changes to public procurement law

- Ensuring **compliance** with **collective agreements** for awarding federal public contracts (draft law)
- Acceleration of public procurement: **increase of the direct award threshold** to EUR 50,000 (draft law)
- Increased **consideration of sustainability aspects**

Employee participation programs

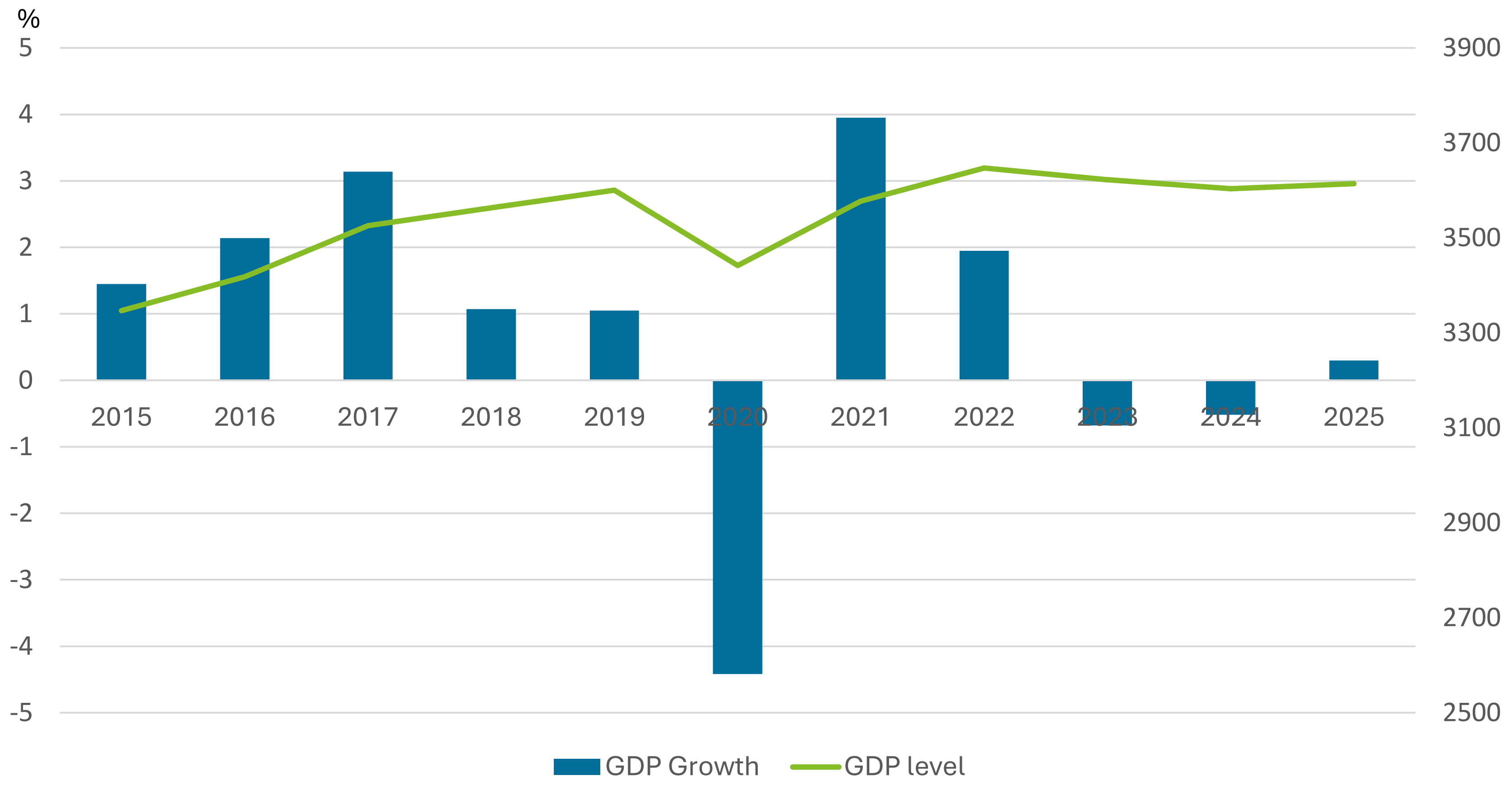
- Particularly start-ups use employee participation programs (VSOP/ESOP)
- Judgment of the Federal Labor Court (*Bundesarbeitsgericht*) of March 19, 2025 (file no. 10 AZR 67/24)
- "Vested" virtual options are to be classified as **return for work performed**
- **Immediate forfeiture of “vested“ virtual options upon voluntary resignation is invalid**

Economic Outlook 2026:
What lies ahead for companies?

Looking back | Economic growth

The last three years have been difficult for the German economy – minimal growth in 2025 after two years of recession

Development of real German GDP (growth in % and absolute level in billion EUR)

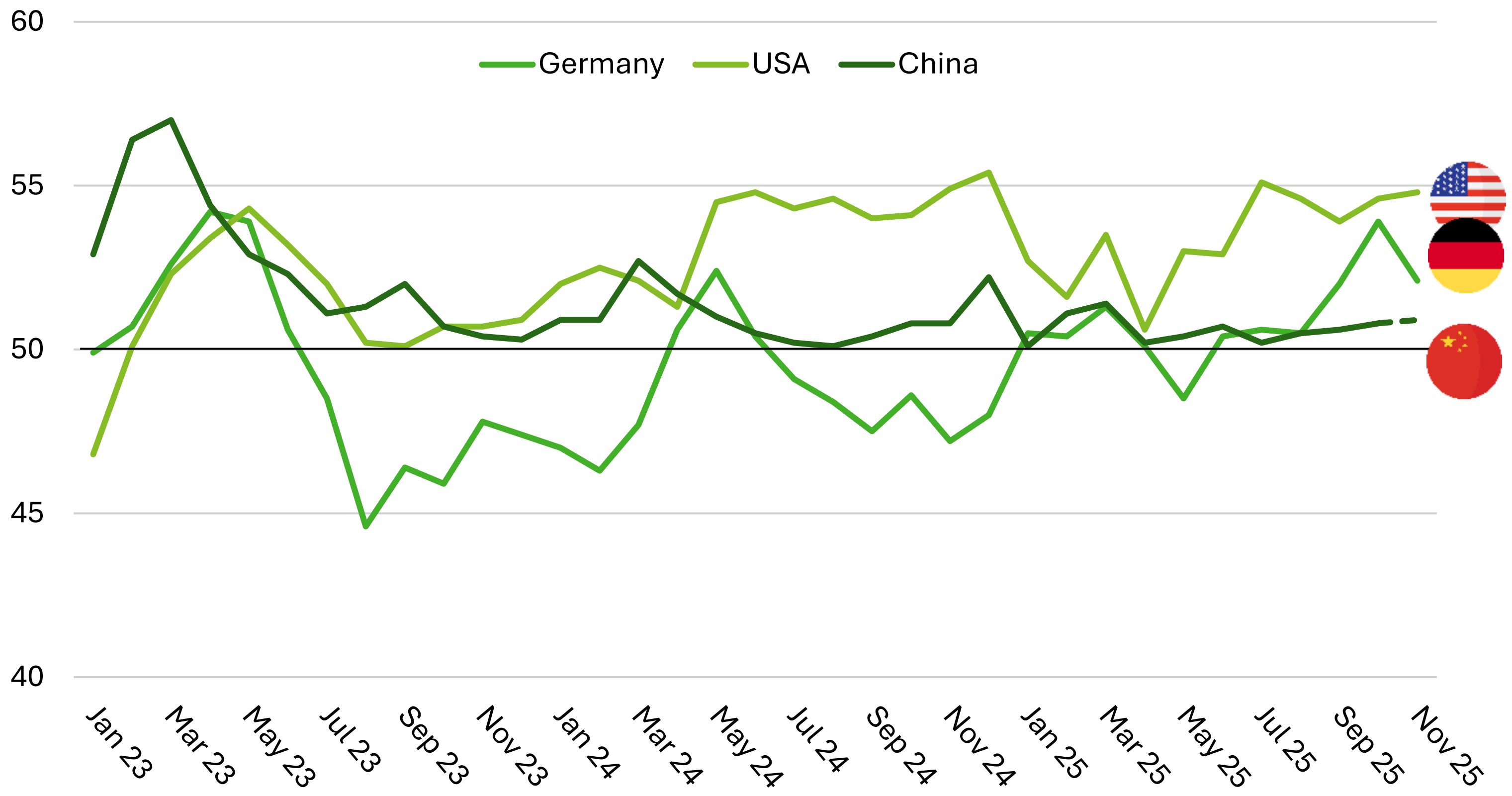


Sources: Oxford Economics (2025)

Economic Situation | Business activity

Early indicators are volatile, but in positive territory

PMI (50 = no change)



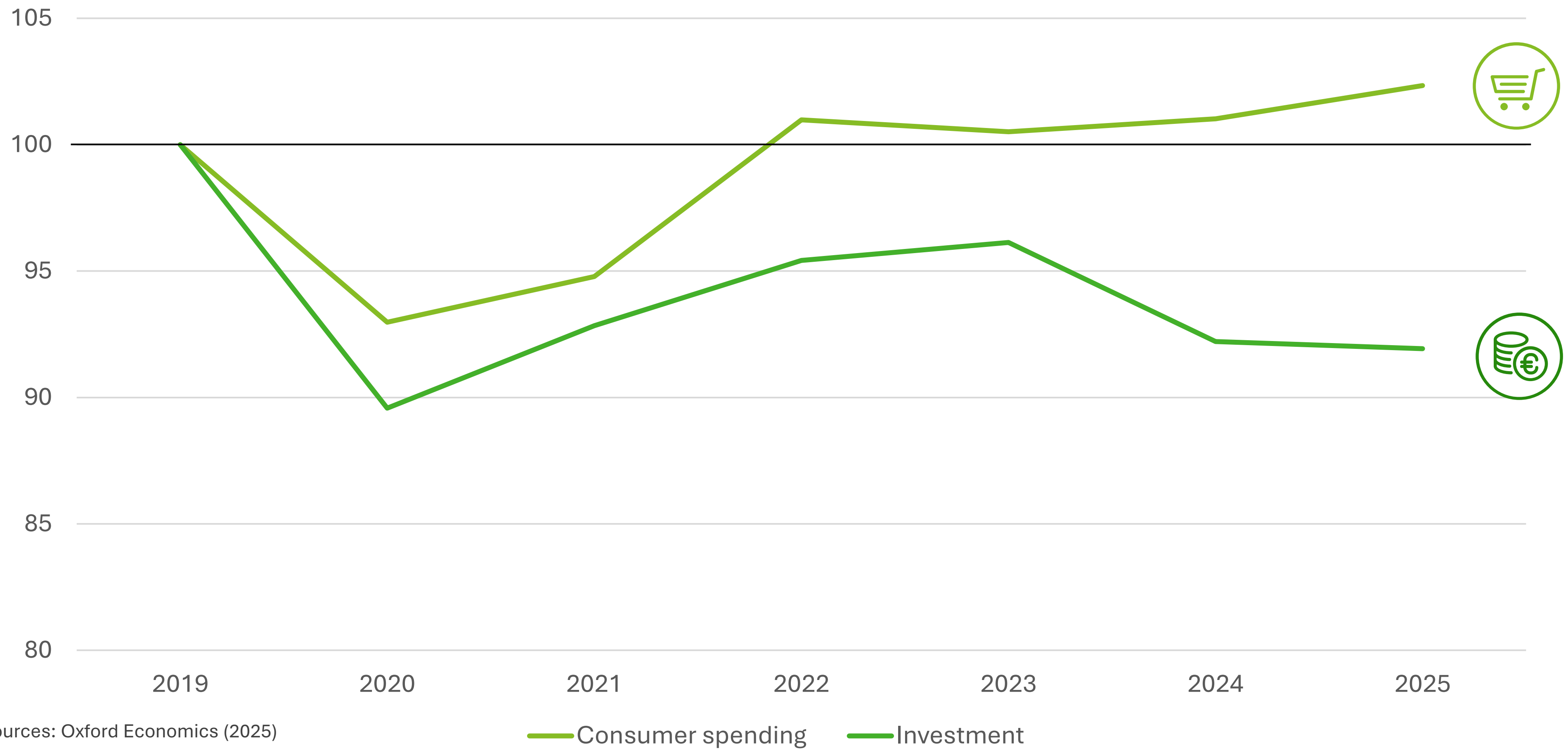
Source: LSEG Data & Analytics (2025)

- **USA:** High volatility, but relatively high level of business activity
- **Chinese economy** struggling with low domestic demand and tariff tensions with the US
- **Germany:** Bifurcation of the economy - industrial sector struggling, services sectors thriving

Economic Situation | Consumption and investment activity

Consumers and companies remain cautious – low consumer and investment confidence

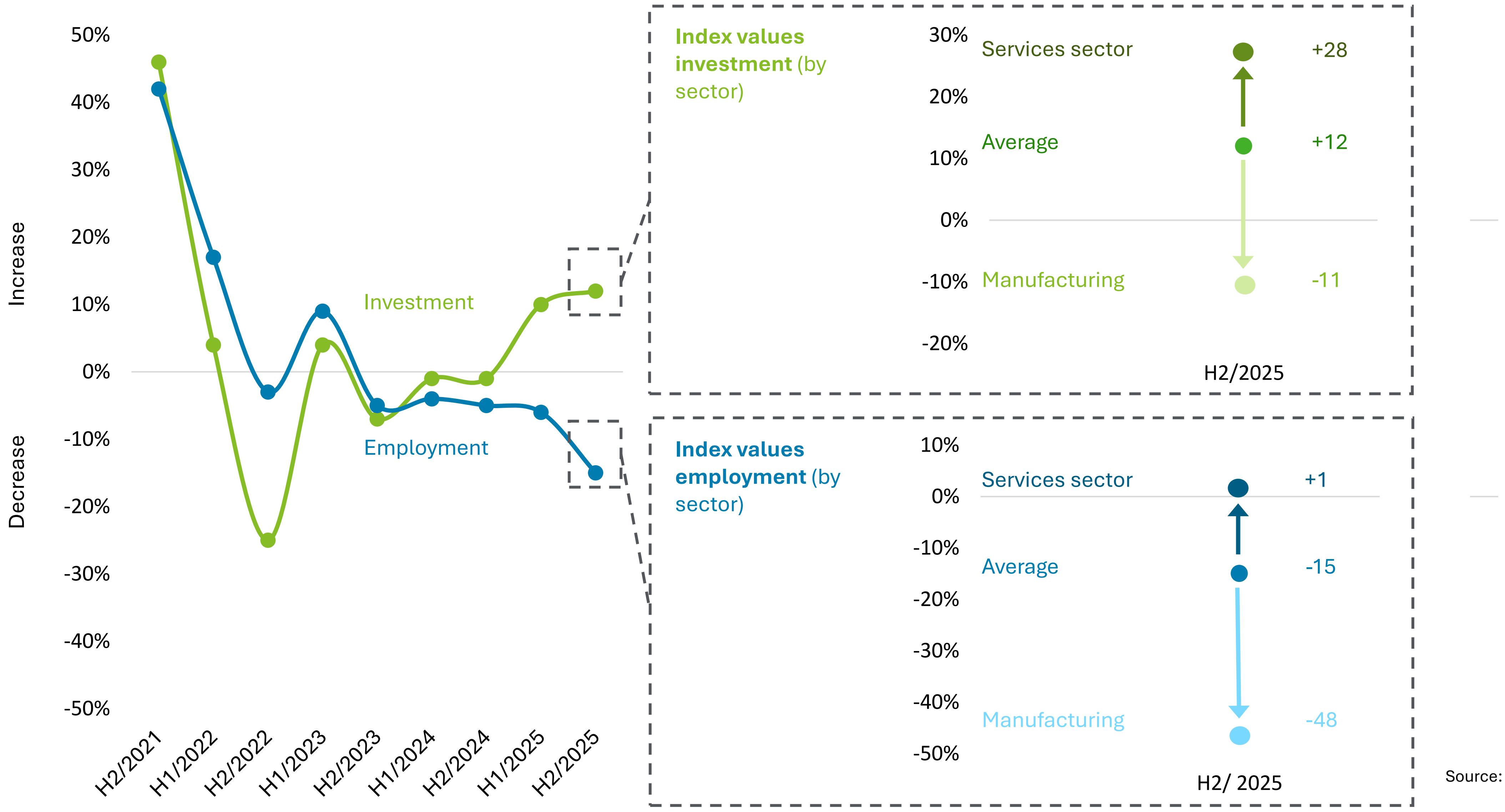
Development of consumer spending and private sector investment in Germany (2019 = 100)



Sources: Oxford Economics (2025)

Economic Outlook | Plans for investments and employment

Investment intentions rising, but only in the services sectors



Source: CFO Survey Autumn (2025)

Economic outlook | Fiscal boost

Huge defense packages on the way

NATO Plan

- Commitment to boost defense spending to 5% of GDP by 2035, prioritizing capabilities, infrastructure, innovation & cooperation
- Progress will be reviewed in 2029

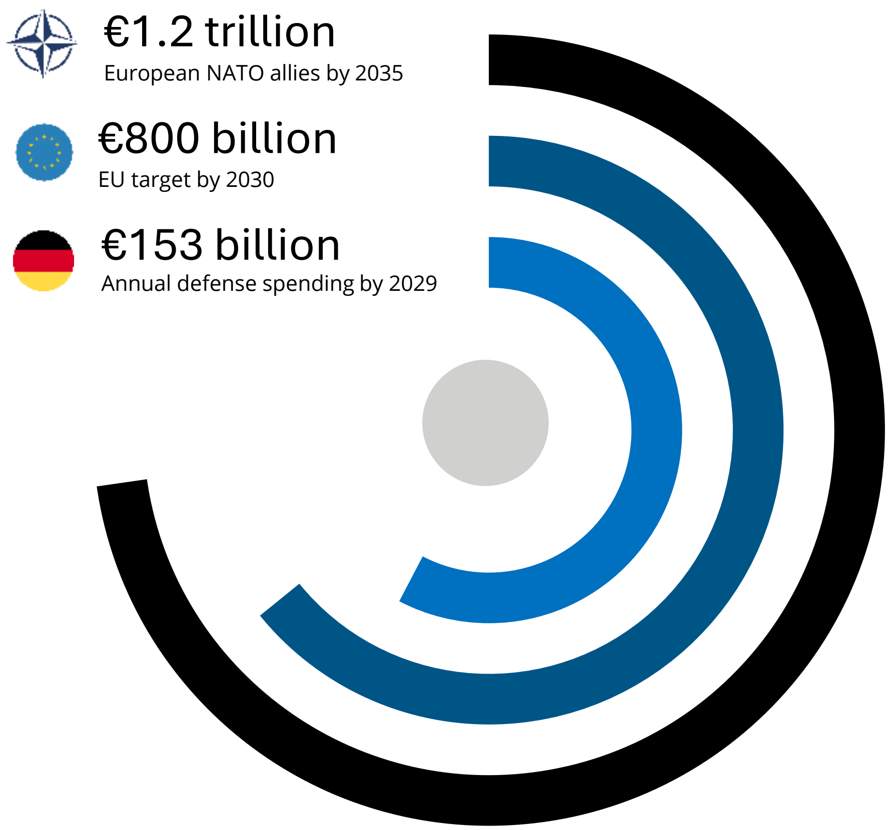
EU Defense Push

- Goal: strengthen the EU defense industry by reducing fragmentation
- Focus on key priorities: air defense, drones, and cyber
- Coordination by new EU Defense Commissioner

German Defense

- Exemption of defense spending above ~1% of GDP from the debt brake
- €100 billion special defense fund (2022) to be spent by 2027

Projected defense spending

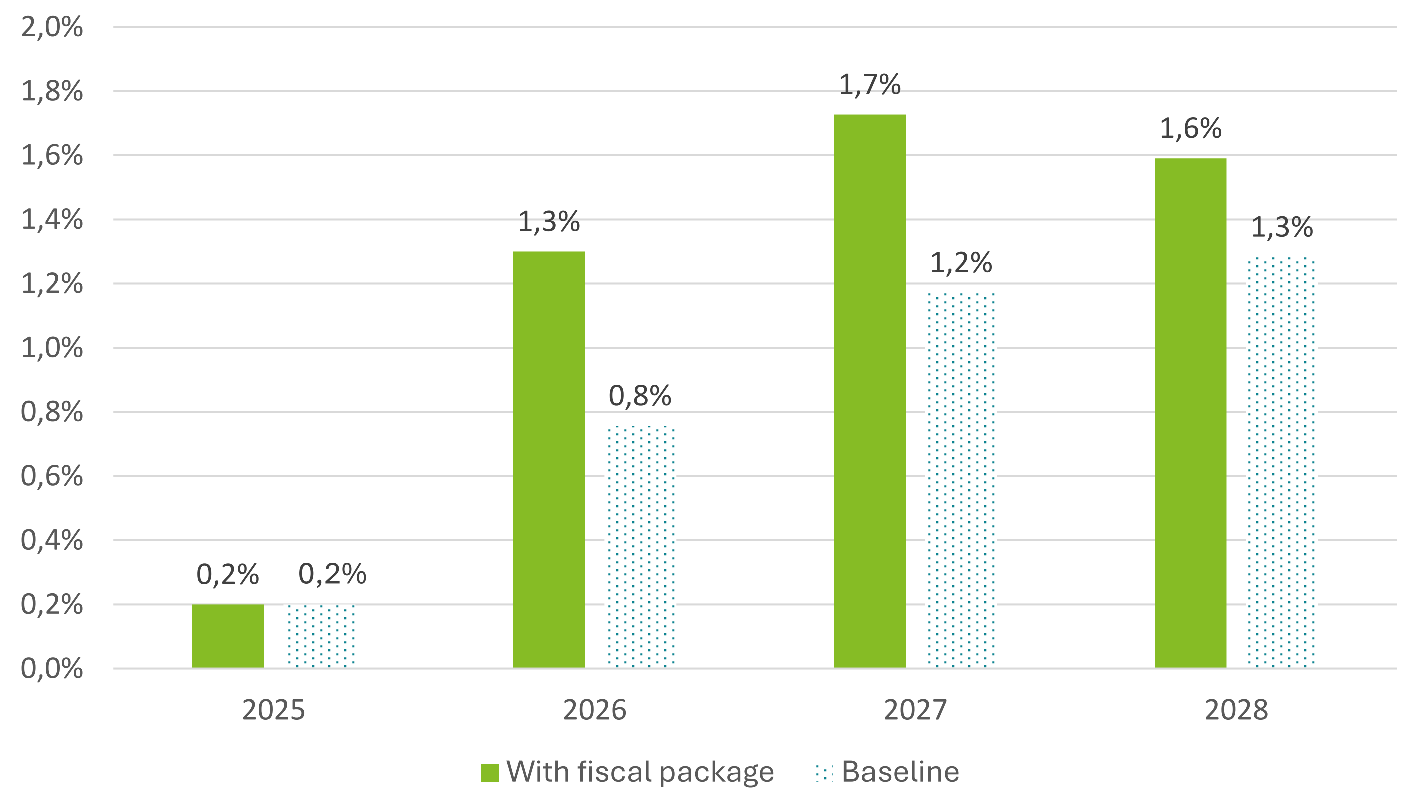


Figures represent policy targets: €2.3 trillion is NATO's projected annual defense spending by 2035 if 5% of GDP is achieved (Hague Summit pledge). The EU NATO 2035 target is €1.23 trillion annually, comprising 3.5% core defense and 1.5% resilience. €800 billion is the EU's indicative mobilization capacity under ReArm Europe/Readiness 2030 by 2030. Germany is covered by the Hague Summit's 5% of GDP defense and security spending pledge for 2035 (3.5% "core defense" + up to 1.5% for resilience/infrastructure), with a review in 2029. Separately, Berlin has already committed to reaching 3.5% of GDP for core defense by 2029, and is planning an annual defense budget of roughly €153 billion in 2029.

Economic Outlook | Growth forecast

The economy should return to growth next year, mainly driven by fiscal packages – long-term effects depend on how the money will be spent

Forecast GDP Growth Germany [%]



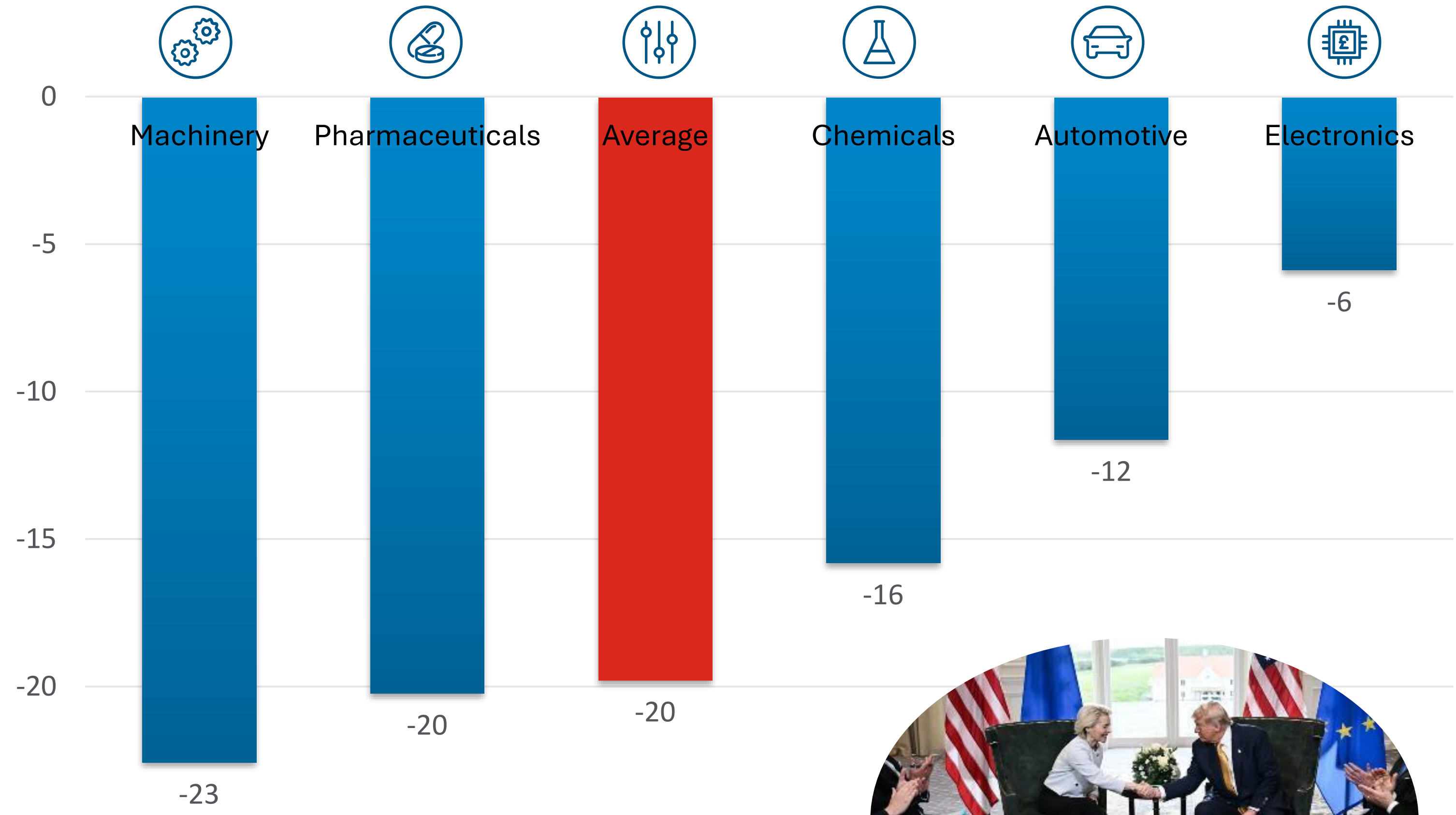
Source: Deloitte Research, Oxford Global Economic Model

Trade outlook | Impact of US tariffs on German sectors

Impact on German and European exports will be significant

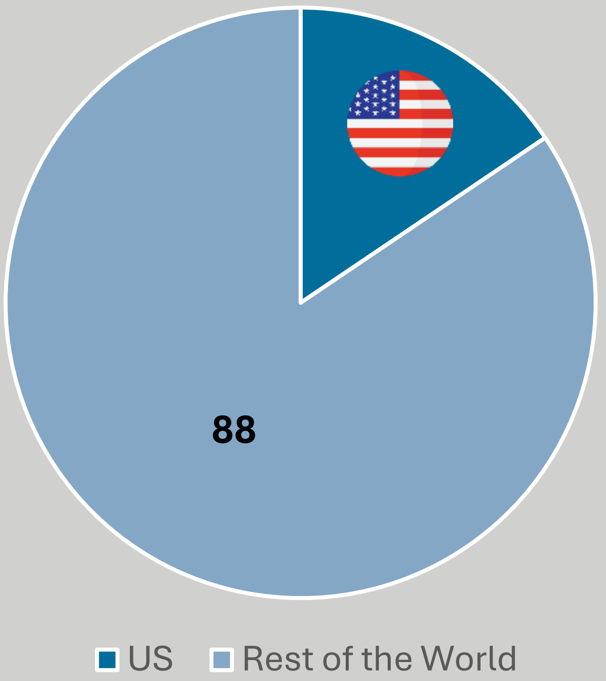
Outlook for German exports to the US under the new tariff regulations

Export change in % Medium term (2-3 years)



Source: Deloitte Trade Foresight (2025)

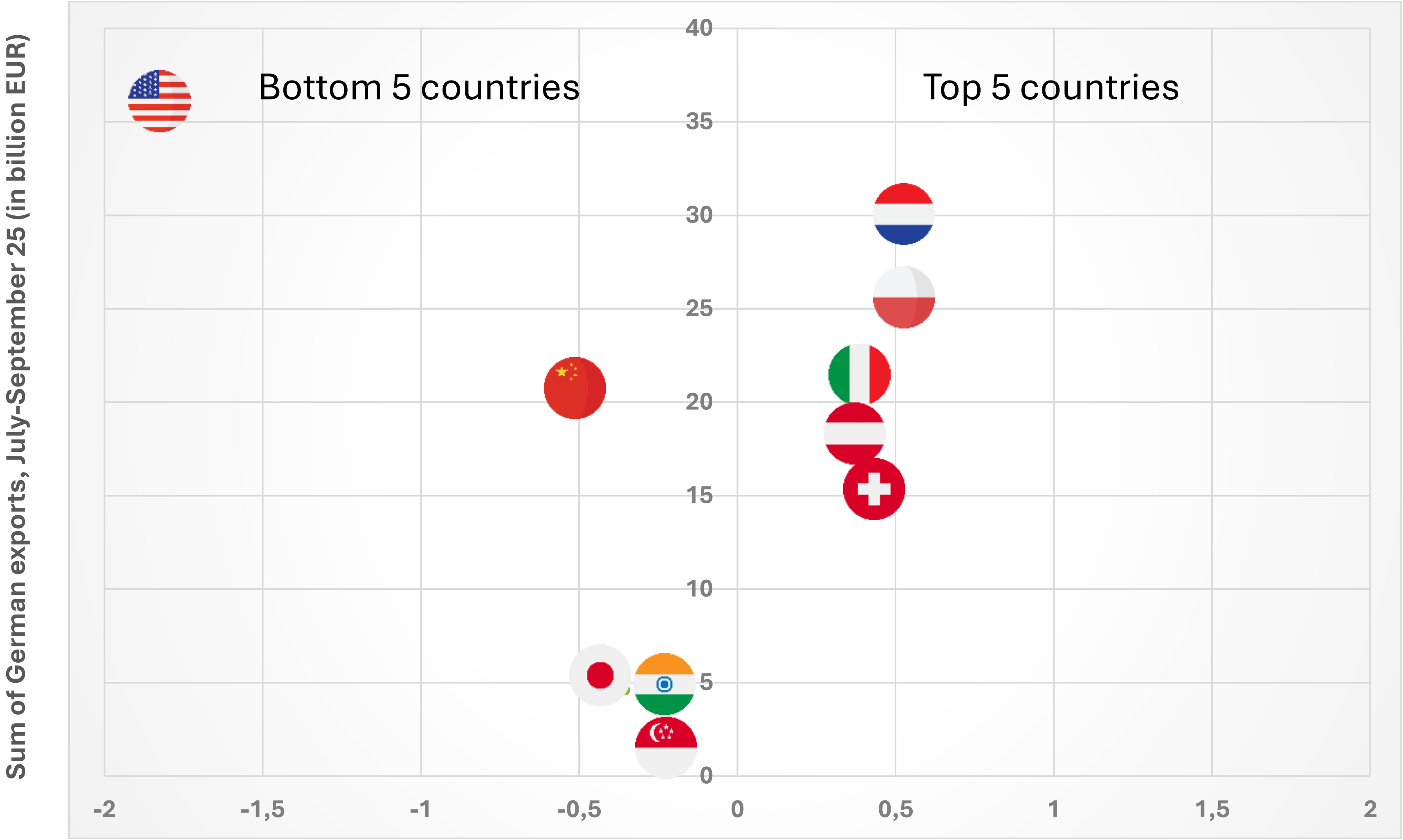
World merchandise imports



Source: WTO, World Bank (2025)

Trade outlook | German export structures are already shifting

Exports to European markets are growing in importance, while German shares in US and Chinese markets are declining



Source: Deloitte Trade Foresight (2025)

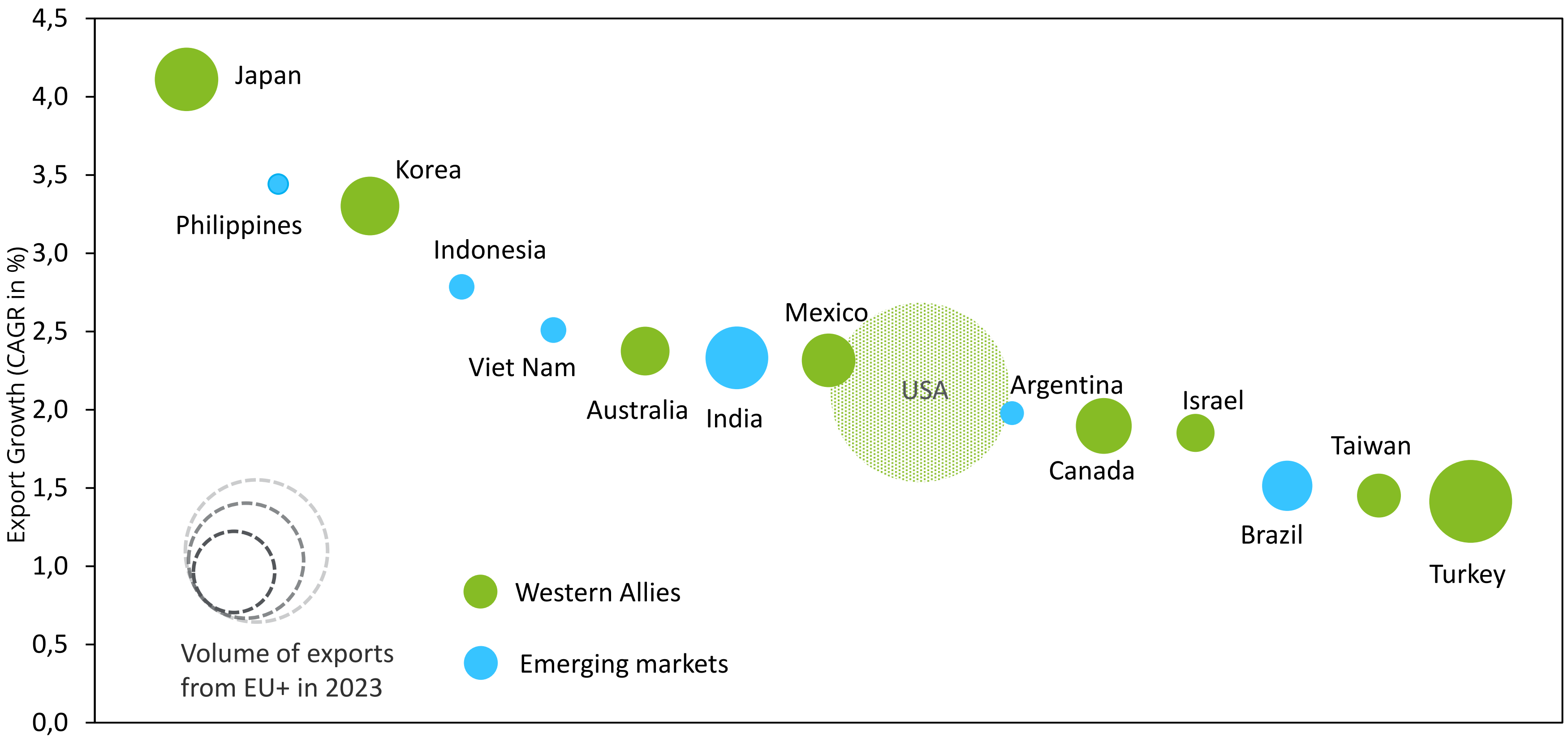
Change in the German export share

3-month average (July-September 25) vs. previous year's 3-month average

Trade outlook | Europe‘s trade corridors will change

Established as well as emerging Asian countries will become key export markets

Top 15 EU+ Export Destinations (2035, GDP >400 billion USD)



Source: Deloitte Trade Foresight (2025)

✅ Agreements in Force (2025)

- **EU–New Zealand**: May 1, 2024 (fully by 2025)
- **EU–Kenya**: July 1, 2024 (implemented 2025)
- **EU–Indonesia (CEPA)**: Agreement July 2025, signing late 2025
- **EU–Mercosur**: Signing proposal Sept. 3, 2025; ratification pending

🔄 Planned Agreements (2026)

- **EU–India**: Expected in 2026
- **EU–Australia**: Talks resumed, targeted for 2026
- **EU–Thailand/ASEAN**: Exploratory talks, earliest 2026

Outlook 26 | Key takeaways

Growth mainly through fiscal packages

Business investments remain sluggish

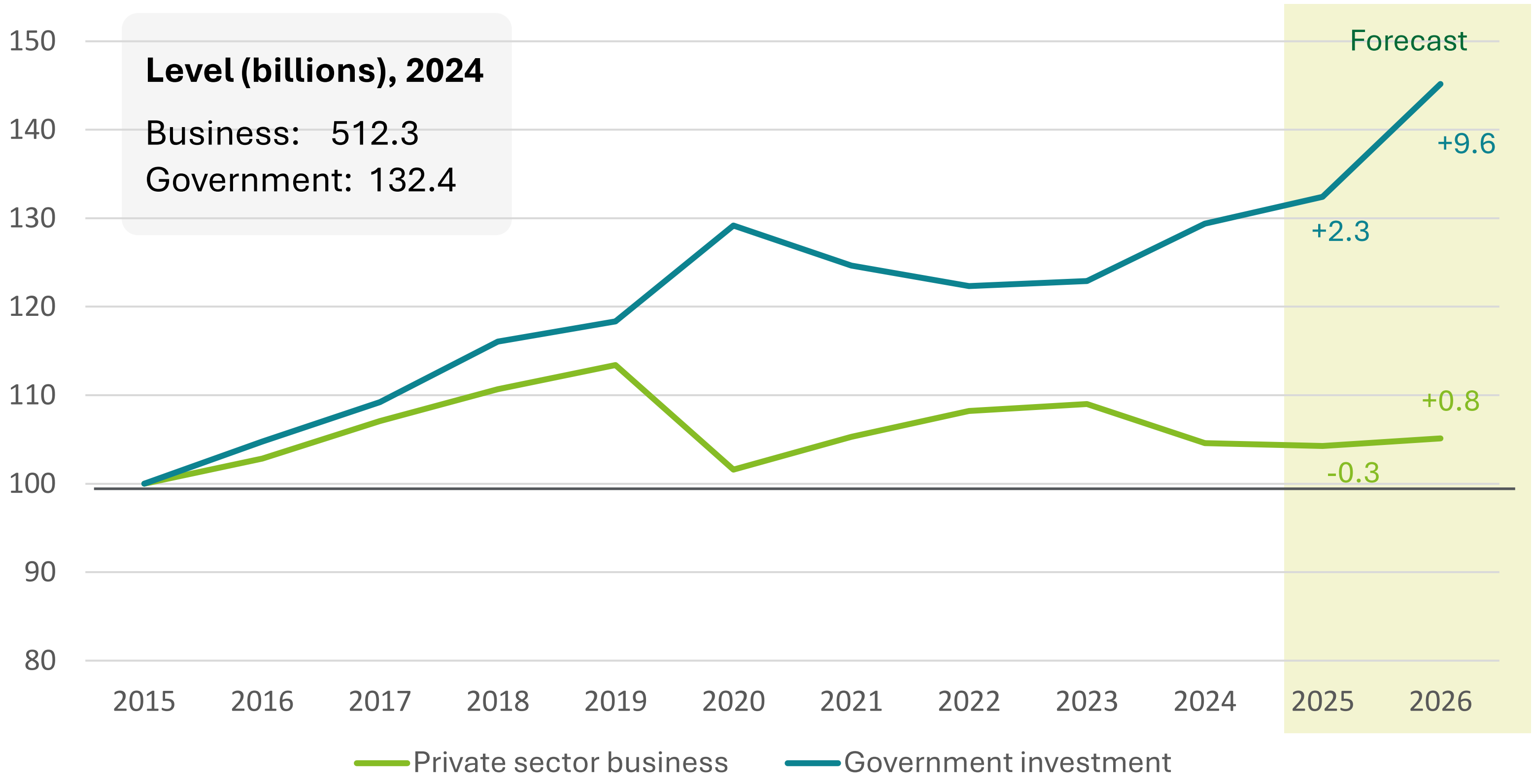
Exports under pressure and reorienting

Defense spending will change structure of the economy

Economic outlook | Investment

Public investment is expected to expand strongly due to fiscal packages

Investment [real, 2015 = 100]



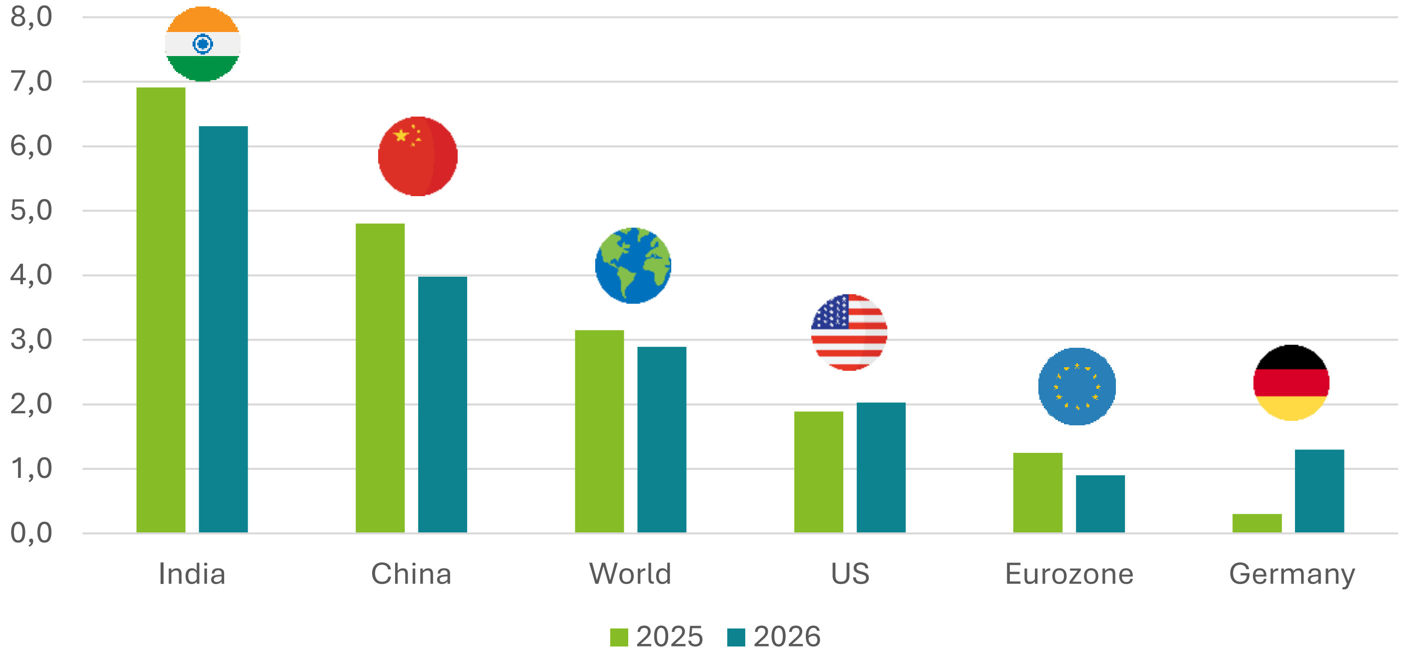
Source: Deloitte Research, Oxford Global Economic Model

- Infrastructure package and incremental defense spending will boost public investment
- Private investment is likely to start to recover owing to public incentives
- Yet, structural challenges still drag on willingness to invest
  - Simplification of bureaucratic requirements would be key incentive for three-quarters of companies to invest more (CFO survey)
  - Continuing cost pressures for German industry (energy, labor costs) and stronger competition from China

Economic outlook | Resilient growth without much dynamism

India has become the new growth engine of the world economy - moderate recovery in Germany

GDP growth for 2025 & 2026 (in %)



Source: Deloitte, Oxford Economics (2025)

Key economic drivers

- Tariffs and uncertainty caused strong fluctuations in economic activity in H1 2025
- Private consumption will be supported by tight labor markets and rising real incomes
- Higher government spending on infrastructure and defense
- Less restrictive financing conditions

Q&A

Hidden Movers

Fundraising campaign

Observe – Jane's Walks (Social Meets Culture e.V.)

Hidden Mover 2025 | Deloitte Foundation

About the project

Observe – Jane's Walks empowers girls and young women in socially disadvantaged neighborhoods and brings their perspectives to urban development. Participants explore their neighborhood, identify places that make them feel unsafe and places that make them feel comfortable, and reflect on their experiences. Using creative methods of urban research, they develop their own ideas for a livable environment. The highlight is a public neighborhood tour, during which they present their findings and visions to representatives from politics and administration. Observe combines empowerment, participation, and social integration and makes girls visible as experts in their own living environment. In the long term, Observe aims to have a nationwide impact and establish girls as active players in urban society.

The Deloitte Foundation has honored the project with the Hidden Movers Award in the **growth phase** category, which comes with a prize of €25,000, pro bono consulting from Deloitte, and coaching from the Social Entrepreneurship Academy.

Contact

Website: Social Meets Culture e.V.

If you are interested in the project, please contact Jessica Sandler (jsandler@deloitte.de).

Further information

You can find the video and a profile of the project on our website: Current winning projects - Hidden Movers Award

Thank you very much
for your attention.

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