

European Union: Sustainability regulation summer updates

The EU advances its efforts to simplify sustainability reporting regulation and announces a new package aimed at easing administrative burdens stemming from circular economy, industrial emissions and waste management rules

06 Aug 2025 • 6 minute read

Sustainability

EU Regulations

ESG Reporting

ESG

CSRD

EU Taxonomy

EU Green Deal

In brief

While corporate Europe enjoys its summer holidays, the EU Institutions and the European Financial Reporting Advisory Group (EFRAG) remain busy advancing efforts to simplify sustainability reporting and amend environmental laws. The month of July 2025 was unusually eventful, with several updates related to the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy as well as the introduction of a new package covering circular economy, industrial emissions and waste management rules.

Contents

1. Key updates – July 2025

- a. Revised Exposure Drafts of the European Sustainability Reporting Standards (ESRS)
- b. Recommendation on voluntary sustainability reporting standards for non-listed small and medium sized companies (VSME)
- c. "Quick fix" Delegated Regulation for Wave 1 CSRD reporters
- d. Updates to the EU Taxonomy Regulation and implementing acts
- e. Public consultation on the simplification of administrative burdens in environmental legislation

2. Next steps

Key updates – July 2025

Revised Exposure Drafts of the European Sustainability Reporting Standards (ESRS)

On 31 July 2025, EFRAG¹ published **Exposure Drafts** of the amended set of European Sustainability Reporting Standards ("**Draft Revised ESRS**"), and launched a **public consultation** seeking further feedback from stakeholders by 29 September 2025. The revision of the ESRS is one of the key simplification goals of the **Omnibus proposal**. EFRAG's efforts revolved around the following levers:

1. Simplification and streamlining of the Double Materiality Assessment (DMA).
2. Enhanced readability/conciseness of the sustainability statements and better integration with corporate reporting as a whole.

3. Modification of the relationship between minimum disclosure requirements (MDRs) and topical standards, resulting in a substantial reduction of datapoints (mainly in topical standards).
4. Improved understandability, clarity and accessibility of the ESRS.
5. Introduction of other suggested burden-reduction reliefs.
6. Enhanced interoperability with other disclosure standards.

EFRAG explained that the simplification levers above were a result of careful consideration of stakeholder feedback, but it also noted that some of the stakeholder suggestions would go beyond EFRAG's mandate, hence have not been addressed in the Exposure Draft.

Following the consultation, EFRAG must deliver the final technical advice on the revised ESRS to the EU Commission by 30 November 2025.

Recommendation on voluntary sustainability reporting standards for non-listed small and medium sized companies (VSME)

On 30 July 2025, the EU Commission adopted a **recommendation** for non-listed SMEs and micro-companies that wish to voluntarily report sustainability information to do so in accordance with voluntary sustainability reporting standards for small and medium-sized companies (VSME) developed by EFRAG. In parallel, the EU Commission called on companies subject to CSRD to limit any information requests to SMEs in their value chains to information set out in the VSME.

The VSME is aimed at enabling micro-, small- and medium-sized companies to report on sustainability issues in a simplified and consistent way and to respond to requests for sustainability information from financial institutions and large companies. The EU Commission notes that this recommendation is an intermediary solution to address market demands until the delegated act on a voluntary standard is formally adopted.

The VSME contains two modules, with the "Basic," or entry-level module comprised of 11 disclosures focused on key sustainability indicators that are most required by value chain partners (such as Scope 1 and 2 emissions and anti-corruption information), and the "Comprehensive" module consisting of nine additional disclosures often requested by banks, investors and value chain partners, such as Greenhouse Gas (GHG) reduction targets and transition plans, and short descriptions of ESG practices or future initiatives.

"Quick fix" Delegated Regulation for Wave 1 CSRD reporters

On 11 July 2025, the EU Commission adopted a **Delegated Regulation** and an **Annex** setting out targeted "quick fix" amendments to the ESRS (see the Commission's summary of modifications [here](#)). These amendments aim to ensure that large public interest companies that are already required to report under CSRD (Wave 1 Reporters) do not have to report additional information compared to financial year 2024.

The "quick fix" extends the phase-ins available to all Wave 1 reporters for another two years, i.e., for financial years 2025 and 2026. It also extends to all² Wave 1 Reporters phase-in reliefs allowing companies to omit the disclosures required by ESRS E4 (biodiversity and ecosystems), S2 (workers in the value chain), S3 (affected communities) and S4 (consumers and end-users), maintaining the requirement for summarized information to the extent topics are material.

The Delegated Regulation will now be subject to a scrutiny period with the European Parliament and Council of the EU (of two months, extendable once) before being published in the Official Journal of the EU. The "quick fix" amendment will then apply from financial year 2025 and allow Wave 1 Reporters to omit the specified information for financial years 2025 and 2026.

Updates to the EU Taxonomy Regulation and implementing acts

On 4 July 2025, the EU Commission adopted a **Delegated Regulation** amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts, with some of the changes going beyond those initially proposed when the **Omnibus proposal** was put forward. The envisaged revision of the criteria for technical screening across activities is still pending conclusion. The key amendments can be summarised as follows:

- i. **Consistent with the Omnibus proposal:** 10% de minimis financial materiality threshold; data point reductions (removal of 64%) and simplification of Do No Significant Harm (DNSH) criteria.
- ii. **Different/beyond the Omnibus proposal:** No obligation to report details on OpEx KPI if OpEx is not material.

The Delegated Act is now under scrutiny by the European Parliament and the Council for a four month period (prolongable by another 2-month period), and once the scrutiny period is over, the Delegated Regulation comes into force. The simplification measures in the Delegated Regulation will apply as of 1 January 2026 and will cover the 2025 financial year. However, businesses are given the option to postpone the application of the rules to the 2026 financial year if preferable.

Public consultation on the simplification of administrative burdens in environmental legislation

On 22 July 2025, the EU Commission launched a **public consultation** calling on stakeholders to provide feedback on an initiative aiming to reduce administrative burdens from environmental legislation in the areas of circular economy, industrial emissions and waste management.

This may include the following measures:

- Rationalizing reporting/notification obligations, e.g., the discontinuation of the SCIP (substances of concern in products) database under the Waste Framework Directive.
- Streamlining reporting obligations, removing double requirements to report, and promoting further digitalization of reporting.
- Harmonization of the provisions for authorized representatives for extended producer responsibility (EPR) in each Member State where a producer sells a product falling under EPR rules and on facilitation of EPR reporting.
- Addressing permitting challenges relating to environment assessments based on recently gained experience such as under the Net Zero Industry Act.

The public consultation runs until 10 September 2025.

Next steps

The coming months are likely to be busy for sustainability regulation as the EU delivers the proposals under the Omnibus package and pushes forward on its promise to cut red tape and boost competitiveness. Businesses should consider providing input into open consultations to help shaping the rules whilst continuing to work on their preparedness for compliance and reporting with CSRD and EU Taxonomy and other adjacent requirements, such as the Empowering Consumers for the Green Transition Directive (EmpCo).

Please reach out if you would like to discuss any of the updates above in detail.

¹ The European Financial Reporting Advisory Group, responsible for advising the EU on sustainability reporting standards.

² Not only those not exceeding on their balance sheet dates an average of 750 employees (originally provided in ERS 1, Annex C and ERS 2, 17).

Contact Information

Eva-Maria Ségur-Cabanac

Partner

Vienna

[Read my Bio](#)eva.segurcabanac@bakermckenzie.com**William-James Kettlewell**

Counsel

Brussels

[Read my Bio](#)william-james.kettlewell@bakermckenzie.com**Gabrielle Galdino-Glaeser**

Associate

London

[Read my Bio](#)gabrielle.galdino@bakermckenzie.com**Julia Digruher**

Associate

Vienna

[Read my Bio](#)julia.digruher@bakermckenzie.com

Copyright © 2025 Baker & McKenzie. All rights reserved. **Ownership:** This documentation and content (Content) is a proprietary resource owned exclusively by Baker McKenzie (meaning Baker & McKenzie International and its member firms). The Content is protected under international copyright conventions. Use of this Content does not of itself create a contractual relationship, nor any attorney/client relationship, between Baker McKenzie and any person. **Non-reliance and exclusion:** All Content is for informational purposes only and may not reflect the most current legal and regulatory developments. All summaries of the laws, regulations and practice are subject to change. The Content is not offered as legal or professional advice for any specific matter. It is not intended to be a substitute for reference to (and compliance with) the detailed provisions of applicable laws, rules, regulations or forms. Legal advice should always be sought before taking any action or refraining from taking any action based on any Content. Baker McKenzie and the editors and the contributing authors do not guarantee the accuracy of the Content and expressly disclaim any and all liability to any person in respect of the consequences of anything done or permitted to be done or omitted to be done wholly or partly in reliance upon the whole or any part of the Content. The Content may contain links to external websites and external websites may link to the Content. Baker McKenzie is not responsible for the content or operation of any such external sites and disclaims all liability, howsoever occurring, in respect of the content or operation of any such external websites. **Attorney Advertising:** This Content may qualify as "Attorney Advertising" requiring notice in some jurisdictions. To the extent that this Content may qualify as Attorney Advertising, PRIOR RESULTS DO NOT GUARANTEE A SIMILAR OUTCOME. **Reproduction:** Reproduction of reasonable portions of the Content is permitted provided that (i) such reproductions are made available free of charge and for non-commercial purposes, (ii) such reproductions are properly attributed to Baker McKenzie, (iii) the portion of the Content being reproduced is not altered or made available in a manner that modifies the Content or presents the Content being reproduced in a false light and (iv) notice is made to the disclaimers included on the Content. The permission to re-copy does not allow for incorporation of any substantial portion of the Content in any work or publication, whether in hard copy, electronic or any other form or for commercial purposes.