

Sustainable Finance in the EU: Regulatory Updates

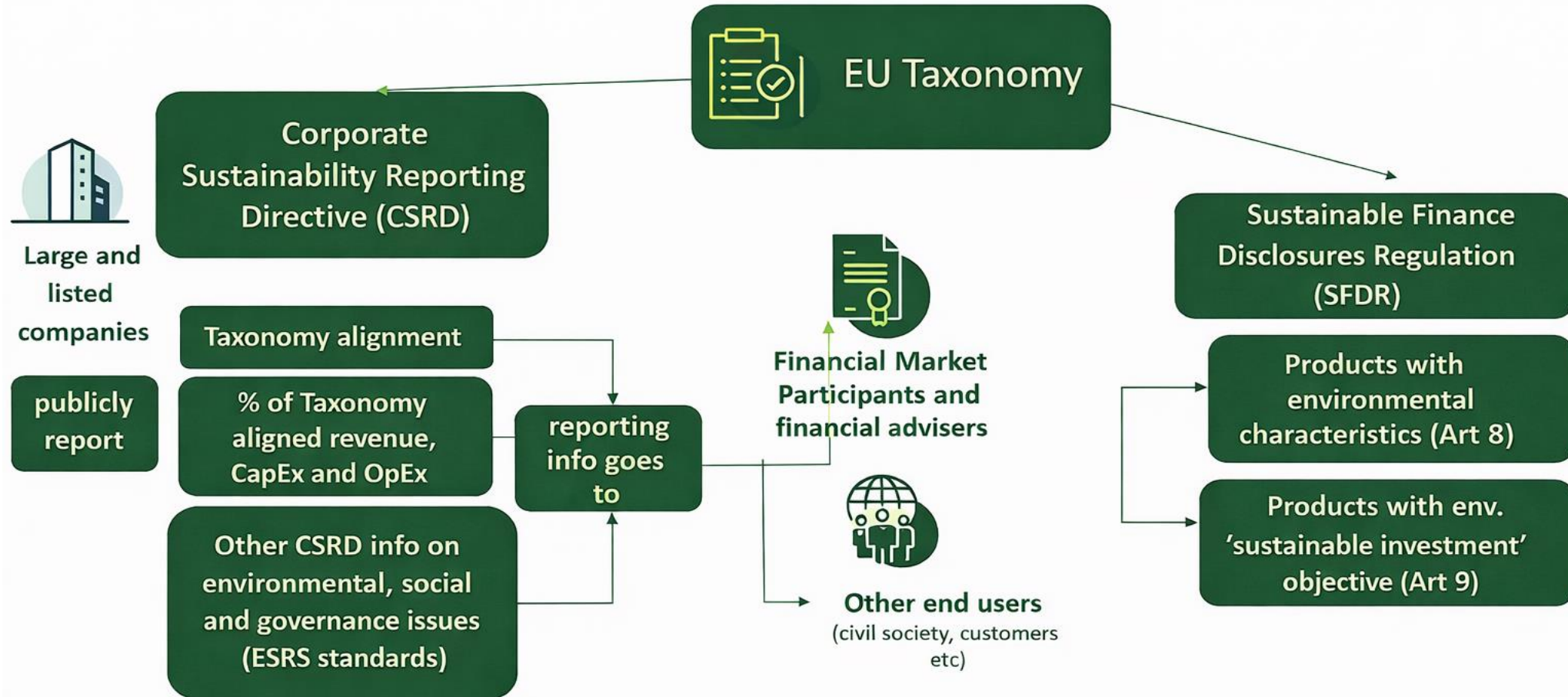
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EU Sustainable Finance Regulatory Framework



Corporate Sustainability Reporting Directive (CSRD) Simplification – Expected to be Published

Scope

Large undertakings with more than 1,000 employees and a net annual turnover exceeding €450 million euro

Protected Undertakings

Voluntary reporting standard

No Sector-Specific Standards

Simplified approach without industry-specific requirements

Wave 1 – Option for Exemption

Financial years 2025 and 2026



Status: Expected publication pending legislative process

ESRS Quick-Fix – Published in November 2025

The delegated act provides additional flexibility in the reporting of first-wave companies and ensures that they do not need to report additional information for the financial years 2025 and 2026 compared to what they had to report for the financial year 2024.



Summary of the modifications:

https://finance.ec.europa.eu/document/download/095eb35f-1d45-4d86-b878-0224c5f1c5e2_en?filename=250711-esrs-quick-fix-provisions-modifications_en.pdf

Published

November 2025

Taxonomy Delegated Acts – Published in January 2026

Taxonomy Disclosures Delegated Act

1 Opt-out for Non-Financial Undertakings

Not assessing taxonomy eligibility and alignment of economic activities not financially material (not exceeding 10% of KPI denominator). Entire OpEx KPI exclusion when OpEx not material.

2 Simplifications for Financial Firms

Exclude exposures to non-reporting entities, delay certain KPIs until 2028, delay detailed templates until end 2027 if no Taxonomy alignment claims.

3 Simplified Templates

New summary template for non-financial entities, removal of nuclear/gas specific templates, general reduction in data points.

Taxonomy Delegated Acts – Published in January 2026

Taxonomy Disclosures Delegated Act

Data Point Reduction

Simplification of reporting templates maintained, leading to reduction of data points by **64%** for non-financial companies and by **89%** for financial companies.

Option 1

Apply immediately for all retrospective reporting covering 2025 financial years

Option 2

Apply existing requirements for 2025, defer new requirements until reporting financial year ended 2026



Draft Commission Notice:

https://ec.europa.eu/finance/docs/law/251217-draft-commission-notice-faqs-omnibus-delegated-act_en.pdf

Taxonomy Climate and Environmental Delegated Acts: Amendments regarding generic DNSH criteria for pollution prevention and control

ESRS Simplification

Significant reduction in administrative burden while respecting the objectives of the Green Deal:



Reduce Mandatory Data Points

Substantially reduce the number of mandatory ESRS data points



Improve Consistency

Improve consistency with other pieces of EU legislation



Simplify Structure

Simplify structure and presentation of the standards



Clarify Provisions

Clarify provisions that are deemed unclear



Materiality Principle

Provide clearer instructions on how to apply materiality principle



Global Interoperability

Further enhance interoperability with global sustainability reporting standards

ESRS Simplification – Expected Timeline



Voluntary SME Standards - VSME

Commission Recommendation (EU) 2025/1710 which is based on the voluntary standard for SMEs (VSME) developed by EFRAG

CSRD omnibus: European Commission empowered to adopt a delegated act setting VSME

 Fully Voluntary

Not an opt-in regime

Why do we need VSME?

- ✓ Requests for information from financial undertakings, companies along the value chain, other stakeholders
- ✓ Companies not in CSRD scope that wish to disclose sustainability information

VSME - Key Features and Timeline for Adoption

★ Key Features

- Must be "based on" the VSME standard endorsed by Commission Recommendation
- Must be proportionate to the capacities and characteristics of the companies – **"Think small first"**
- Two modules: **"basic"** and **"comprehensive"**
- Conceptual coherence with ESRS

📅 Expected Timeline

- Apr-May** **Mid-April to Mid-May**
4-week consultation on final draft
- Q4** **Q4 2026**
Publication in Official Journal and entry into force



Thank You for Your Attention!

Hristina Pendicheva

CEE Perspective Sustainable Finance Month — February 2026

