Proskauer

A Leaner Regime for the EU Taxonomy Regulation

Regulatory & Compliance on **July 10, 2025**

On 4 July 2025, the European Commission adopted a regulation (the "**Delegated Regulation**") aimed at streamlining the European Union's Taxonomy Regulation (the "**Taxonomy Regulation**"). These reforms are intended to ease administrative burdens on EU companies and strengthen the EU's global competitiveness, while maintaining the integrity of its core climate and environmental objectives.

The Taxonomy Regulation, in force since 2020 and applicable to reporting requirements from 2022, provides a standardised framework for assessing the sustainability of economic activities for both financial and non-financial companies. Its aims are to create a common classification system for environmentally sustainable economic activities and:

- **guide investments** toward activities that significantly contribute to the EU's environmental objectives, such as climate change mitigation and adaptation;
- **support the European Green Deal** by helping the EU meet its climate and energy targets for 2030 and achieve climate neutrality by 2050;
- **provide clarity and transparency** for investors, companies and policymakers by defining what qualifies as "environmentally sustainable";
- **prevent greenwashing** by setting clear criteria and technical screening standards; and
- **promote consistency** across the EU financial system, reducing market fragmentation and enhancing comparability of sustainability-related disclosures.

However, there has been both technical and political criticism of the Taxonomy Regulation, including around its complexity and usability issues. As a result, the European Commission's Delegated Regulation is aimed to remedy some of these challenges, as follows.

Key simplification measures introduced include:

Materiality Thresholds Introduced

Financial and non-financial companies will be exempt from assessing taxonomy eligibility and alignment for economic activities deemed non-material. For non-financial companies, this applies where activities represent less than 10% of a company's total revenue, capital expenditure or operational expenditure.

By reducing this administrative burden, companies can focus on reporting and financing of their core business activities, including how this may contribute towards their transition efforts.

Streamlined Reporting Templates

The number of data points required in taxonomy reporting templates will be reduced by 64% for non-financial companies and 89% for financial companies.

Simplified KPIs for Financial Companies

Financial institutions will benefit from simplified key performance indicators (such as the Green Asset Ratio) and may opt out of detailed taxonomy KPI reporting for two years.

"Do No Significant Harm" Criteria

The criteria for "Do No Significant Harm" relating to pollution prevention and control related to the use and presence of chemicals are simplified in the new Delegated Regulation.

When does this apply?

The Delegated Regulation will now be submitted to the European Parliament and the Council of the EU for review. It is expected to enter into force 20 days following its publication in the Official Journal, and will apply from 1 January 2026 and will cover the 2025 financial year. However, undertakings may choose to apply the new measures early, starting with the 2026 financial year.

For further information, please reach out to ukreg@proskauer.com.

View original.

Related Professionals

- **John Verwey**
  Partner
- **Rachel E. Lowe**
  Partner
- **Michael Singh**
  Associate
- **Sulaiman I. Malik**
  Associate