



## NEWSLETTER – SUSTAINABILITY REPORTING – UPDATES FOR 2025

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In line with growing market and regulatory demands, sustainability and ESG (Environmental, Social, Governance) reporting are becoming an indispensable part of business in Croatia and across the European Union. Here is an overview of the latest directives, recommendations, and technical guidelines affecting sustainability reporting obligations, with a special focus on new standards for small and medium-sized enterprises (SMEs) and changes brought by the EU Omnibus package in 2025.

### Regulatory Updates from the European Union in 2025

The European Union continues to develop the legislative framework for sustainable business intensively, with a particular emphasis on ESG reporting. During 2025, several key documents have been adopted that have a direct impact on obligations and guidelines for entrepreneurs in the EU, including Croatia.

#### **The most important updates for 2025 include:**

1. **Directive (EU) 2025/794** – officially published on April 16, 2025, this directive postpones the beginning of sustainability reporting obligations for entrepreneurs in the second and third round of the CSRD application, giving businesses more time to adapt to new requirements.
2. **Commission Recommendation (EU) 2025/1710** – published on August 5, 2025, introduces a voluntary reporting standard for small and medium-sized enterprises (VSME). The aim is to facilitate access to sustainable reporting and encourage transparency, even for those not covered by mandatory reporting.
3. **CSRD Directive Amendments** – “Omnibus Package” – as part of the so-called “content proposals,” amendments to the CSRD have been proposed to simplify requirements, reduce administrative burden, and redefine the scope of subject entities. These changes are currently being negotiated between EU institutions and are expected to be finally adopted by the end of the year.

These updates mark further development of the ESG framework, aimed at greater clarity, accessibility, and proportionality of requirements, especially for small and medium-sized enterprises.

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### **Postponement of Reporting Requirement for Some Businesses**

Directive (EU) 2025/794, adopted in April 2025, postpones the beginning of sustainability reporting obligations for the second and third group of businesses, which includes:

- large businesses not covered by the first group of CSRD subject entities,
- small and medium-sized enterprises with securities listed on a regulated EU market.



**The postponement means that the first reporting period for them will begin no earlier than January 1, 2027, or January 1, 2028, depending on the group they belong to.**

This provides all affected businesses with a two-year transition period for additional preparation, capacity development, and better adaptation to new regulatory requirements.

However, this directive does not affect the first group of businesses required to report for the 2024 business year; there has been no postponement for them. All large businesses and parent companies of large groups that are public interest entities based on being issuers whose securities are listed on a regulated market in any member state, credit institutions, insurance or reinsurance companies, and which at the balance sheet date exceed the criterion of an average of 500 employees during the previous business year, are required to report on sustainability for the business year starting January 1, 2024, or after that date. These entities, according to the new Accounting Act (Official Gazette 85/24, hereinafter: the Act), are the first to begin reporting on sustainability under the new legislative framework based on the CSRD Directive.

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### **Recommendation for Small and Medium-Sized Enterprises – A Step Towards Simpler Reporting**

On July 30, 2025, the European Commission adopted a recommendation on voluntary sustainability reporting for small and medium-sized enterprises (SMEs). The aim of this recommendation is to help SMEs not covered by the Corporate Sustainability Reporting Directive (CSRD) to more easily respond to requests for sustainability information increasingly made by large companies and financial institutions—especially those legally required to conduct ESG reporting.

The new voluntary standard for SMEs (VSME) was developed by EFRAG, the European Financial Reporting Advisory Group. The aim of this standard is not introducing new requirements, but simplification — so that smaller businesses avoid excessive administrative requirements and can transparently communicate key ESG data. This enables SMEs to better access sustainable financing, strengthen resilience, and understand their own impacts in the area of sustainability — thus enhancing their market competitiveness. The recommendation also foresees that the future delegated act will serve as an “upper limit” for requesting ESG data in the value chain — thus aiming to prevent SMEs from being exposed to excessive demands from their business partners.

Although the final version of the delegated act is still awaited, this recommendation represents a transitional solution that sends a clear signal to the market — smaller businesses are given a tool for transparency without excessive administrative burden.

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## **Omnibus Package and CSRD Directive Amendments – Simplification and Adaptation**

During June and July 2025, the Council of the European Union adopted key amendments as part of the so-called “content proposals” which are part of the broader Omnibus package. The aim of these amendments is to reduce the administrative burden on businesses while maintaining transparency and the availability of quality, comparable data on sustainable business.

Key amendments include:

- narrowing the scope of reporting obligations — the new threshold covers only large companies with more than 1,000 employees and annual net revenues exceeding 450 million euros
- temporary exemptions — member states may allow postponement of obligations for companies with 500 to 1,000 employees, no later than December 31, 2026
- review clause — provides for the possibility of revising and expanding the scope of the directive in the future, according to market developments and user needs
- sectoral approach — the European Commission is tasked with preparing guidelines for the application of existing sectoral standards, given the temporary suspension of the obligation for sectoral ESRS standards

With these amendments, the EU Council aims to ensure a balance between regulatory efficiency and support for the competitiveness of European businesses, especially in the context of global challenges and the growing need for ESG transparency.

## **The Role of Croatia and Further Steps**

The Republic of Croatia will harmonize its legislation with the new directives by the end of 2025, including amendments to the Accounting Act and the Capital Market Act.

Sustainability reporting is becoming an indispensable part of doing business in the EU and Croatia. The new regulations and recommendations for 2025 bring both challenges and opportunities — from simplification to greater transparency and better preparedness for the green transition.

Our advice: Follow the changes, use available tools, and improve your business in line with the highest sustainability standards.

TPA Croatia can support you in several ESG segments, depending on your needs:

- ESG Strategy consulting
- Supply chain due diligence
- Sustainability reporting
- ESG GAP Analysis
- EU Taxonomy
- ESG report assurance



Please note that legislation is subject to frequent change. This newsletter is therefore necessarily based on our understanding and correct interpretation of the law and practice at the time of publication of this newsletter. This newsletter will not be updated for changes in legislation that occur after the issuance of this letter.