EUROCHAMBRES

POSITION ON THE OMNIBUS SIMPLIFICATION PACKAGE ON SUSTAINABILITY REQUIREMENTS

Omnibus Simplification Package on Sustainability Requirements

Eurochambres welcomes the European Commission's commitment to adapt the regulatory framework to the challenges businesses face daily, thereby reducing the burden linked to excessive reporting and unnecessary compliance costs. The 'legislate now and deal with the consequences later' approach is no longer a viable solution as it undermines the long-term competitiveness of the European Union.

While the omnibus simplification package on sustainability requirements is a positive step, the chamber network urges the European Commission to adopt a more comprehensive burden reduction plan to create a flexible regulatory environment for businesses.

1. Executive summary

Eurochambres is committed to sustainable and responsible business practices, but these goals – as reiterated by EU Commissioner Dombrovskis – must be achieved in a smarter, more practical, and less burdensome way to strengthen the competitiveness of our companies.

The omnibus simplification package presented in February addresses some of the issues raised by the business community concerning the need to simplify sustainability reporting rules. However, to ensure alignment with the objectives of deepening the single market and meaningful engagement with stakeholders, the European Commission should adopt a more systematic approach to the simplification agenda. Eurochambres therefore suggests a comprehensive burden reduction plan for the remainder of this mandate that includes coherent timelines for future simplification actions, well-defined approaches and objectives, and scoreboards to track progress at both the EU and national levels.

Unsurprisingly, one in three pieces of legislation identified by the chamber network in its 60 proposals to reduce the regulatory burden on businesses relate to Environmental, Social, and Governance (ESG) reporting. Eurochambres therefore stresses the need for further simplification and the elimination of unnecessary requirements and compliance costs in the European Green Deal, to ensure that its objectives are achieved efficiently.

Eurochambres welcomes the Commission's approach to postpone mandatory corporate sustainability reporting by two years for the second and third waves of companies under the Corporate Sustainability Reporting Directive (CSRD) as well as the one-year postponement for the Corporate Sustainability Due Diligence Directive (CSDDD). The same positive approach was taken by the Council and the European Parliament with broad approval for the 'stop-the-clock' proposal.

Clear timelines and predictable frameworks are essential for business planning of investments, especially when it comes to implementing ESG strategies. However, to truly

provide businesses with regulatory breathing space, this postponement must be complemented by a reduction in the sheer number of data points that companies have to report on and the further alignment of the CSRD and CSDDD scope.

Corresponding adjustments to other relevant regulation governing due diligence and sustainability, in particular the EU Deforestation Regulation and Forced Labor Regulation, should be considered in order to ensure alignment. Coherence between regulation and their objectives must be ensured through clearly defined interconnections, consistent implementation methods, and practical coordination – to avoid overlaps or inconsistencies. These considerations should also play a central role in the forthcoming revision of the European Sustainability Reporting Standards (ESRS).

The chamber network positively notes that concerns raised over time, especially on the negative impact on smaller businesses and midcaps, were acknowledged and addressed with the proposed amendments to the CSRD and the CSDDD.

Specific aspects that are welcomed by Eurochambres are:

- The limitation of the CSRD mandatory scope;
- The information requirements that user companies may impose on SMEs limited to the Voluntary SME standards (VSME), addressing the trickle-down effect on smaller businesses;
- The limitation of the due diligence obligations to direct business partners (Tier 1), where companies have direct oversight and the ability to influence;
- The simplification of reporting standards (e.g., planned delegated act to simplify the ESRS standards and simplified taxonomy reporting templates);
- The simplification of the Carbon Border Adjustment Mechanism (CBAM).

2. Eurochambres' messages on the Corporate Sustainability Reporting Directive (CSRD) amendments

Eurochambres welcomes the reduction in scope by increasing the threshold of employees from 250 to more than 1,000 employees and either a turnover above EUR 50 million or a balance sheet total above EUR 25 million. Such a provision allows obligations to be focused on larger companies and provides relief to smaller ones that were previously disproportionately affected.

- In addition, Eurochambres views positively that companies falling outside the scope of the CSRD (those with up to 1,000 employees) can opt for voluntary reporting based on a simplified voluntary standard. This standard is to be adopted by the Commission and will be based on the Voluntary SME standards (VSME) developed by the European Financial Reporting Advisory Group (EFRAG). Such an approach is key to incentivising rather than forcing companies to report.

- To ensure clarity and more legal certainty for businesses, the chamber network encourages further alignment of the CSRD thresholds with those of the CSDDD, particularly concerning the turnover/balance sheet total limits (> EUR 450 million in global annual turnover).

- Furthermore, Eurochambres suggests applying the general provision from Article 3(10) of Directive 2013/34/EU to the threshold of 1,000 employees, namely that the threshold must be exceeded on the balance sheet date in two consecutive years for the legal consequences to take effect.

- Despite improvements proposed by the Commission, companies with 501 to 1,000 employees remain subject to considerable legal uncertainty. This group of companies is still required to report for the 2025 fiscal year, and possibly also for 2026, until the restriction of the scope to companies with more than 1,000 employees becomes fully applicable by law, highlighting the urgent need for swift adoption of the legislative package.

Eurochambres welcomes the mitigation of the trickle-down effect by introducing a value chain cap through the VSME standards. Embedding it in the Directive text will support market acceptance of the standards and ensure that SMEs are not overwhelmed by a multitude of different questionnaires from their supply chain.

- Eurochambres fully supports actions to limit the trickle-down effect of sustainability reporting requirements from large companies on smaller companies in the upstream value chains. For companies with up to 1,000 employees that no longer fall within the scope of the CSRD, Eurochambres has long advocated for the adoption of a voluntary reporting standard through a delegated act based on the VSME standard developed by EFRAG. The recommendation was also put forward by the Platform on Sustainable Finance (PSF) on several occasions[1].

- In the context of the VSME standard, **Eurochambres strongly opposes any potential steps toward a layered system** that would impose different VSME requirements based on the company size within this group, as such an approach would only increase complexity for smaller businesses.

- Eurochambres is also concerned by the provision that the so-called information cap shall not apply to '*additional sustainability information that is commonly shared between undertakings in the sector concerned*'. This contradicts the goal of establishing the VSME as a standardized sustainability reporting tool for non-obligated companies. Therefore, it must be ensured that reporting entities do not request information from their value chain beyond what is covered by the VSME.

- According to the proposal, the Commission would adopt the voluntary standard as a delegated act. In the meantime, to meet market demand, Eurochambres invites the Commission to promptly issue a Recommendation on voluntary sustainability reporting, based on the VSME standard developed by EFRAG.

- Despite the VSME representing the upper limit for SME reporting obligations, **the requirements must be further simplified and reduced**. Only data that can be easily provided without extensive research or the need for external consulting should be required from non-obligated companies, which are primarily SMEs. For example,

[1] SME experiences with finance and sustainable investment survey, Response of the Platform on Sustainable Finance to the EFRAG's public consultation on draft ESRS for LSME and VSME, and Platform on Sustainable Finance report: Streamlining sustainable finance for SMEs.

calculating a company's own carbon footprint remains a significant challenge for smaller businesses. Furthermore, Eurochambres recommends that the Commission provides a standardised, comprehensive, and reliable free-of-charge database on climate and environmental data and intuitive digital tools for emissions calculation, along with user-friendly manuals and guides tailored to SMEs. Lastly, while the VSME applies the "*if applicable*" principle it is essential to ensure that supply chain expectations do not create pressure on SMEs to report on all aspects, effectively undermining the intended flexibility.

- In this context, Eurochambres also recommends the formal use of the "Once-Only" Principle in sustainability reporting. According to this principle, companies – especially SMEs – should not be required to provide the same sustainability information multiple times to different entities such as value chain partners, financial institutions, or public authorities. Strengthening inter-administrative coordination and expanding the digitalisation of reporting systems are key measures to support implementation and reduce administrative burdens, especially for SMEs.

Eurochambres agrees with the explicit removal of the requirement for reasonable assurance in the CSRD Directive amendments, preventing the further deepening of assessments and changes, including modifications in accounting and transaction tracking.

- Likewise, the introduction of **targeted assurance** is a step in the right direction, but it is unclear what exactly it will encompass. Currently, many inputs depend on expertise and self-assessment, leading to different interpretations and discussions about the correct approach and auditing methods. Moreover, **limited assurance** is formally intended to be the standard, however, in practice, auditors often require supporting documents as if under **reasonable assurance**, which is extremely burdensome for companies. Consequently, Eurochambres advocates for clear and standardised audit rules to reduce complexity and ensure consistency.

- Eurochambres also highlights the importance of considering the impact of audit obligations on non-reporting companies. It must be ensured that information provided by such companies to reporting entities does not become indirectly subject to audit requirements.

Eurochambres supports the reduction in the data points and the clarification of provisions considered unclear. This is underscored by the considerable difficulties companies have already encountered in the practical application of ESRS Set 1. Continued involvement of SME stakeholders in the simplification of data points is strongly encouraged.

- **Simplification efforts must go beyond removing voluntary or transitional measures.** This should include reviewing potential overlaps between financial and non-financial reporting, while also ensuring that businesses are able to make direct linkages between data in the sustainability report and the financial statements. In this way, users can distinguish between declarative statements and actual sustainable business practices.

- **The symmetrical reduction of banks' reporting obligations is necessary**. Eurochambres supports the decision to make Article 8 of the EU Taxonomy for sustainable reporting optional for companies outside the newly defined Taxonomy

scope. However, the complete removal of the requirement to report the Green Asset Ratio (GAR) would be the preferred option. In addition, Eurochambres suggests that the threshold of EUR 450 million in net turnover should be subject to the provision laid out in Article 3(10) of Directive 2013/34/EU, which states that the threshold must be exceeded on the balance sheet date in two consecutive years for the legal consequences to apply.

- **A revision of European Banking Authority (EBA) recommendations and a reassessment of European Central Bank (ECB) policy in the ESG area**, including supervisory expectations, is necessary. If banks remain subject to these obligations, they will continue to require corresponding data from companies, undermining the effectiveness of the planned measures. In addition, Eurochambres sees the risk of misuse of sensitive data, with ESG reporting serving as a tool for obtaining strategic information about small businesses, weakening their position.

- **Addressing the extraterritorial aspect of reporting.** Corporate groups must be able to consolidate information for reporting purposes to avoid excessive burdens and duplication. The Commission should maintain the possibility of group reporting, extending artificial consolidation provisions at the EU level beyond 2028.

Eurochambres calls for:

- **Harmonisation of sustainability rules across member states**. Different sustainability and ESG regulations across member states increase bureaucratic burdens and disadvantage businesses.

- **Alignment of ESG legislation with other EU policies**. ESG reporting requirements are often misaligned with other EU legislation, notably the Common Agricultural Policy, complicating compliance for farmers and food companies.

- **More practical rules for double materiality assessment**. The complexity of the current ESG framework forces many companies to rely on costly consulting services. In this context, Eurochambres supports a more flexible and proportionate approach to double materiality assessments, allowing companies a degree of discretion in how they determine material topics. While the VSME standard applies the “if applicable” principle instead of requiring a full Double Materiality Assessment (DMA), smaller companies may still feel pressured, particularly through supply chain expectations, to report on topics beyond their capacity. As a result, they risk exclusion from value chains or limited access to financing if ESG expectations are not met.

- **Further simplification of language and integration of explanatory texts and practical examples**. Eurochambres strongly recommends embedding explanatory content and practical examples directly into the standards. This would facilitate the understanding and application of the standards and avoid the need to constantly consult additional documents.

- **Provision of sample questionnaires**: Fully developed sample questionnaires

and model standards that can serve as templates for SMEs should be made available. These examples would provide the necessary practical guidance and could help reduce uncertainty in dealing with the requirements of the standards.

- **A user-friendly and digital-first approach**. The EU should improve the searchability and cross-referencing of regulatory texts to ensure better accessibility. A digital-first design would be particularly valuable for SMEs and first-time reporters and would contribute to a more consistent and effective application of sustainability standards.

- **Educational support in all EU languages**. The Commission, together with EFRAG, should ensure the development and dissemination of explanatory and training materials on the ESRS in all official EU languages, to ensure inclusive access across the single market.

- **Reduce the financial burden for small businesses**. The compliance costs associated with ESG reporting, such as those for training, technology, and consulting, can be financially crippling for smaller enterprises.

Specific comments on the CSRD amendments

Article 2 (Amendments to Directive 2013/34/EU) Point 1 Changes to Article 1, paragraph 3:

- The wording of the introductory text of paragraph 3 has led to practical problems. Eurochambres therefore suggests sharpening the wording of the introductory text of paragraph 3 by deleting the word "also" ("*The coordination measures ... of this Directive shall also apply to...*").

- The proposal for optional taxonomy reporting (Articles 19b and 29aa) requires some clarification, as it is not clear exactly what is meant when a company claims to have environmentally sustainable activities within the meaning of the taxonomy. It is also unclear whether this option (especially the option of "*partially alignment*") exists for financial companies, since only paragraph 2 of Article 19b and Article 29aa refer generally to companies, and the remaining paragraphs address only non-financial companies.

- Furthermore, the new Article 19b, paragraph 1, states "*shall apply the paragraphs 2, 3 and 4 of this Directive,*" which presumably refers to paragraphs 2, 3 and 4 of this Article and not to this Directive.

- Regarding the definition of "*own business*", the CSRD should clearly define the scope of the reporting requirement. It should be limited to the company's main business activities. Any additional reporting should be voluntary.

3. Eurochambres' messages on the Corporate Sustainability Due Diligence Directive (CSDDD) amendments

Eurochambres welcomes **the prioritisation of due diligence obligations on direct business partners (Tier 1) and the more limited scope of obligations concerning indirect business partners.** However, it is essential that this approach remains firmly grounded in the **risk-based methodology** provided in Article 9 to ensure proportionality, and practicality, and minimise trickle-down effects. Importantly, the legal text must clearly reflect that a stronger focus on Tier 1 does not at all imply the need for individual questionnaires or checks on every entity, but requires a risk-based approach.

- Regardless of its scope of application, the CSDDD has significant effects on all companies, especially SMEs. It is therefore certainly welcomed that due diligence obligations are now proposed to be limited to direct suppliers and only need to be audited in the indirect supply chain if there is demonstrable knowledge. However, it remains to be seen whether this will have a significant impact in practice or whether companies, when auditing their direct business partners, will require them to audit their business partners, thus creating a chain.

Eurochambres agrees with limiting the mandatory sharing of information that can be requested from SMEs and small midcaps as part of the value chain mapping process.

The proposal reduces the complexity of EU requirements by limiting certain legal requirements to the largest companies, where they are likely to have a greater impact on the climate and the environment, while also enabling companies to access sustainable financing for the transition to clean energy.

- In this context, however, it is worth questioning what concrete measures are being taken to **avoid the trickle-down effect in practice** and to minimise the indirect burden on companies that are not subject to the obligations. Clarifications in this area would be welcomed. It is also unclear whether a sanction mechanism will be introduced if a large company nevertheless demands an SME to disclose information.

- Furthermore, companies should retain the ability to require their suppliers to uphold comparable ethical, environmental, or governance standards. This could be addressed through contractual agreements or a mutually agreed-upon code of conduct between parties. This is essential to preserve corporate autonomy and the right to shape their value chains.

Another positive adjustment is the reduction in the **required frequency of regular assessments of adequacy and effectiveness of measures** from **one year to five years**. This will enable in-scope companies to better prepare for the respective assessments and controls, especially in the long term. Ad hoc updates are necessary at any time anyway, which is why the mandatory annual evaluation was excessive.

Regarding Article 29, Eurochambres supports the deletion of all EU-wide conditions for civil liability, leaving it to the discretion of member states and allowing businesses to deal with more familiar national legal provisions.

Eurochambres also welcomes the development of guidelines by the Commission and the **decision to relax the rules regarding fines**, as "*advising instead of penalising*" should be the guiding principle. Any sanctions imposed must remain the responsibility of the offending party and must not be passed on or reclaimed by other market operators within the supply chain. **Contractual clauses allowing such recourse must be unequivocally invalidated from the outset**. Conversely, provisions must be introduced according to which such contractual clauses must be deemed inadmissible under the respective national law.

Regarding Article 10(6) on the prevention of potential adverse impact and Article 11(7) on bringing actual adverse impacts to an end, **it should be left entirely to the companies to determine, when drafting contracts, under which circumstances business relationships should be extended, suspended, or terminated**. The removal of the requirement to completely terminate a business relationship as a last resort is positive. Banks, for example, are subject to countless specific regulations with which this requirement would have been difficult to reconcile.

Eurochambres calls for:

- **Due diligence obligations not to apply to intra-EU supply chains**. Combined with the limitation of due diligence to direct business partners, this could result in European companies auditing each other, whereas companies placed in non-European risk areas that are at the beginning of a supply chain are not audited. This is not in line with the intended increase in European competitiveness.

- A **whitelist of non-EU countries or regions** that offer a similar level of protection as in Europe, simplifying EU companies' risk assessment and mapping vis-à-vis global supply chains.

- The reconsideration of applying the CSDDD to a wide range of financial services, given the sector's robust sustainability oversight and the mismatch between its specificities and the directive's primary-sector focus.

- **The deletion of Article 4(2) and Recital 31 allowing member states to introduce, in their national law, provisions to achieve a different level of protection**. Eurochambres expressly welcomes the expansion of the full harmonisation to additional areas however a genuine maximum harmonisation clause is needed to avoid further fragmentation of the single market with 27 different regimes.

- Additional clarifications regarding the circumstances in which the conditions of the new CSDDD's Article 8(2a) are met, requiring a company to conduct a thorough assessment in relation to an indirect business partner (i.e., in cases where there is "credible information" about likely or actual adverse impacts).

- More consistency in definitions and expressions. The persistent uncertainty regarding the interpretation of key concepts in the CSDDD directive, could significantly affect its implementation. The definition of "**chain of activities**" remains inconsistent across different legislative frameworks (referred to value

chain in some cases) and expressions such as “**plausible information**” are too vague and subject to interpretation so they should be clarified. A solution could be the **issuance of interpretative guidance clarifying key CSDDD terms**, such as "business partner", including "indirect business partner", which is defined as an entity that "carries out business operations related to the company’s operations, products, or services”.

- The further revision of the annex. The international conventions listed in the annex refer to a multitude of obligations and prohibitions, some of which are addressed to states and therefore cannot be directly applied to companies. Any environmental obligations must be clearly defined to prevent exposing companies to unpredictable and hard-to-assess risks.

- A provision prohibiting the passing of civil compensation paid to contractual partners in the supply chain who are not themselves responsible for the violation. A ban on recourse is also required here. Imposed sanctions must not be reclaimed from SMEs in the supply chain. Such contractual clauses must be stopped immediately.

4. Eurochambres’ messages on the Taxonomy Regulation amendments

Eurochambres welcomes limiting the scope of the EU Taxonomy only to companies with more than 1,000 employees and a net turnover exceeding EUR 450 million.

- Similarly, Eurochambres supports the proposed **voluntary taxonomy reporting option for companies outside the scope**. It allows companies that meet only certain requirements of the EU Taxonomy to report on additional measures demonstrating progress toward taxonomy alignment in their economic activities.

- **The exclusion of companies outside the future scope of the CSRD from the denominator of the Green Asset Ratio (GAR)** is also supported. However, concerns remain on how adequately the GAR reflects the sustainability profile of banks.

Eurochambres also agrees with the introduction of materiality thresholds. Exempting companies from assessing economic activities that are not financially material to their business provides flexibility and simplifies reporting. The ability not to assess cumulative activities below the **10% materiality threshold for KPIs** is therefore supported. Similarly, the 25% revenue threshold as a materiality limit for the OPEX KPI represents a positive step.

The modification of the template tables in reporting statements to reduce the required data points is a positive adjustment. In this context, the **revision and simplification clause for the Do No Significant Harm (DNSH) criteria** in delegated acts is welcomed, as these criteria have introduced unnecessary complexity and uncertainty for businesses.

Eurochambres calls for:

- **Revision of Annex C**. While the amendment to Annex C (chemical substances) appropriately covers one specific aspect, it is also necessary to revise paragraph (f) in this annex, as it is partially problematic and inconsistent with the standard REACH regulation process.

- **Clarification and Legal Consistency.** Although Eurochambres generally support the adjustments to the Taxonomy Regulation, we call for further clarifications, for example, in the derivation of the materiality threshold. We also request that consistency is ensured in the legislation, within the Taxonomy Regulation as well as in connection with other legal acts such as the CSRD.

- **Implementation of the recommendations by the EU Platform on Sustainable Finance.** Eurochambres invites the Commission to implement the recommendations of the platform, particularly the introduction of a voluntary Sustainable Finance Standard for SMEs, enabling them to demonstrate their sustainability efforts and qualify for access to sustainable finance. In this context, a close link with practical VSME must be ensured to keep the bureaucratic burden as low as possible and to encourage SMEs to use the standard.

5. Eurochambres' messages on the Carbon Border Adjustment Mechanism (CBAM) amendments

Eurochambres agrees with the exemption for small importers with an annual threshold of 50 tons. This exemption significantly reduces the administrative burden for more than 90% of importers while still covering over 99% of emissions. However, several key aspects remain critical for implementation:

Ensuring Legal Certainty Quickly:

- It is essential that the exemption threshold is confirmed swiftly to provide clarity for businesses. If uncertainty persists into the coming months, many of the 180,000 importers who would be exempt may still feel compelled to register preemptively, leading to unnecessary bureaucratic strain.

- The CBAM registration process remains complex and untested, with a processing time of up to 120 days. This further underscores the need for quick legal clarity. Having to register by the end of August to import in January will not work.

Providing an Alternative to Mandatory Registration in the CBAM portal:

- Eurochambres highlights that the obligation to register as an "*Authorized CBAM Declarant*" and participate in emissions trading poses significant challenges. A viable alternative would be to integrate CBAM calculations and payments directly into the customs declaration process.

- This approach would streamline compliance, allowing businesses to either opt for registration or use an automated mechanism within the existing customs system to determine and pay CBAM charges.

- Such a system would not only reduce administrative complexity but also ensure that businesses that do not meet the strict registration criteria are still able to import CBAM goods, preventing unnecessary trade disruptions.

Issues with the Implementation Regulation:
With the entry into force of **Implementing Regulation 2025/486**, which defines the approval process for CBAM declarants, several challenges have become apparent:

- **Requirement to apply before the first import**: companies must wait for approval before they can import, which could lead to significant delays.

- **No provisional authorisation**: unlike other customs procedures, there is no interim approval allowing imports during the application process.

- **No transitional arrangements**: the absence of a phased introduction creates uncertainty and risks supply chain disruptions.

- **No reference to facilitation for Authorized Economic Operators (AEOs)**: companies with AEO status, who already meet strict compliance standards, receive no procedural advantages.

Eurochambres – the association of European chambers of commerce and industry – represents more than 20 million businesses through its members and a network of 1700 regional and local chambers across Europe. Eurochambres is the leading voice for the broad business community at EU level, building on chambers' strong connections with the grass roots economy and their hands-on support to entrepreneurs. Chambers' member businesses – over 93% of which are SMEs – employ over 120 million people.

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