014434/EU XXVIII.GP
Eingelangt am 13/03/25

Council of the European Union

Brussels, 13 March 2025
(OR. en)

6897/1/25
REV 1

IA 18
BETREG 11
INTER-REP 34

NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Business perception of EU better regulation and simplification policy (agenda point 4.) - Presentation by European Round Table for Industry (ERT)

Delegations will find attached a presentation from European Round Table for Industry (ERT) on “Charting a path to simpler sustainability reporting”, with a view to the discussion by the Working Party on Competitiveness and Growth (Better Regulation) at its meeting on 13 March 2025.

This document contains a presentation by an external stakeholder and the views expressed therein are solely those of the third party it originates from. This document cannot be regarded as stating an official position of the Council. It does not reflect the views of the Council or of its members.

www.parlament.gv.at

ANNEX

www.parlament.gv.at

The increased regulatory burden on businesses has been a persistent concern

ERT

The high regulatory burden on European companies has two immediate effects:

1) **It gives them a competitive disadvantage vis-à-vis peers not subject to the new requirements.** The current stream of new and complex Directives and Regulations and the costs and burden coming with it also add to the deteriorating investment climate in Europe.

2) **Diverging interpretations of new legal requirements considerably reduce the comparability of disclosed information, meaning the value for investors is limited.** Instead of focusing on tangible projects and actions to increase sustainability, preparers need to shift increasing resources to compliance with the rules, undermining the legislation's main purpose: to drive progress towards the green transition.

CEO Confidence survey for Europe by ERT

85% Simpler and more innovation-friendly regulatory environment

63% Greater economies of scale in a less fragmented EU Single Market

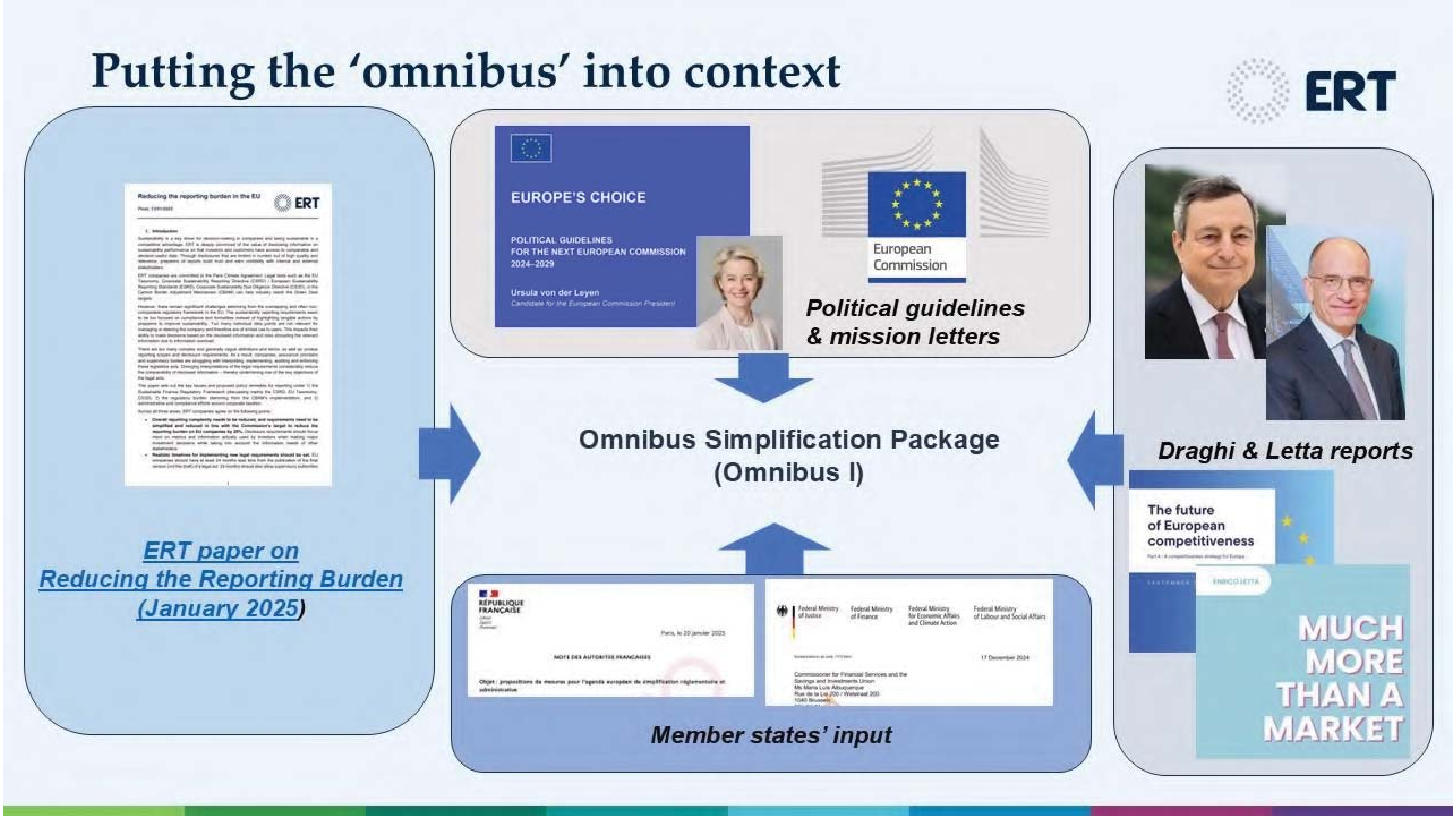
There is strong consensus amongst the 60 CEOs & Chairs in ERT that simplifying Europe's regulatory environment and making it more innovation friendly would be the biggest motivator for investing more in Europe.

Greater economies of scale in a less fragmented EU Single Market is the second biggest motivator for driving business growth in Europe, and both Mario Draghi as well as Enrico Letta call for this.

***Source**: Confidence Survey (link), November 2024*

2

www.parlament.gv.at



www.parlament.gv.at

ERT Paper on reducing the reporting burden (link)

ERT

Introduction:

- Sustainability is a key driver for decision-making in companies and **being sustainable is a competitive advantage**. ERT is deeply convinced of the value of disclosing information on sustainability performance so that investors and customers have access to comparable and decision-useful data. Through disclosures that are limited in number but of high quality and relevance, preparers of reports build trust and earn credibility with internal and external stakeholders.
- Companies led by the Members of ERT are **committed to the Paris Climate Agreement**. Legal texts such as the EU Taxonomy, Corporate Sustainability Reporting Directive (CSRD) / European Sustainability Reporting Standards (ESRS), Corporate Sustainability Due Diligence Directive (CS3D), or the Carbon Border Adjustment Mechanism (CBAM) can help industry **reach the Green Deal targets**.

Key recommendations:

1) **Overall reporting complexity needs to be reduced, and requirements need to be simplified and reduced in line with the Commission's target to reduce the reporting burden on EU companies by 25%.** Disclosure requirements should focus more on metrics and information actually used by investors when making major investment decisions while taking into account the information needs of other stakeholders.

2) **Realistic timelines for implementing new legal requirements should be set**. EU companies should have at least 24 months lead time from the publication of the final version (not the draft) of a legal act. 24 months should also allow supervisory authorities 2 and auditors to agree and define conditions for audits and to build up necessary capacities.

4

www.parlament.gv.at

Cross-compare : CSRD

ERT

Corporate Sustainability Reporting Directive (CSRD)	
Key ERT recommendations	**Evaluating Commission proposals from the ‘omnibus’**
▪ Interoperability with the ISSB and other standards needs to be a “design principle” from the start of the standard-setting process.	▪ We expect the Commission to do more work on this.
Immediate asks for the Commission and the European Financial Reporting Advisory Group: ▪ Halt all work on developing sector-specific standards. ▪ Review existing ESRS as early as 2025. ▪ Policy-makers should also clarify the standards in ESRS set 1 as too many requirements remain vague.	▪ The Commission has proposed halting all work on developing sector-specific standards. ▪ A review of Level 2 legislation to revise the first set of the ESRS and is expected in 2025. ▪ We expect this to be covered in the ESRS review
▪ There should be an overall focus on simplification (diminution) of reporting obligations.	▪ We expect this to be covered in the ESRS review
▪ The subsidiary exemption should be extended to all subsidiaries of larger groups.	▪ Only very large subsidiaries > 1000 employees remain in the scope for an own sustainability statement.
Regarding the first set of ESRS, the following technical adjustments should be made: ▪ The Double Materiality Assessment should be vastly simplified. ▪ The obligation of collecting quantitative metrics on the entire value chain in relation to material impacts should be re-assessed.	▪ No proposed changes to the double materiality assessment, though it could be amended via a change of the ESRS Delegated Act. ▪ Companies would no longer be required to obtain value chain data from non-CSRD reporting companies. A "value -chain cap" has been introduced. The limit for data collection will be defined by the voluntary standard (VSME standard).

5

www.parlament.gv.at

Cross-compare : CSRD

ERT

Corporate Sustainability Reporting Directive (CSRD)	
Key ERT recommendations	**Evaluating Commission proposals from the 'omnibus'**
▪ A meaningful revision of CSRD should also entail a revision of SFDR in parallel.	▪ A review of the SFDR in Q4 is welcome but should be conducted alongside CSRD revisions to ensure processes are aligned and amendments to the relevant files are made alongside each other.
▪ EFRAG's work on the digital taxonomy (XBRL tagging) urgently needs to be revisited as the methodology is too burdensome without achieving the objective of understandability. Delaying the introduction of XBRL by a few years could be an option to limit the burden on preparers. The Commission should also consider whether the increased use of artificial intelligence by investors renders XBRL tagging necessary at all.	▪ The current proposal does not modify the existing digital tagging or format rules introduced by the CSRD. At the same time, there is no need to use XBRL before EU rules have been set (as per the ESEF regulation amendment) but this is just a clarification.

6

www.parlament.gv.at

Cross-compare : EU Taxonomy

Taxonomy for Sustainable Activities (EU Taxonomy)	
Key ERT recommendations	**Evaluating Commission proposals from the 'omnibus'**
▪ The Taxonomy should be overhauled completely as there is limited evidence that the reports have channelled more finance towards sustainability activities of companies.	▪ The proposal to limit reporting to companies with 1,000+ employees and €450m turnover is a welcome move, with the possibility for an 'opt-in' regime for other large companies in scope of the CSRD. However, this does not affect ERT members.
▪ A materiality threshold should be included (e.g. 10% of the total value of a KPI).	▪ A *de minimis* financial threshold of 10% total assets for a given activity has been proposed via the draft delegated act. However, , so that only those activities which represent a reasonable share of revenues or capital expenditures are included
▪ The current OpEx KPI should be removed completely.	▪ For those that remain in scope, OpEx KPI remains subject to meeting the 10% materiality threshold. In addition, There is the proposition of a second materiality threshold only for OpEx ("non-financial undertakings may omit reporting on the operational expenditure related to economic activities where the cumulative turnover resulting from those activities is below 25% of the denominator of the turnover KPI").
▪ The human rights aspect should be completely removed from the 'minimum safeguards' to reduce the reporting and auditing effort.	▪ No plans to pursue this
▪ Existing usability issues in the substantial contribution and DNSH criteria should be addressed.	▪ DNSH simplification for pollution prevention and control as a starting point, with a promise to review all the DNSH criteria to make them simpler, more usable and more aligned with EU legislation is welcomed.
▪ Extension of the EU Taxonomy to more manufacturing and technological sectors and their economic activities in the EU (including those with very limited production capacity).	▪ No further details given by the Commission.

7

www.parlament.gv.at

Cross-compare : CS3D

Corporate Sustainability Due Diligence Directive (CS3D)	
Key ERT recommendations	**Evaluating Commission proposals from the 'omnibus'**
▪ Due diligence requirements should be limited to Tier 1 of the value chain.	▪ The Commission has proposed to limit the value chain covered by due diligence to Tier-1 (direct) business partners.
▪ Remove article 29 on civil liability and relying on Member States' well-established principles of tort law.	▪ The text proposes to remove the specific, EU-wide liability regime in the CS3D.
▪ Remove Article 22 regarding climate transition plans.	▪ Article 22 has not been removed.
▪ The scope of application in Article 2(2) should be limited to EU companies and non-EU companies conducting business within the borders of the EU.	▪ The application scope has not been limited.

8

www.parlament.gv.at

Cross-compare : CBAM

Carbon Border Adjustment Mechanism (CBAM)	
Key ERT recommendations	**Evaluating Commission proposals from the 'omnibus'**
▪ ERT proposes to introduce a higher threshold value, or weight threshold, which should be based on net weight (kg or t for steel/iron and aluminum) instead of customs value (EUR). A net weight of less than one imported ton per supplier/installation and reporting period should be out of scope of the CBAM reporting requirements.	▪ Under the current proposal, companies and individuals importing under 50 tonnes of covered goods or 100 tonnes of CO_2 annually are now exempt—up from the €150 de minimis value.
▪ CBAM systems should be pre-filled with import declaration information provided by the importers to customs authority systems. Furthermore, the requirements for inward processing must be elaborated and simplified, while redundant data capturing should be eliminated.	▪ This recommendation has not been taken onboard.

9

www.parlament.gv.at

Outstanding ERT recommendations

ERT

As the proposals set out in the omnibus package will be subject to debate during the legislative process, **it will be key for EU Institutions to consult with the companies in the "real economy" on how the right simplification of reporting obligations could help achieve a tangible and noticeable reduction of 25%, including for multinational companies which face significant international competition.**

Furthermore:

1) ESRS Delegated Act

The Commission should amend the ESRS Delegated Act in such a way that it does not create a competitive disadvantage regarding non-EU firms who, contrary to EU firms, are currently under no transparency obligations. This could involve deleting all data points regarding the disclosure of anticipated financial effects (ESRS 2, E1-E5).

2) DNSH criteria

The Commission should build on the promise set out in the current proposal to review and simplify all DNSH criteria and use this as an opportunity to ensure DNSH criteria don't go beyond existing EU regulation and become more based on international standards.

3) Fast-tracking a delay in the implementation

ERT urges the EU Institutions to fast-track the announced delay in the implementation of CSRD and CS3D. Such a delay would avoid a fragmentation of the requirements across various EU Member States in the meantime, and provide adequate time for companies to adopt the comprehensive changes to both files, conduct discussions and stakeholder consultations, and allow for the development of guidance.

4) CSRD/ESRS: freeze for wave 1 companies

The existing ESRS phase-in should remain unchanged compared to Financial Year 2024.

10

www.parlament.gv.at

ERT

13 March 2025

philippe.adriaenssens@ert eu

Disclaimer

The information contained in this document is confidential, privileged and only for the information of the intended recipient and may not be used, published or redistributed without the prior written consent of the European Round Table for Industry.

The ***European Round Table for Industry (ERT)*** *is a forum that brings together around 60 Chief Executives and Chairs of major multinational companies of European parentage, covering a wide range of industrial and technological sectors. ERT strives for a strong, open and competitive Europe as a driver for inclusive growth and sustainable prosperity.*

Companies of ERT Members are situated throughout Europe, with combined revenues exceeding €2 trillion, providing around 5 million direct jobs worldwide – of which half are in Europe – and sustaining millions of indirect jobs. They invest more than €60 billion annually in R&D, largely in Europe.

EU Transparency Register: 25487567824-45

www.ert.eu

www.parlament.gv.at