



European Entrepreneurs CEA-PME
Confédération Européenne des Associations
de Petites et Moyennes Entreprises

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To
Executive Vice-President
Mr. Stéphane Séjourné
and EU-Commissioners
Ms. Maria Luís Albuquerque
Mr. Valdis Dombrovskis
European Commission
Berlaymont
Rue de la Loi 170
1040 Brussels

Brussels, January 14th 2025

Dear Executive Vice-President Séjourné,
Dear Commissioner Albuquerque,
Dear Commissioner Dombrovskis,

Allow us to extend our heartfelt congratulations on your recent appointment as Executive Vice-President and Commissioners in the new College of the European Commission. Your new role comes at a crucial time when efforts to streamline and simplify regulatory processes are more necessary than ever to ensure that our Union remains dynamic, innovative and competitive on the global stage, with European SME and Mid-Caps at its heart.

With the aim to ease administrative burdens on our SME and Mid-Caps, we have launched as European Confederation of SME and Mid-Caps Association already in June 2023 our **Manifesto for a Realistic Industry Policy** (pls. see our website www.european-entrepreneurs.org). In this manifesto the elimination of unreasonable reporting burdens for businesses is one of our key priorities. The same aspect is called again in our members BVMW and CONFAPI's "Bolzano Appeal" of October last year.

With this letter, we would like to transfer to you our specific ideas how in particular the currently discussed **omnibus regulation**, which could make life much easier at EU level for the 23 millions of SME and Mid-Caps.

The new European Commission is best placed to reach notable progress and allow large economic savings with a more efficient and responsive regulatory environment for our businesses. In this regard, we welcome the announcement to put forward an **Omnibus regulation** to reduce bureaucracy in the area of sustainability reporting and to streamline the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation.



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We are confident that, together, we can make a real difference, not only by eliminating unreasonable administrative burdens but also by fostering a **climate of trust and cooperation within the EU**.

Please allow us to draw your attention to some of the pressing issues regarding **CSRD, CSDDD and Taxonomy**: While European Entrepreneurs CEA-PME remains fully supportive of the overall goals of promoting an ever stronger and more sustainable European economy, we believe that the current sustainability reporting requirements are overly burdensome. The European Sustainability Reporting Standards (ESRS) foresee **more than 1.000 potential data points**. A significant reduction is needed in order to avoid unnecessary burden for businesses and to allow them to make the best use of their resources for the benefit of sustainable growth and innovation in the EU.

We thus call upon the new Commission to come forward with **rapid and tangible regulatory measures**. This holds particularly true for small and medium sized enterprises and owner managed Mid-Caps which make up the backbone of our European economies. Not only large companies, but also these small and medium sized enterprises are affected by being exposed to information requests within the value chain. Hence we propose the following:

1. The **so-called trickle-down effect** should be limited with several measures, including by reducing the sustainability reporting requirements at the top of the value chain and by stating clearly that companies should not send out information requests to SMEs in their value chain covering periods before 2027 in order to reduce avoidable or disproportionate requests.
2. The **scopes** of all three laws should be the same, in order to standardize the applicability.
3. The best measure to limit the trickle-down effect would be to **prohibit the possibility of anticipated contract termination** before the agreed end of the duration of a contract, if a business partner *that does not fall under the scope of the 3 laws* and *refuses* to deliver the necessary data *free of charge*. The current laws are **particularly unfair** when they allow to oblige companies that are not financing themselves on the stock markets and don't fall under the scope of the laws to produce **for free** non-financial reports for those that **benefit** from receiving these reports certifying their supply chain's compliance for investors.
4. In addition, non-compliance with CSRD, CSDDD or Taxonomy of a company that does not fall under the scope of the 3 laws shall not be **allowed as a sufficient reason for denying or not signing a contract**, either for supplies, sales or (financial) services. Only the best price-quality relationship should be at the basis of an economic transaction, no further strings attached.
5. Furthermore, a company that falls under the scope of the laws **can assume that a supplier is "sufficiently compliant with ESG, Due Diligence and Taxonomy"** when this supplier, an SME or a Mid-Cap, economically operates **for more than 90% of its turnover in one or more of the EU-Member States**, and is therefore **supposed to be compliant with EU legislation** (translated into national and regional laws) and using the existing local, regional and national infrastructure and available public services as the only choices it has.



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To explain that better: an SME or Mid-Cap normally and to a large extent **supplies itself, produces and sells locally/regionally or nationally** (or within the EU), and does not have any chance to change neither the legal system in which it is framed, nor those other infrastructures and public services to which it is bound to use, such as local water supply and sewage systems, recycling and waste collection/management, roads and transport infrastructure, energy supply, emission control, etc. These rules that a company has to respect and the infrastructure and public services that it has to use – **supposedly all aligned with EU legislation also in terms of sustainability** – cannot be changed by one company. **Therefore, an SME or Mid-Cap doesn't need – or simply often can't decide to have – a different sustainability performance as what it is structurally possible, or it is obliged to do or to use.**

E.g. if the **energy supply of a region is a mix of fossil and renewables**, a company might decide to buy more energy from providers that offer renewables. But basically, the energy mix of that country will not change because of this decision. Only the change of production, market policies and infrastructure conditions might change this. So, it is not a sign of a *bad sustainability performance of the company* if it doesn't buy from a provider of renewable energy, but instead a **duty of the EU and its Member States** to improve the energy mix versus a more sustainable production, in order to have less CO2 emissions, e.g. by enforcing ETS.

The same applies to **labour laws and workers' rights** that regulate the working relationships in a company. As long as a company respects these rights and laws, it is sufficiently compliant with the social sustainability meant by ESG. To do more might be possible, but practically it comes with a cost and it is not legally binding.

In both cases, to punish a company nevertheless, with directly or indirectly compulsory sustainability reporting and maybe a *not sufficient compliance* with ESG rules or aspirations of a globally acting client, a bank, an OEM or a retail network, and hence to exclude this company from operating at fair conditions of a market would be an **unfair and not legitimate** way to load burden on the back of companies, without legal obligation.

Recognising as a basic assumption of our economy that our 23 million SME and Mid-Caps respect the laws to a very large extent and do their best in acting consciously, means **trusting our entrepreneurs and thus our economy**. And trust does not need repeated reports where you write what you do correctly, when you respect the laws of your country and use correctly the public services and infrastructure that are available. **Companies are not children with bad habits that have to be educated by writing down 100 times "I have to be sustainable"**. If ever, we must help them to transform their businesses of today into sustainable businesses of tomorrow. This is the **trust** President von der Leyen surely meant in her Political Guidelines.

Summing up this 5th point in few ancient Latin words: "*Laboro in EU, ergo sustineri sum*".

This principle would also boost **re-shoring to** and maintaining industrial production **in Europe**.



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6. We welcome that the Commission has already announced that it will examine whether there is any potential to eliminate double reporting requirements in the current ESRS. Further, it must also be ensured **that companies only transmit their information once and to one authority** (“*Once-only-principle*”).
7. For additional simplification of reporting increased use of **whitelisting** should be an option.

The Commission should not wait for the deadline of an evaluation of the current ESRS in the CSRD to reduce reporting obligations, but **start as early** as possible to protect the European economy. In addition, it should refrain from creating burdensome sector-specific additional reporting standards.

With regard to the wider sustainability framework including the EU Taxonomy we would like to encourage you to pursue an ambitious agenda towards simplifying and streamlining the framework which is overly complex and overlapping. In particular, the taxonomy reporting obligations including in particular the Green Asset Ratio are in the current form not useful for strategic decision making for companies and should be dispensed; instead, it should be evaluated on its supposed impact very soon: *did it produce the result expected in terms of crowding in more financial investments from private assets into green products and services? Did it increase access to finance for SME and Mid-Caps that perform greener?* If not, it failed its purpose and should be thoroughly reformed soon, if not even repealed.

We and our team stand ready to discuss our proposals with you in more detail and to support your important work. We wish you every success in your new role and look forward to working with you.

Yours sincerely,

Christoph Ahlhaus

President

Chairman of the Executive Board
Der Mittelstand. BVMW e.V. (D)

Jorge Portugal

Co-President

Executive Director
COTEC Portugal (P)

Sylvie Grandjean

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Vice-President
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