

## POSITION

# Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS): Focus on real objective of regulation and meaningful reporting

In light of the current omnibus procedure of the European Commission, we are strongly advocating for urgently needed simplifications of the requirements for sustainability reporting according to the CSRD and the associated reporting standards ESRS.

From the perspective of the German chemical and pharmaceutical industry, the following ten essential simplifications are necessary to rapidly ease the burden on businesses with immediate effect:

1. **Merge all sustainability-related reporting** obligations into a single report (Once-Only Principle).
2. **Postpone the reporting obligation** for large companies by two years to give them more preparation time.
3. **Increase the thresholds for large companies** to the existing CSDDD thresholds (450 million euros in sales and 1,000 employees).
4. **Replace Set 1 ESRS by the Voluntary Sustainability Standard for SMEs (VSME)**. As an alternative to the above, the Standard for Listed Small and Medium-sized Enterprises (LSME) could be used to replace set 1 ESRS.
5. **Critical reflect** on the need for **sector-specific standards** and the necessity of digital tagging of sustainability reports.
6. The focus of sustainability reporting should be on those data points that are relevant to decision-making in undertakings and the finance industry and thus serve to fund the sustainable transformation. Such **decision-relevant data points should be identified and evaluated** in the ESRS Set 1 promptly after implemented initial application.
7. A **simplification and clarification of ESRS Set 1** data points is necessary, e.g., align goals, concepts, and measures with practical corporate governance, focusing on topic-specific KPIs and their development or adopt a risk-based approach for value chain reporting, omitting data from the indirect value chain if unavailable until it can be collected.
8. **Harmonize the reporting boundaries** of sustainability and financial reporting and extend the group exemption to all subsidiaries of a group.
9. **Sanctions, such as fines** against companies and civil liability of businesses and auditors, should be **limited to intent** in the first years of application of the legislation.

10. Data requests from large undertakings to indirectly impacted SMEs should be voluntary and based on the company's own assessment to **reduce the Trickle-Down-Effect**. The European Commission should clarify that data provided by non-reporting companies to reporting companies are not subject to auditing.

BAVC and VCI support the goals of the Green Deal. Therefore, we welcome a level playing field on the European market, as a matter of principle. At the same time, the currently demanded form of sustainability reporting brings major challenges for companies. With the proposals for adjustments to sustainability reporting according to the CSRD and ESRS, we wish to help build an economy that fits the future.

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*The VCI and its sector associations represent the interests of around 2,300 companies from the chemical-pharmaceutical industry and areas related to chemistry vis-à-vis politicians, public authorities, other industries, science and media. In 2023, the VCI member companies realised sales of ca. 245 billion euros and employed over 560,000 staff.*

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*The German Federation of Chemical Employers' Associations is the head organization for collective bargaining and social policy in the chemical and pharmaceutical industry, as well as large parts of the rubber and plastics processing industries in Germany. It represents the interests of its 10 regional member associations, with 1,700 companies and 585,000 employees vis-à-vis trade unions, politics and public.*