BUSINESSEUROPE

Ms Ursula von der Leyen
President
European Commission
Rue de la Loi 200
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BELGIUM

31 March 2023

Dear President,

BusinessEurope welcomes your recent announcement to simplify and significantly reduce reporting requirements for companies by 25%, which is a first important step in the right direction. Nevertheless, regulatory compliance costs go well beyond reporting obligations. They keep mounting in the European Union, making the EU investment environment less favourable compared to our global competitors and significantly increasing compliance costs for companies. Urgent wider action is needed to create regulatory breathing space for European companies and restore our competitive edge.

Thus, the announcement needs to be followed by swift action in order to give the right signal to European companies. Last week, at the EU summit, heads of states and governments echoed the need to simplify EU regulations and reduce the regulatory burden, in particular stemming from reporting requirements. This shows the widespread political support for actions in this field.

There are strong opportunities to reduce reporting requirements in the EU legislation without delay, including in proposals currently being drafted or negotiated. Mapping and tackling reporting requirements in those on-going legislative processes should be a matter of priority as this is the best way to show very tangible actions in the short-term. For example, the European Commission has the opportunity to significantly reduce reporting obligations in:

- the upcoming proposal for a Delegated Act on reporting standards under the Corporate Sustainability Reporting Directive. The draft published by EFRAG last November, in its current form represents a gigantic sum of extremely granular reporting obligations in the environmental, social and governance fields.

- the on-going negotiations on the proposed Directive on Corporate Sustainability Due Diligence (CS3D). While the Commission proposal and Council general approach make a reference to the Corporate Sustainability Reporting Directive (CSRD) when it comes to reporting obligations for companies that simultaneously fall under the scope of both directives, companies outside the scope of the CSRD will face reporting obligations defined by the Commission through a delegated act. We call on the Commission to make sure that the obligations are workable and do not go beyond the CSRD obligations. However, the European Parliament seems to go further, in an attempt to both define a higher level of granularity and

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increase reporting requirements for those companies. Such piling-up of the reporting, if accepted, would significantly add to companies' regulatory burden and compliance costs.

- the on-going co-decision on the Industrial Emissions Directive. The Commission has introduced new reporting obligations for individual industrial sites (e.g., transformation plan, life-cycle environmental performance). They do not only significantly increase reporting requirements but also create important overlaps with other EU legislations which apply the same requirements at company level.

- the on-going co-decision process on the Cyber Resilience Act (CRA). The CRA introduces reporting obligations within 24h to ENISA in the event of a cyber incident. This new obligation overlaps with the one on the reporting of a cyber incident in NIS-2 within 72h. The reporting obligations are piling up and overlapping even more, as the recently adopted General Product Safety Regulation also lays down reporting obligations for economic operators when products are found not to be in conformity. The duplication of such reporting obligations in the CRA creates unnecessary red tape.

- the current text of the draft implementing regulation of the Instrument on Foreign Subsidies risks imposing excessive reporting requirements on companies while overwhelming the European Commission with irrelevant information. For the instrument to be effective the scope of the term "foreign financial contributions" needs to be more clearly defined in the implementing regulation. Financial contributions unlikely to be distortive need to be excluded from reporting and declaration requirements. We must keep the administrative burden for companies and public authorities as low as possible while ensuring that the instrument is effective.

Based on this non-exhaustive list of examples, we urge the European Commission to thoroughly consider and seize opportunities linked to EU legislation currently being drafted or negotiated with the European Parliament and the Council, to send an unambiguous signal on its commitment to significantly reduce reporting requirements.

Yours sincerely,

Fredrik Persson
President

Markus J. Beyrer
Director General