Federal Ministry of Justice

Federal Ministry of Finance

Federal Ministry for Economic Affairs and Climate Action

Federal Ministry of Labour and Social Affairs

Bundesministerium der Justiz, 11015 Berlin

17 December 2024

Commissioner for Financial Services and the
Savings and Investments Union
Ms Maria Luís Albuquerque
Rue de la Loi 200 / Wetstraat 200
1040 Brussels
BELGIUM

Commissioner for
Implementation and Simplification
Mr Valdis Dombrovskis
Rue de la Loi 200 / Wetstraat 200
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Dear Commissioner Albuquerque,
Dear Commissioner Dombrovskis,

Allow us to extend our heartfelt congratulations on your recent appointment as Commissioners in the new College. 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 the aim to ease administrative burdens on companies, the German Government has launched an ambitious bureaucracy reduction initiative. This Letter sets out some specific ideas at the EU level. In this context the elimination of unreasonable reporting burdens for businesses is our key priority.

A significant share of regulatory requirements is, however, enshrined in European law and thus does not fall within the competency of national legislators. The new European Commission is therefore best placed to reach notable progress towards creating a more efficient and responsive regulatory environment for our citizens and businesses alike. 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, without compromising the goals of the Green Deal, including the existing level of protection of sustainability due diligence rules (CSDDD) and other important measures as announced by Ursula von der Leyen on the occasion of the Budapest Declaration as of November 2024. 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.

In a spirit of mutual cooperation and trust please allow us to draw your attention to some of the pressing issues regarding the CSRD:

Firstly, while the German Federal Government 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 extensive. The European Sustainability Reporting Standards (ESRS) foresee more than 1.000 potential data points. A significant reduction in the content of CSRD sustainability reporting is needed in order to avoid unnecessary burden for businesses and to allow businesses 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 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. The so-called trickle-down effect should be limited with several measures, including by reducing the CSRD 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.

At the same time, 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"). 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 the reporting obligations, but start as early as possible to protect the

European economy. In addition, we should refrain from creating burdensome sector-specific reporting standards.

Secondly, in order to significantly reduce bureaucracy while enabling corporate responsibility, it should be envisaged to postpone the CSRD application deadline by two years for those companies subject to first reporting as of financial year 2025 or later and to increase the sustainability reporting thresholds concerning net turnover, balance sheet total and employees. This would give large undertakings much needed leeway to adjust to the new regulatory environment as well as reduce the group of large undertakings within the scope of sustainability reporting. This would also allow for more time to assess the application of the ESRS to the first tranche of companies (large undertakings which are public-interest entities) with the objective of reducing the overall number of ESRS data points.

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, a more suitable and meaningful approach should be developed which complies with the simplification standards outlined in this letter.

For the purpose of simplifying the sustainable reporting framework and attached to this letter, please find a few concrete proposals for immediate legislative action. The German Government remains fully committed to supporting the new Commission's efforts in the area of reducing administrative burdens, and we look forward to our mutual collaboration to achieve our shared goals.

We and our teams 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,

Dr. Volker Wissing	Dr. Jörg Kukies	Dr. Robert Habeck	Hubertus Heil
Federal Minister of Justice	Federal Minister of Finance	Federal Minister for Economic Affairs and and Climate Action	Federal Minister of Labour and Social Affairs

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Table – Options for the simplification of sustainability reporting 17.12.2024

No.	Simplification proposal	Short description and required changes	Impact
Corporate Sustainability Reporting Directive (CSRD) (EU 2022/2464) and Accounting Directive (2013/34/EU)			
1	Postponement of sustainability reporting obligations for "large" (but non-PIE [Public Interest Entities][1]) undertakings by two years A corresponding postponement would be required for PIE-SMEs.	Postponement of the scope of application for large (non-PIE) undertakings from currently FY 2025 to FY 2027 (publication of the reports then in 2028). A corresponding postponement by two years would have to apply to PIE-SMEs from currently FY 2026 to FY 2028 (while maintaining the opt-out possibility for an additional two years). This would also entail a postponement of the reporting obligations under the Taxonomy Regulation, which refers to the CSRD (Art. 8 Taxonomy Regulation).	Immediate relief for a significant number of EU "large" (but non-PIE) undertakings which, under the current CSRD, would have to report under the extensive ESRS from FY 2025 onwards (in DE more than 13 000 companies). The suppliers of these "large" companies would benefit likewise, since no trickle-down-effect will occur as long as the reporting obligation is postponed.
2	Increase the thresholds for the size criterion of "large" undertakings with regard to sustainability reporting.	Change in the personal scope of application (thresholds). We propose to align the size threshold for "large" undertakings in the context of sustainability reporting with the already existing CSDDD thresholds (Art. 2). We propose, subject to further discussion - Net turnover: € 450 million (currently € 50 million) - Employees: 1,000 (currently 250) The proposed change in thresholds should be limited to sustainability reporting and not affect the financial reporting thresholds.	The increased threshold for the size criterion "large" would lead to three main effects: a) Overall reduction of the group of large (but non-PIE) undertakings which have to report against ESRS (as of FY 2025). b) Overall increase of the group of PIE-SMEs which have to report against the less comprehensive LSME-standard as of FY 2026 at the earliest or even FY 2028, if combined with postponement according to No. 1 (all previously "large" PIEs, which are no longer "large" under the increased threshold, would become PIE-SMEs). c) Undertakings, which are not PIEs and – due to the increase in thresholds – are no longer "large", will be relieved from sustainability reporting altogether. SMEs are only captured by the CSRD if they are PIEs (cf. Art.

[1] Public interest entity as defined in Article 2 para. 1 lit. a Accounting Directive: in particular undertakings whose transferable securities are admitted to trading on a regulated market of any EU-MS (= „listed companies“), but also credit institutions and insurance institutions.

			19a para. 1 CSRD: "small and medium-sized undertakings, (…) which are public-interest entities"). The increased threshold would bring direct relief for companies: -- PIEs, which were previously "large" and due to the increased thresholds now qualify as PIE-SMEs, have significant benefit because (i) they may apply the less extensive LSME standard and (ii) their sustainability reporting obligation only begins with financial year 2026 (or even FY 2028, if combined with postponement according to no. 1, or FY 2020 if the opt-out possibility is carried forward). -- Non-PIEs, which were previously "large" and due to the increased threshold now qualify as Non-PIE-SME benefit even more significantly, since they are altogether relieved from sustainability reporting obligation.
3	Avoid the introduction of burdensome sector specific standards (ESRS Set 2); instead, a more suitable and meaningful approach should be developed.	Entry into force of sector-specific standards has already been postponed until June 2026. Sector-specific standards which would create additional burden for businesses should altogether be avoided. Any new approach towards sector-specific reporting requirements must ensure that it reduces the overall reporting obligations.	Avoids adding additional reporting requirement and additional data points, while enabling companies to focus on their sector-specific circumstances.
4	Targeted measures to reduce trickle-down-effect in the value chain	Measures are needed to effectively reduce the trickle-down-effect along the value chain: Simplifying the reporting obligations resulting from ESRS and LSME standards top-down (no. 9 and 10) is key to reduce the information requests going into the value chain. The top-down approach is thus of paramount importance. In this context,	The proposed measures uphold the CSRD's underlying general stance to purposefully include value chain information into the reporting obligations. However, the mitigating measures are needed to protect against any disproportionate value chain requests. Disproportionate requests would place excessively high burden on

		the LSME value chain cap (Art. 29b para. 4 Accounting Directive) must be implemented stringently: The reduced content of the future LSME legally obliges the European legislator to cut back on the already existing ESRS, in order to ensure that there will be no incentives to confront SMEs with value chain requests under CSRD going beyond the narrow ambit of the future LSME. At the same time, bottom-up approaches will also help to alleviate value chain requests and thus should be further implemented. The VSME Standard needs to provide an easy template for information requests in the value chain. It needs to be very lean and focus on key data points, which even micro companies and sole traders can easily provide. It should focus on the most necessary data points (scope 1 and 2 GHG emissions [ESRS E1-6], energy consumption [ESRS E1-5] and resource use [ESRS E5-5]). The Commission should consult the final draft of the VSME with the MS, given that it has such a broad impact on a huge number of SMEs. SMEs should not be required to provide additional information for the purpose of sustainability reporting. The trickle-down effect should be limited with several measures, including by reducing the reporting requirements at the top of the value chain, by stating clearly that companies should not send out information requests under CSRD to SMEs in their value chain covering periods before 2027 in order to reduce avoidable or disproportionate requests.	undertakings which themselves are not subject to the sustainability reporting requirements
5	ESEF Format	The requirement to use the ESEF format should be reduced to the phase of publication, but not "preparation" of the sustainability report.	The ESEF-Format requirement is important for an increased searchability of reporting. However, the requirement should only apply for the publication itself. It is not necessary for the internal approval process

			before publication ("preparation"). This would ease internal processes considerably.
Taxonomy Regulation (EU 2020/852)			
6	Dispense with additional Taxonomy reporting requirements, incl. Green Asset Ratio; instead, a more suitable and meaningful approach should be developed.	Avoidance of the duplicative reporting obligations under Art. 8 of the Taxonomy Regulation, incl. Green Asset Ratio. Any new strategic approach must ensure that it does not place new reporting obligations on SMEs and supports transition financing.	Immediate relief for thousands of EU companies that will have to report from FY 2025, as well as their suppliers
European Sustainability Reporting Standards (ESRS) (delegated acts to the CSRD)			
7	Substantial reduction of the data points and contents of the ESRS	There should be a very significant reduction of ESRS data points taking into account the input of experts. In particular, the ESRS could be replaced by the current draft LSME-standard, given that the LSME-draft contains approx. only 50 % of the data points compared to the ESRS. Reporting on due diligence should become more targeted. This would achieve immediate relief for companies. Individual data points could be introduced in stages over time.	The ESRS currently contain 913 mandatory and 265 voluntary data points (subject to a materiality analysis). The LSME draft contains approx. 50% fewer data points. Focus should be put on key quantitative data points. Data points which require extensive qualitative explanations are difficult to compare and should be deprioritised. Reduction would result in immediate relieve for all companies having to report in accordance with ESRS as well as their suppliers.
8	Substantial reduction of the data points and contents of the LSME Standard for PIE-SMEs	If the LSME draft is used to replace the ESRS (see no. 7 above), a further significant reduction of the LSME-draft will be necessary (as otherwise the scope of the reporting obligation would be the same for all companies, which was not the intention of the co-legislators). The LSME should be reduced to the scope of the current VSME-draft taking into account the input of experts. Hence, the VSME should be used to replace the LSME.	Direct relief regarding reporting obligations for all companies having to report in accordance with the LSME standard (= PIE-SMEs). Relieves capital market-oriented SMEs and small and non-complex banks and insurance companies as well as their suppliers.

		In addition, double reporting stemming from other EU requirements has to be avoided in order to achieve a coherent reporting system giving companies the chance for a one-stop-reporting system.	