

Bayerischer Industrie- und
Handelskammertag (BIHK) e.V.
Max-Joseph-Str. 2
80333 München

European Financial Reporting
Advisory Group (EFRAG)
Chair of the Sustainability Reporting Board
Patrick de Cambourg
35 Square de Meeus
1000 Brussels
Belgium

Munich, May 2024

EU bureaucracy: sustainability reporting for SMEs along supply chains and banks

Dear Mr. de Cambourg,

the implementation of the EU Green Deal and the resulting sustainability reporting is a hard challenge for many companies and leads to major bureaucratic burdens. Originally, SMEs were to be exempt from this regulation - it was aimed at companies financed on the capital market. However, a large proportion of the approximately 3 million SMEs in Germany are already reporting that they are indirectly affected, on the one hand via the supply chain and on the other hand via financing.

Along the **supply chain**, SMEs have to fill out numerous different and sometimes very extensive ESG questionnaires for their clients. The **Voluntary SME Standard (VSME)**, which you have put out for consultation until May 21, 2024, offers great opportunities for a lean, uniform solution. It is intended to apply to **SMEs with fewer than 250 employees** that are not subject to CSRD reporting requirements.

The VSME should be streamlined in a **practical way** and limited to a **basic module** with fewer than a dozen key figures. Only data that can actually be collected should be requested. This reduced standard should cover all reporting obligations, both to other companies along the supply chain and to credit institutions and other financial intermediaries. **There should be no further inquiries.** Companies should be able to implement the sustainability reporting obligations voluntarily, independently and without external advice.

Companies with **fewer than 10 employees** should generally be exempt from these reporting obligations. For them, the gathering of information represents a disproportionate burden, and their responses would in some cases violate applicable law, e.g. it would be possible to draw conclusions about individuals when providing information on "social".

A **standardized data platform** creates the greatest incentive for contractors and investors to limit data requirements to the VSME standard. The collection of data can be implemented as unbureaucratically as possible if it is handled according to the **"once-only principle"**. Companies only enter the data once, and all other players use these data records - once they have been activated by the company - preferably via a uniformly

defined interface. By the time the VSME standard comes into force, a European Single Access Point (ESAP) should be developed to such an extent that data can be entered with practical explanations and assistance. As the ESAP is not due to be made available until 2027, the German Council for Sustainable Development (RNE) and its German Sustainability Code are working on a national platform in Germany. Numerous companies have doubts about the neutrality of the body, which is predominantly composed of non-governmental organizations.

SMEs are also asked for a wide range of ESG data on the **financing side**. Here, too, there is no standardized procedure and a large number of individually designed questionnaires. When granting loans, SMEs with fewer than 250 employees should be classified unbureaucratically using **industry proxy ratings**. Alternatively, the data from the **VSME** should be able to be used.

The recently published draft guidelines on ESG-related risks from the European Banking Authority (EBA) threaten to tighten sustainability reporting obligations towards banks. These **EBA guidelines should be adapted to suit SMEs**. To this end, a proposal to link the guidelines with a narrower VSME standard base module as a possible supplement to sector proxy ratings should be included in a timely manner.

An **evaluation** should take place **after 3 to 5 years**. The evidence that the laboriously collected sustainability data enables viable risk assessments has yet to be provided. As long as there is no affirmation of this, risk-based ratings should not include ESG ratings.

Dear Mr. de Cambourg,
we feel there is an urgent need to reduce the bureaucratic burden of EU sustainability regulation. We ask you to ensure practical ESG reporting with less than a dozen key figures for SMEs. The German HWKs and IHKs are supporting the development process as part of the EFRAG consultation until May 2024 with practical checks. You will find our final statement including our proposals attached.

Kind regards

Bayerischer Industrie-
und Handelskammertag e. V.
Hauptgeschäftsführer



Dr. Manfred Gößl