

Omnibus I on CSRD, CS3D, CBAM and Taxonomy

Introduction

The Competitiveness Compass published on 29 January promised ‘this Commission will deliver an unprecedented simplification effort’, by increasing the ambition and referring the 25% and 35% burden reduction targets to the costs of all administrative burdens, and not only reporting requirements. **SMEUnited insists extending the scope to all administrative burdens must not reduce the targets announced on reporting burdens, SMEs ask for a noticeable relief in their daily practice.**

As a first initiative, the Commission announced an Omnibus Simplification Package to amend the Corporate Sustainability Reporting Directive (CSRD), the Corporate Sustainability Due Diligence Directive (CS3D) and the EU Taxonomy Regulation.

SMEs fully support the Green Deal objectives. Nevertheless, the mentioned legislation has a **trickle-down effect** on smaller companies along the supply chains, who are subjected in practice to excessive reporting requests which were **never intended by the legislators**. This creates concerns on how to ensure compliance, taking into account specific characteristics and limited resources. SMEs across the EU are dedicating significant efforts to build sustainable businesses. However, the extensive demands have led to a sense of mistrust and frustration among entrepreneurs.

The upcoming Omnibus legislation must bring tangible simplification and reduce regulatory burden for entrepreneurs to grow their businesses sustainably, while considering the specific characteristics of SMEs. The omnibus proposal must provide significant simplifications for businesses, instead of only cosmetic changes. It must eliminate duplications, overlaps and inconsistencies, given that many of the ESG initiatives are interlinked. The Omnibus legislation must act as a clarification and simplification measure to re-create trust and logic.

Moreover, SMEs need **planning security and legal certainty** on how to act in the meantime. We invite the Commission to explore where changes would be the most beneficial and to work via implementing acts when feasible. The Omnibus Regulation should avoid bringing even more legal uncertainty to the business environment. Hence, the Omnibus must clearly indicate what is the applicable legal framework until the adoption of the legislation.

In addition, the Omnibus should provide for a **transition period** giving SMEs **sufficient time to adapt and learn** before entry into force. This means that from the moment all legislation and guidance is in place at European and national levels, SMEs should be given at least a year to implement the new requirements in their company.

Furthermore, the Institutions must reflect what is the best way to achieve policy objectives. We should **reflect on other methods than reporting as a policy instrument**, such as giving trust to entrepreneurs that they will deliver on the objectives, awareness raising and providing support.

Finally, the reflection on administrative requirements and realisation of objectives should set the example to extend this exercise to other areas, such as consumer and digital law, to modernise the EU regulatory framework.

CSRD: a binding VSME to ensure market acceptance

The CSRD has created a complex legal framework with significant administrative burdens, in particular for SMEs, even though being out of scope. SMEUnited reiterates that exemptions are never a solution, and certainly not in this case. SMEs constitute a big part of European supply chains and will always have an impact from rules imposed on other economic operators. Moreover, exempting SMEs from the scope also leads to the absence of mitigating measures. This shows that the application of the “Think Small First” approach is crucial for smart regulation.

The **Voluntary Standard for SMEs (VSME)** developed by EFRAG partially addresses this issue. The public consultation concerning the VSME should assess whether further simplification, in particular to simplify language, can be delivered.

It is now a priority to ensure the **market acceptance of the VSME** as the information cap in the value chain. SMEs should not have to respond to other questionnaires. The Omnibus legislation presents an opportunity to embed the VSME within the CSRD as the data limit required from SMEs by anchoring the VSME in Art. 29b par. 4 of the CSRD. Furthermore, the Omnibus legislation must give incentives to the market to use only the VSME. Operators must receive the legal guarantee that they won't be sanctioned when reporting on their value chain with datapoints only from the VSME.

At the moment, SMEs receive several surveys, asking for different data, in different formats. Banks indicate they consider to increase interest rates if SMEs do not provide data for their sustainability reporting. The Commission must ensure that companies in scope of the CSRD accept the VSME as the maximum amount of data they can ask. For example, a company providing electrical installations for B2B construction activities explained they had to fill in 20 different surveys in 2024. These were filled out by the owner himself, requiring to gather data with different staff members, creating strong frustration.

Secondly, the Omnibus legislation must include that **no assurance** should be asked on the data provided under the VSME. Using the standard will already create considerable costs for SMEs. They should not have to pay additional fees for auditing the data collected.

To further simplify the reporting obligations, the Omnibus must provide for the creation of a **unique digital tool for SMEs** to report on the VSME. The interoperability of data should ensure the ‘once-only’ principle and should have a concrete impact on reducing the burden of SMEs.

Finally, as the standard remains quite complex, **adequate awareness raising and training** for SMEs and SME organisations should be provided. This includes tailored training and explanation materials in a language understandable by non-ESG experts. The user guides and tools, which must be made available as soon as possible, should allow SMEs to prepare a VSME reporting in a simple and user-friendly way to avoid excessive dependance on external consultants.

Clarify and simplify CS3D obligations for SMEs

For SMEs, the CS3D brings uncertainty which the Omnibus legislation should clarify. First, the Omnibus must clarify and clearly state that **SMEs are out of scope of the legislation and hence cannot be subject to the same stringent requirements** as companies in scope. It must also **align legal definitions** with those provided for in the CSRD, e.g. the definition of value chains and the application thresholds.

Secondly, at the moment, companies do not understand which **overlaps** exist **between CS3D and other pieces of legislation**, e.g. deforestation or ban of products made with forced labour. Therefore, the Omnibus must clarify the legal framework to guarantee entrepreneurs can understand the rules and EU law is implementable for small companies.

For example, an entrepreneur testified that companies in scope of the CS3D are already asking SMEs to sign sustainability contracts and accepting the costs of a third party audit. Although the legislators included in the law that companies in scope should provide adequate support to SMEs, the reality is different. SMEs testify they ended a production of a specific product because they were not able to fulfil CS3D obligations falling on them. In theory, the goal of CS3D is to make value chains greener. In practice, it is destroying small businesses who have no choice but to de-risk their activities to avoid penalties that risk them facing bankruptcy.

Thirdly, the Commission should publish **guidelines to support SMEs who have to comply as part of the value chain and under other legislation e.g. the ban of products made with forced labour..** Notably, SMEs should get information on the geographical risk factor. This is an SMEUnited request in the frame of the Forced Labour Regulation as well, to have access to a complete database providing information on risks according to where SMEs buy their products.

Regarding risk factors, the Omnibus should clarify what is expected from European companies. The **assessment of the geographical risk factor** should provide for a **presumption of compliance for exclusively European value chains**. To ensure human rights protection in the EU without overlaps in legislation, the Omnibus must reinforce existing market surveillance based on existing high EU standards.

Reduce administrative burdens in CBAM

The CBAM legislation introduced heavy and unfair administrative burden on SMEs. The Omnibus must introduce a **de minimis threshold for annual or quarterly import quantities** and the **consolidation of similar items in small quantities** to make things easier, especially for SMEs.

The framework should include a compensation mechanism for EU exporters to third markets. Currently, the CBAM legislation makes companies less competitive on third markets than companies from other parts of the world, as they will not be submitted to the same costs. This reduces the competitiveness of European producers on third country markets.

Default values for products falling under the CBAM should at least be allowed to be used if no data is available, because the goods are either sourced via traders or because the direct suppliers lack this information. Starting from the transition period, companies should be provided with an easily understandable and accessible **CBAM self-assessment tool**.

Simplify the sustainable finance framework for SMEs

The SME Relief Package published in September 2023 promised a simplification of the Sustainable Finance Framework and Taxonomy for SMEs. The Omnibus legislation should fulfill this commitment, making simplification a reality to support SMEs in navigating sustainability requirements. In particular, the **green asset ratio** under the Taxonomy framework must fully exclude SMEs to avoid adverse impacts stemming from the challenges of verifying their sustainability.

Instead, the **streamlined approach must be regarded as sufficient for SMEs**, especially considering how complicated and burdensome the implementation of the Taxonomy is for SMEs. The [streamlined approach](#) means that SMEs will be able to fulfill simpler criteria than those from the Taxonomy. If they do, banks would be enabled to grant them green loans based on these criteria. This would diversify SMEs access to finance without diminishing banks sustainability goals.

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