



Sustainable Finance: A streamlined approach to sus- tainability reporting for SMEs

Position

Status Quo

„Sustainable Finance“ plays a key role in delivering the policy objectives under the European Green Deal. However, the current regulatory framework threatens Europe's competitiveness. The implementation of the Green Deal places a disproportionate burden on businesses.

Although small and medium-sized enterprises (SMEs) are not directly affected by the reporting obligations (e.g. CSRD, CSDDD, SFDR), they are indirectly compelled, through the trickle-down-effect, to provide information to banks and business partners.

Through the upcoming Omnibus package, the European Commission needs to reduce the burdens on businesses, particularly SMEs, to a reasonable level:

- **Increase the threshold** for the scope of the CSRD and CSDDD, while ensuring a **coherent alignment** between the requirements
- **Simplify the VSME Standard** and establish it as a **Value Chain Cap**
- **Facilitate the transition of SMEs**
- **Avoid overloading SMEs** with a multitude of detailed requirements regarding products and environmental claims

Increase the threshold for the scope of the CSRD and CSDDD, while ensuring a coherent alignment between the requirements

A vast majority of businesses support a **substantial reduction and simplification of reporting and due diligence obligations**. Findings from IHK reality checks indicate that companies only have the necessary resources to compile sustainability reports once they reach a certain size. To minimize bureaucracy and alleviate the trickle-down effect, we recommend **limiting the scope of CSRD and CSDDD to genuinely large, capital market-oriented companies**.

The Omnibus package should extend beyond the CSRD, CSDDD, and EU Taxonomy to include other regulations, such as the SFDR, and ensure all regulations are effectively aligned. In order to provide businesses with adequate time for adaptation, the application of the CSRD, CSDDD, and related legal provisions should be **postponed by at least two years**.

Simplify the VSME Standard and establish it as a Value Chain Cap

Given the large number of SMEs indirectly affected by the trickle-down effect, the Omnibus package will only be effective if it places SMEs at its core. In general, SMEs require a **voluntary, practice-oriented sustainability reporting standard with no more than a dozen key figures**.

Voice of SMEs



„SMEs can only secure their long-term success if they carefully assess the economic feasibility of their investments and projects – including those aimed at improving sustainability. We emphasize the need for minimal bureaucracy and efficient regulations so that we can allocate our resources to implementing tangible measures and stay competitive on the international level.“

*Eva Campos, Authorized Representative
BAUCH Engineering GmbH & Co. KG*

Recommendations



- **Increase the threshold for the scope of the CSRD and CSDDD to genuinely large, capital market-oriented companies and alleviate the trickle-down effect on SMEs**
- **Ensure a coherent alignment of the CSRD, CSDDD, EU Taxonomy and related regulations**
- **Postpone the application of the CSRD, CSDDD by at least two years**

The basic module of the Voluntary SME Standard (VSME) could serve this purpose, but requires further simplification. The VSME will only gain traction as a market standard if its basic module is **legally embedded as a Value Chain Cap** in relevant EU regulations (CSRD, CSDDD, EBA guidelines, etc.). To ease administrative efforts and financial strains on SMEs, information should be provided following the **once-only principle via a standardized EU-wide portal** with digital interfaces, approval mechanisms and explanatory guidance. This platform should be launched alongside the final standard. Additionally, companies with **fewer than 10 employees** should be completely **freed from providing sustainability information**.

Facilitate the transition of SMEs

Reporting alone will not achieve climate neutrality by 2050. While SMEs have been implementing transition measures for a long time already, they often lack a strategic approach. Moreover, an IHK reality check revealed that SMEs struggle with planning transition-related investments. To address this, key priorities should include: A **simplified VSME** as a foundation, greenhouse gas accounting via a **calculation tool** (e.g. ecocockpit), **exemption from Scope 3 emission reporting** and a **transition planning guide** without mandatory regulations. Due to ongoing uncertainties regarding the availability and efficiency of low-emission technologies, **funding programs** should **refrain from imposing rigid targets**, such as pre-defined CO₂ reduction objectives. Likewise, financial institutions should only be required to request **risk-relevant information**. Consequently, non-meaningful indicators like the Green Asset Ratio should be deleted. **Ultimately, decarbonization efforts must be economically viable.**

Avoid overloading SMEs with a multitude of detailed requirements regarding products and environmental claims

The multifaceted regulatory framework of the EU Green Deal (e.g. EUDR, CBAM, REACH, ESPR, GPSR, PFAS, etc.), along with requirements for environmental claims (such as the proposed Green Claims Directive and Green Bond Standard), overwhelm SMEs. Given their limited resources, proportionality should be ensured.

Recommendations



- *Make SMEs the focal point of the Omnibus package*
- *Reduce the VSME Standard to no more than a dozen key figures*
- *Formally integrate the basic module of the VSME as a Value Chain Cap in relevant EU regulation (e.g. CSRD, CSDDD, EBA guidelines)*
- *Implement a standardized EU-wide platform for sustainability data submission, adhering to the once-only principle*
- *Exempt companies with fewer than 10 employees from providing sustainability information*
- *Avoid regulatory requirements for transition planning*
- *Facilitate knowledge transfer and provide implementation support, while keeping funding programs flexible*
- *Limit credit-related disclosures to risk relevant data, delete non-essential indicators like the Green Asset Ratio*
- *Reduce bureaucracy in Green Deal regulations through reality checks*

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