

Brussels, 03/04/2023

Subject: Directive on corporate sustainability reporting

Dear Executive Vice-President Dombrovskis,

In light of the recently adopted Directive on Corporate Sustainability Reporting (CSRD), the European Financial Reporting Advisory Group is currently working on their European Sustainability Reporting Standards (ESRS). Having carefully analysed the draft reports, I am writing to you on behalf of Ceemet in order to voice our deep concerns in this respect.

Our first concern regards the huge administrative burden that this will have on our companies. At present, companies are facing unforeseen economic consequences which range from increasing energy costs and high inflation to supply chain problems as well as the numerous drags on economic growth. While companies are doing their best to handle this difficult and unprecedented economic situation and keep their head above water, they also need to deal with new EU legislation that causes a high amount of administrative burden on them. The CSRD and its Reporting Standards will inevitably have a critical impact on European based companies, their operations and supply chains, as well as on their global competitiveness.

The disclosure requirements included in the standards are out of proportion due to the lack of clarity, legal certainty, and the detailed level of required information. Ceemet considers that the proposed (draft) EFRAG's indicators are both too far reaching and beyond the CSRD requirements. Should such indicators be considered as Reporting Standards, it would lead to additional and disproportionate administrative burden and higher costs, especially for companies' departments involved in sustainability reporting. Possibly new administrative departments would need to be created or external experts hired to meet the newly adopted reporting requirements. Moreover, if we look at the section "Own workforce", many of the reporting obligations lack a legal basis. Standard proposals which do not have any EU legal basis should not be prepared further.

Secondly, we consider that the proposed standards disregard the subsidiarity principle, the role of the Member States in decision-making and social partners' rights to negotiate collective agreements. More precisely, the topics covered by ESRS S1 and S2 (working conditions, access to equal opportunities, other work-related rights) are primarily the responsibility of Member States as part of their social and labour policies and, in some cases, are best dealt with through social dialogue at different levels, according to the different national industrial systems. Indeed, Social Partners are the best known for considering the specificities of their respective sectors as well as their interest groups when negotiating. Ceemet therefore believes that the standards as proposed go well beyond national legislation and collective agreements.

Finally, it should be noted that, while the aforementioned Directive in itself will be extremely burdensome, it should also be seen in conjunction with the proposal for a

About Ceemet

Ceemet represents the metal, engineering and technology-based industry employers in Europe, covering sectors such as metal goods, mechanical engineering, electronics, ICT, vehicle and transport manufacturing.

Member organisations represent 200,000 companies in Europe, providing over 17 million direct and 35 million indirect jobs.

Ceemet is a recognised European social partner at the industrial sector level, promoting global competitiveness for European industry through consultation and social dialogue.

Directive on corporate sustainability due diligence (CS3D), the Taxonomy Regulation and its possible extension to a “social taxonomy”. These legislative initiatives threaten to add a long list of new and most likely overlapping obligations for companies in terms of stricter reporting obligations and significantly widen the scope to smaller companies. Moreover, the proposals in the area of sustainability must be considered in the larger picture of EU legislation that will impose a high level of additional legislative requirements on companies, such as the Directive on pay transparency, the Directive on transparent and predictable working conditions, the Directive on platform work etc. The complexity that is introduced by all the different pieces of legislation is going beyond anything that SME’s can deliver in practise.

We have to bear in mind that European companies are world leading in monitoring supply chains’ adherence to human rights and environmental protection. We acknowledge that companies have a responsibility to take social, environmental and human right issues into account in addition to their economic and financial performance. At the same time we emphasize that the abovementioned legislative proposals will put European based companies, that are already struggling due to the extremely difficult economic circumstances, in an enormous competitive disadvantage in comparison to third country companies which are not subject to these heavy administrative burdens. This is the opposite of what the Commission is officially striving for in their Communication on long-term competitiveness of the EU, where the Commission explicitly wants to “rationalise and simplify reporting requirements for companies and administrations” and even sets a target of “reducing such burdens by 25 %”.

Ceemet would be happy to further discuss this legislation with you in more detail, in order to ensure that the rules on corporate sustainability reporting are workable in practice for companies.

Yours sincerely,



Rainer Ludwig
CEEMET PRESIDENT

CC: Commissioner McGuinness, Commissioner Schmit