

## **Boosting Europe's Competitiveness by Cutting Red Tape**

Key Recommendations for the OMNIBUS-Proposal

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## Introduction

Deutsches Aktieninstitut strongly supports the sustainability regulatory framework and its ambitious sustainability targets as regards to the EU Green Deal agenda. In order to make the Green Deal work on the ground, clear, simple and practicable rules are needed. The OMNIBUS-proposal announced by EU-Commission President von der Leyen for 26 February 2025 aims at simplifying and streamlining corporate reporting requirements. This paper shares the perspective of corporate practitioners. Detailed policy recommendations can be found in our position paper "Making Omnibus a Success". The European regulatory framework addressing corporate reporting has been taken too far. The European Green Deal alone includes about 150 legislative acts. In the chemical and pharmaceutical industry, a total of 900 delegated acts and implementing measures arise from 50 legislative frameworks adopted during the Commission's previous mandate. European regulation has become too detailed, too complicated and much too voluminous as to be working on the ground. We will focus our policy recommendations for OMNIBUS on the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) as starting and reference point and basis for adjustments and then address the regulatory ecosystem, into which the CSRD/ESRS framework is embedded:

- The European Single Electronic Format (ESEF) as reporting format prescribed by CSRD/ESRS
- The Sustainable Finance Disclosure Regulation (SFDR) as corresponding regulation to the CSRD/ESRS for investors,
- The Taxonomy defining sustainable economic activities,
- Transition Plans as a much needed supplement to the Taxonomy,
- The Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Deforestation Regulation (EUDR) with a focus on the value chain.

Today, both the volume and the complexity of the regulatory ecosystem described is a constraint for entrepreneurship. It also goes against the necessary structural change that Mario Draghi demands in his report on the future of European competitiveness, where entrepreneurship and entrepreneurial spirit is referred to as key

- to drive innovation,
- to successfully achieve the digital and sustainable transition and

- to secure public wealth and social inclusion at the same time.

While it is necessary to continue and deliver on the 25 percent reduction initiative of the previous mandate, thriving entrepreneurship requires a different mindset and approach to regulation. Companies should be seen as a solution to problems and not as a problem itself. Competition and European Wealth dictate that companies need to be part of the solution. This in turn leads to building a proportionate and flexible framework. Hence the OMNIBUS-proposal should be made a starting point along the following lines which are shown below and reflect our present perception of the regulatory situation. Given the level of complexity, additional points might have to be taken up in the time to come.

## 1 Key coordinates for OMNIBUS

### 1.1 Think the OMNIBUS-proposal from the perspective of companies.

When rules are made that companies need to implement, practicality and efficiency are as important as the goal they pursue. Buy-in will increase when regulation fits into corporate processes. Simple rules and legal clarity help companies in their implementation and compliance. While considering competitiveness, rules should be evaluated for their effect on the transformation to a net-zero economy and the overall goal of the regulation – accelerating the sustainable transformation. Sustainability rules not contributing to the sustainable transition should be removed. The same goes for rules imposed on businesses without corresponding clear benefits for those who take active decisions on how and where to allocate capital - investors or financial institutions.

### 1.2 Better involve companies in EU decision making.

Lawmakers should actively use the input and knowledge of companies on how rules best fit into their processes and thus consider the experiences from the first year of applying ESRS. There is no need for extra cost without extra benefits – just a burden on competitiveness. The Commission's OMNIBUS proposal should focus on and take up the recommendations made by companies. The business sector can be part of the project and advise the Commission on its forthcoming policy activities. This should also involve an adequate representation of companies in decision bodies affiliated to the Commission, such as EFRAGs SRB and the Technical Expert Group. In the past, important consultations often took place in the busiest season for preparers or FAQs/implementation guidance documents have been published

in the final phase of the reporting process (e.g. FAQ EU Taxonomy or ESRS). Close cooperation between corporates and political decision makers is much needed to regain and improve the global competitiveness of the EU.

### **1.3 Using CSRD as the reference point assures adjustment and a focus on materiality.**

The CSRD and the ESRSs mark the core of the transition framework not only for companies but for the entire economy as investors will base their investment decisions on the information companies deliver according to the CSRD and the ESRSs.

The materiality assessment of the CSRD/ESRS should be made a general and guiding principle for sustainability regulation. This ensures that only meaningful and decision-useful information essential for investors will be disclosed by companies and caters to the principle of proportionality. It enables companies to focus on the essential aspects to drive their transition. From this end, the Commission should see the CSRD/ESRS as a strategic tool for corporate boards.

Despite the standards, the materiality analysis methodology leaves quite some room for interpretation. CSRD/ESRS should make clear that a focus is on a very limited number of material topics. Disclosure requirement should be limited to the most important ones, i.e. financially material topics and KPIs – with climate at the centre.

A revision should take into account the following policy recommendations:

- The EU Omnibus Regulation should be taken as an opportunity to drop the iXBRL tagging obligation under the European Single Electronic Format (ESEF-Regulation) for both financial and non-financial reporting. iXBRL tagging is complex, time-consuming and significantly burdensome. Furthermore, dropping the iXBRL tagging obligation would not negatively impact investors. Nowadays, sophisticated AI-tools can compare and evaluate reported information without using XBRL.
- Interlinkages with other legislation, such as SFDR, should be subject to the OMNIBUS legislation as well. Regulatory shortcomings made due to the premature creation of the SFDR ahead of the Taxonomy and the CSRD should be corrected. Reporting obligations arising out of the SFDR indirectly affect companies by facing requests from financial institutions to deliver additional information. When companies report comprehensively according to the CSRD, the necessary sustainability information is available to meet the information needs of investors and banks. The other EU Green Deal legislation should refer to this.

- Against the background of the 1.100 data points, it is necessary to reduce the number of ESRS data points drastically. We suggest replacing ESRS Set 1 either by the LSME standard, which includes around 500 data points, or a similar set of reduced data points not larger than the current LSME standard. The LSME standard or its alternative would apply equally to large listed and non-listed companies.
- Reporting according to the CSRD might oblige companies to disclose strategically sensitive information. This leads to a clear competitive disadvantage for European companies. Therefore, companies should be exempted from disclosing this kind of information.
- Unnecessary overlaps in disclosure requirements with other EU regulations should be avoided so that information is reported only once. The same definitions should be used in the various legislations, e.g. the definitions of value chain (CSRD/CSDDD), double materiality (CSRD/SFDR) and independence of non-executive or supervisory directors (Recommendation of the Commission of 15 February 2005 /Audit Directive/ESRS 2 GOV-1). Under the current framework financial market participants have to provide entity-level disclosure under the SFDR and the CSRD. Generally, the CSRD is the dedicated regulation for entity-level disclosure. Entity-level disclosure also under SFDR results in a duplication of disclosure requirements. Therefore, to streamline disclosure requirements, we recommend to focus the entity-level disclosure in the CSRD and delete it in the SFDR.
- The sector-specific standards developed by EFRAG should not be pursued further. Frameworks, such as SASB which has been taken up in IFRS S2, already give enough guidance for sector-specific aspects.
- A designated quiet period without new legislation is necessary. It would provide companies with the time needed to adjust to and to implement existing regulation they are struggling with. This pause would ensure that businesses are not overwhelmed and can fully comply with current requirements. It would also assure that new legislation is based upon the revised set of rules that the OMNIBUS proposal intends to create.

## 2 Conclusion

To preserve economic prosperity and wealth, it is time for our Union to act and take initial steps to recalibrate the regulatory framework. Our policy recommendations in our detailed position paper "Making Omnibus a Success" show concrete steps to aid companies. We are committed to support the European Commission in its efforts to change the situation for the better and get Europe back on track!

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