



Corporate Sustainability Reporting Directive (CSRD) proposal: EBSA calls for better respecting the needs of both large and small companies of the business services sector

The European Business Services Alliance (EBSA) represents providers of business services within a wide variety of sectors and aims to accomplish an internal market for business services in addition to gaining recognition for the significant role of business services in the European economy. As a major service industry, business services are responsible for over 10% of the EU GDP and grant essential services to businesses and institutions of all sizes.

The EBSA welcomes initiatives fostering sustainable development and recognises the advantages created by increasingly streamlined reporting obligations that replace dispersed schemes. EBSA members recognise the importance for enterprises to communicate their environmental, governance, and social impacts and engagements as a key indicator of their performance. However, the proposed CSRD may have a negative effect on business services and especially on SMEs.

Following the ongoing negotiations on the file, the EBSA is especially concerned about:

(i) **Timeline for implementation:**

It is crucial that businesses are given sufficient time to comply with the new requirements of the legislation. The timeline included in the Commission's proposal, is of much concern for the business services sector, specifically for the SMEs that are within its scope. A more feasible calendar needs to be established in order for businesses to implement new reporting requirements and to comply, directly or indirectly, with these obligations. In this sense, the EBSA welcomes the timing proposed by the Council in its General Approach of 24 February 2022. Importantly, the development of both "large enterprise standards" and the "SME standard" need to be adapted to the reporting calendar, ensuring that the large enterprise standard does not become the market default for the entire supply chain.

(ii) **Impact on SMEs:**

The EBSA supports the European Commission's proposed limitation of the scope to large corporate and listed SMEs and its initial objective to *"improve sustainability reporting at the least possible costs in order to better harness the potential of the European single market to contribute to the transition towards a fully sustainable and inclusive economic and financial system in accordance with the European Green Deal and the UN Sustainable Development Goals"*.

Nevertheless, if not treated adequately, the proposal could entail high administrative burdens on companies of all sizes, with particularly negative impacts on small and medium enterprises. Therefore, it is critical that the scope for SMEs remains limited and that, for those that may be included in the Directive's scope, sufficient support is ensured. The simplified SME reporting standards are consequently essential to adapt to the reality of smaller-sized businesses, which often do not have the internal capacities to fulfil such reporting obligations within their structures. This is particularly important considering the trickle-down effects that the proposal could have on all SMEs, which will be requested to provide their clients with the relevant information for their respective reporting and / or comply with the proposal's requirements.

(iii) **Impact of rating sectors “high-risk”:**

The ongoing debate in the European Parliament regarding the consideration of some sectors as “high-risk” may impose additional burdens on businesses in the middle of their green and digital transitions. The labelling of some sectors as “high-risk” may impose negative perceptions and other unintended consequences on the companies in those sectors. A thorough assessment by the Commission, in consultation with stakeholders from the sectors at stake, should therefore be ensured.

The EBSA therefore concludes that this discussion and similar proposals must favour legal certainty and limited financial burdens for European businesses, in order to ensure that they are provided with adequate reporting tools to guarantee their full contribution to the objectives of the European Green Deal.

The European Business Service Alliance (EBSA) brings together the European associations within the business services sector. Business services are important for the European economy; however, they are often invisible in our everyday lives. EBSA’s vision is to achieve an internal market for business services in the EU, and to gain recognition for the important role business services play in the European economy. EBSA therefore works on increasing knowledge, visibility and recognition of the business services industry at the European level and promotes the convergence of views and positions expressed by European Business Services associations in order to enhance our ability to make strong representations to the EU Institutions and other relevant European and international stakeholders.