



Sustainable Finance Advisory Committee

of the Federal Government in the 20th legislative term

Position Paper

EU Omnibus Initiative

Environmental and social aspects count

February 2025

The relevance of reporting and disclosures

The Green Deal – EU’s growth strategy and commitment to become climate neutral by 2050 – offers a variety of business opportunities in many sectors such as energy, agriculture, and mobility including circular economy solutions. It also addresses environmental and social risks, where European economic losses due to climate change are estimated at around 2% of GDP¹, and 4% of GDP due to biodiversity loss.² At the same time more than 16% of the European population is threatened by poverty.³ Environmental and social aspects count, having a direct impact on the financial performance of companies, the resilience and competitiveness of business models and the economy, and the just transition⁴ of our societies.

The Green Deal and related sustainability disclosure regulations are generally supported by business. Corporate reporting has a pivotal role in enhancing transparency and accountability. **The provision of decision-useful information to corporate decision-makers, investors and other stakeholders for risk management, steering, trust and reputation, compliance, comparability and benchmarking of corporate performance ensures financial market stability and facilitates the transition towards a just, sustainable economy.**

However, the European regulatory framework as of today is perceived by many business practitioners as complex, highly bureaucratic and costly in terms of time and money. In addition, substantial parts of the EU regulations and related requested data points are neither sufficient nor of interest. Even though investors and data preparers appreciate detailed, granular data as requested by some ESRS and EU Taxonomy, they also question the necessity of such a large volume of data as required today. Further, most business representatives are questioning whether the impact and value add justify the efforts and costs associated with data collection. Similar aspects have been highlighted in

¹ EU JRC PESETA II Project

² https://wwf.panda.org/es/?186461%2FBiodiversity-loss-to-cost-Europe-11-trillion-per-year-in-2050-unless-an-ambitious-EU-target-is-adopted-now=&utm_source=chatgpt.com

³ https://www.sozialpolitik-aktuell.de/files/sozialpolitik-aktuell/_Politikfelder/Europa-Internationales/Datensammlung/PDF-Dateien/abbX24.pdf?utm_source=chatgpt.com

⁴ The international labour organisation defines just transition as: A just transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind.

the Draghi report to increase the competitiveness of the European economy.⁵ The SFB has already contributed to this discussion⁶ by analysing the different regulations as stand-alone requirements through several papers. This position paper takes the scope of the omnibus initiative into account from a higher-level perspective, also reflecting latest learnings from data preparers and users regarding the EU Taxonomy, CSRD/ESRS, and CSDDD.

With the omnibus initiative the EU announced a “far-reaching simplification in the fields of sustainable finance reporting, sustainability due diligence and taxonomy” with the objective to “ensure tight alignment of the data required with the needs of investors, proportionate timelines, focus on the most harmful activities, financial metrics that do not discourage investments in smaller companies in transition, and obligations proportionate to the scale of activities of different companies.”⁷ So far, the initiative covers CSRD/ESRS, EU Taxonomy, and CSDDD. The SFDR is not in scope but should be considered for reasons of coherence as well as the guidance and FAQs published by the authorities such as ESA, ESMA, EFRAG. Detailed information from the EU is expected by February 26th, 2025. As SFB, we appreciate the omnibus initiative as an opportunity to develop one efficient, coherent, interoperable ecosystem for sustainability disclosures, if done properly. Nonetheless, it further highlights the risk of penalising frontrunner companies, jeopardizing planning security of reporting companies, and risking the credibility of European policy making through sudden reversion of newly introduced legislation.

⁵ https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en?filename=The%20future%20of%20European%20competitiveness%20_%20A%20competitiveness%20strategy%20for%20Europe.pdf

⁶ GAR (https://sustainable-finance-beirat.de/wp-content/uploads/2024/07/PM_SFB_Green_Asset_Ratio_final.pdf); SFDR joint statement with IFD https://sustainable-finance-beirat.de/wp-content/uploads/2024/06/SFDR_review_joint_statement_IFD_SFB_final_20240613.pdf; CSDDD https://sustainable-finance-beirat.de/wp-content/uploads/2024/02/SFB_Stellungnahme_CSDDD_2024022_Abstimmung_final.pdf; SFDR consultation https://sustainable-finance-beirat.de/wp-content/uploads/2024/06/SFB_Eingabe_SFDR_Konsultation.pdf; EU Taxonomy https://sustainable-finance-beirat.de/wp-content/uploads/2023/03/Pressemittteilung_SFB_Taxonomy_DE-1-1.pdf; CSRD https://sustainable-finance-beirat.de/wp-content/uploads/2025/02/SFB_Position_Paper_CSRD.pdf; SFDR review https://sustainable-finance-beirat.de/wp-content/uploads/2025/02/SFB_Position_Paper_SFDR_Review_final.pdf

⁷ https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en

SFB's essential recommendations for the EU Omnibus Initiative

The SFB welcomes the EU's sustainable finance regulation to foster transparency for comparable sustainability performance of companies. Without data, both targeted corporate management and integral capital allocation is impossible. Nevertheless, the SFB sees room for improvement in parts of the regulation package. Primarily, we support a principles-based approach and welcome the double materiality analysis provided in the CSRD which also reflects the specific situations of the respective industries and companies specifically.

SFB sets two columns to manifest the EU Omnibus Initiative:

Make transparency requirements simpler, more cost effective, yet meaningful, to foster resilience and competitiveness. We call on the EU to:

- Reduce the amount of mandatory data points in terms of their meaningfulness and proportionality to outcome and costs – building on the experience and first reviews of EU Taxonomy and CSRD/ESRS corporate reporting.
- Impound coherence of definitions and references within the EU regulatory system and unambiguous implementation across member states for an EU-wide playing field and prevent repeating reporting requirements.
- Ensure the interoperability with international standards, conventions, and documents, while keeping ambitions for transparency.

Prevent further confusion and insecurity to keep the credibility of the regulatory framework. We call on the EU to:

- Postpone present enforcement and sanctioning measures (not the reporting requirements themselves incl. ESRS) until legal uncertainties are resolved.
- Do not jeopardize the investments already made by first movers and the first wave of affected companies to comply with the various regulations by postponing deadlines for a special group of companies.
- Aim for regulation that builds on existing processes and governance structures of the affected entities.
- Strengthen reliability of sustainability data and disclosures.
- Sustain the CSDDD as it is not a disclosure regulation and is intended to replace jurisdictional due diligence laws such as those in Germany.

To support a national and supra-national discussion with our practitioners and an outcome-oriented perspective, we propose pragmatic solutions, that can help **(A) reduce mandatory data points, (B) increase the practicability and quality of reporting and (C) foster interoperability with international standards.**

A. Reduce mandatory data points

Objective: Prioritize quality over quantity by balancing the needs of data preparers and users, with double materiality as key principle.

Challenge: Initial experiences show that transparency about risks, opportunities, and impacts can increase the competitiveness and resilience of business models. Data preparers steer the company with concentrated, often aggregated, decision-relevant KPI. In general, they are very cautious to disclose forward-looking, competition-sensitive data, while investors and stakeholders seek for more comprehensive information and forward-looking guidance.

A.1 Solution impulse general reduction KPI: The Paris Agreement⁸ on climate change, the Kunming-Montreal Global Biodiversity Framework⁹, and the Planetary Boundaries¹⁰ reflect the international scientific consensus on most relevant environmental aspects, which is already reflected across different regulations.¹¹ This includes sector-agnostic, quantitative KPI as CO2 emissions and intensities incl. relation to enterprise value, energy consumption intensities, hazardous waste ratios, data on fossil fuels.

The identification of social and governance KPI is not as straight forward as for the environmental KPI, but international documents outline a due diligence process how to identify, address, end, and monitor social aspects including human rights, corruption, and bribery.¹²

⁸ <https://unfccc.int/process-and-meetings/the-paris-agreement>

⁹ https://environment.ec.europa.eu/news/eu-submits-targets-implement-global-biodiversity-framework-2024-08-02_en

¹⁰ https://op.europa.eu/en/web/who-is-who/organization/-/organization/RTD/COM_CRF_34490

¹¹ CSRD, GRI, ISSB, SFDR, VSME as well as German financial sector questionnaire

¹² UN guiding principles for business and human rights, the OECD guidelines for multinational enterprises, and the ILO core labour norms

The materiality of sustainability impacts, risks, and opportunities is often linked to the specific sector or even the company itself. They need to be identified in a tailored process (see A.2 and A.3) but should not fall short under a sector-agnostic, indispensable core set of mandatory environmental and social KPI as outlined above. To better understand the reported KPI, they need to be connected to forward looking information including strategy and transition plans (see A.4), and credibility needs to be ensured (see A.5).

A.2 Solution impulse environmental KPI: Consistent with the principle based approach highlighted above we suggest to reduce the number of sector and company-specific environmental KPI as follows: I) *Sector-specific double materiality:* To increase meaningfulness and comparability, derive quantitative sector-specific KPI provided by industry associations and related stakeholders such as unions and NGO, and align where feasible with international standards such as SASB. II) *Company-specific double materiality:* To obtain information about the corporate-specific impacts, risks, opportunities, and their specific business models.

Scope 3 emissions should be reported and monitored by data preparers, as steering is in most cases not feasible along the value chain.

A.3 Solution impulse social KPI and governance: The identification of social indicators is not as straight forward as environmental indicators, as these are mostly not rooted in science. This increases the danger of establishing a plethora of data requirements with little or no use. To avoid this, data requirements should unsparingly be built on high level international documents or scientific evidence, where possible. For the omnibus regulation we therefore recommend building disclosure demands on the UN guiding principles for business and human rights (UNGP), the OECD guidelines for multinational enterprises (MNE), and the ILO core labour norms. These documents overlap to a high degree. The OECD guidelines for MNE have incorporated the UNGP – and therefore also the ILO core labour norms – as well as corruption¹³.

The UNGP are the UN's globally applicable due diligence process to identify, address, end, and monitor human rights violations including definitions of the severity of human

¹³ The topic of consumer interest can be considered as a human right and is therefore covered by the UNGP, for taxation the EU has already established the “country by country” reporting requirements and information on fair competition can be derived from respective cases published by the commission see also: https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

rights violations and the relation companies might have to them. The German and the EU due diligence laws, including the CSDDD, are built upon these principles. The OECD guidelines for MNE advise on effective processes within companies to avoid corruption and bribery.

In the interest of clarity and a seamless interaction between the CSDDD and the CSRD, we recommend taking article 5-11 of the CSDDD as a guidance for mandatory social disclosure of companies. Disclosure requirements of the ESRS S 1-4 should be guided by these articles and limited to necessary data only, to understand a company's situation from the UNGP's perspective.

For the governance aspects disclosure requirements should focus on internal processes to prevent corruption and on relevant court cases. In view of the omnibus initiative, this procedure would streamline EU regulation with the exclusions of the benchmark regulation and the SFDR PAI 10 and 11.

A.4 Solution impulse interconnection with strategy: KPI unfold their information potential in each context. Like financial KPI, environmental and social KPI need to be integrated and embedded in corporate strategy and planning, including aspects like GHG, biodiversity, circular business models. These forward-looking aspects provide investors and stakeholders with insights into the pathway ahead, detailing how companies address and manage their impacts, risks, and opportunities to foster the resilience of business models and long-term value creation. To enable comparability, we recommend that these forward-looking aspects should be built on international agreements, such as transition plans as developed by the Transition Plan Taskforce.¹⁴ Disclosure requirements for forward-looking aspects should acknowledge the sensitivity of data for competitiveness and tentative nature of such information.

A.5 Solution impulse credibility: In order to build decisions on reported data the information needs to be reliable and credible. This trust in information is furthered by assurance through the auditing profession based on accepted regulation and standards. Two levels of assurance are currently provided: Limited and reasonable assurance. To reduce costs and efforts, while ensuring credibility and preventing greenwashing, as well as a higher

¹⁴ <https://www.ifrs.org/sustainability/knowledge-hub/transition-plan-taskforce-resources/>

degree of legal security, we recommend that, initially, only a limited assurance level should be mandatory. With more experience and capacity building over time, reasonable assurance should become the standard eventually.

B. Increase practicability and meaning of reporting

Objective: Reduce effort for data preparers to increase competitiveness, resilience, and improve risk management.

Solution impulse best practices: Based on the history of sustainability reporting and related frameworks¹⁵ as well as first experiences with the EU Taxonomy and ESRS, data preparers should be allowed to make use of established practices to collect and model data,¹⁶ measure performance,¹⁷ and disclose information in the context of the business model and financial performance and planning.¹⁸ These tested, piloted, and partly audited solutions are already in use to comply with EU regulations, enabling data preparers to align with at least the spirit of the disclosure regulation through a principles-based approach. These best practices should be collected, reviewed, and endorsed by EU authorities to ensure a high level of legal certainty for data preparers and auditors. Further, these solutions also need to be tailored for SME.

Solution impulse practitioners in advisory panels: Experts with first-hand experiences preparing reports and using the information – such as companies, research analysts, portfolio managers, and investment advisors – should continue to be represented with a strong voice in the different advisory panels such as EFRAG SRB or PSF next to associations, academia, and civil society representatives. They should serve as a “filter” function, providing a reality check to assess the feasibility and meaningfulness of implementing the proposed regulation in decision-making. A time-bound panel for the

¹⁵ Such as GRI, GHG Protocol, SBTi, TCFD, TNFD, ISO and many more

¹⁶ For example, input-output modelling using industry data for supply chain impacts

¹⁷ For example, established natural capital accounting practices as outlined in CSRD article 44 (<https://capitalscoalition.org/project/transparent/>)

¹⁸ For example, Integrated Profit & Loss or Impact Statement (https://www.value-balancing.com/_Resources/Persistent/6/b/e/c/6bec726b5e28d5f75e2e5f153db845a3bbb93f2e/VBA_Impact%20Statement_Final.pdf)

omnibus initiative might be considered to better understand the challenges of data preparers and users regarding the connectivity and interconnectedness of different regulations, and ongoing evaluation and monitoring measures among affected stakeholders.

C. Foster interoperability with international standards

Objective: Ensuring connectivity to global baseline and establishing consistent requirements to enhance comparability of performance disclosures at international level.

Solution impulse broader mandate for IFRS Foundation: The EU is committed to the principle of interoperability with international standards, which was reinforced by the Draghi-Report. Particularly, European companies are increasingly likely to be required to report against international standards, such as ISSB to access capital of international markets. The EU should take a leading role to shape and extend the international baseline, ensuring the double-materiality principle as well as the first-hand experience of European practitioners. We recommend, that IFRS Foundation establishes a consistent corporate reporting system built upon three pillars, with the ambition to provide a set of standards for comprehensive disclosures including I) financial information (IASB) for users to understand the financial situation of a company, II) investor-relevant sustainability information (ISSB) for users to understand how sustainability affects the enterprise value, and III) stakeholder relevant information to understand the positive and negative contribution of a company to sustainable development building on GRI and CSRD/ESRS. To reduce fragmentation and double-reporting, the EU should ensure full interoperability with the international minimum standards / baseline and build on further EU-specific reporting requirements.

Annex: List of Abbreviations

CSDDD	Corporate Sustainability Due Diligence Directive (Directive (EU) 2024/1760)
CSRD	Corporate Sustainability Reporting Directive (Directive (EU) 2022/2464)
EFRAG	European Financial Reporting Advisory Group
ESA	European Supervisory Authorities
ESMA	European Securities and Markets Authority
ESRS	European Sustainability Reporting Standards
EU Taxonomy	EU Taxonomy Regulation (Regulation (EU) 2020/852)
GAR	Green Asset Ratio
GHG	Greenhouse Gas
GHG Protocol	Greenhouse Gas Protocol
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
IFD	Institut de la Finance Durable (French Sustainable Finance Institute)
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
KPI	Key Performance Indicator

MNE Guidelines	OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
PAI	Principal Adverse Impact
PSF	Platform on Sustainable Finance
SASB	Sustainability Accounting Standards Board
SBTI	Science Based Targets Initiative
SFB	Sustainable Finance-Beirat der Bundesregierung (Sustainable Finance Advisory Committee of the Federal Government)
SFDR	Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088)
SME	Small and medium-sized enterprises
SRB	Single Resolution Board
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
UNGP	United Nations Guiding Principles on Business and Human Rights
VSME	Voluntary Sustainability Reporting Standard for non-listed SMEs