

Ursula von der Leyen
President
European Commission

Mairead McGuinness
Commissioner for Financial Services,
Financial Stability and Capital
Markets Union
European Commission

Sent by email

Brussels, 21 April 2023

Dear President von der Leyen,

Dear Commissioner McGuinness,

Accountancy Europe would like to share its comments on the speeches by the European Commission (EC) President Ursula von der Leyen and Commissioner Mairead McGuinness (15 March and 21 March 2023) on the rationalisation and simplification of reporting requirements in the green, digital and economic thematic areas.

In principle, we support the idea of simplification. Policy objectives must be met effectively and thorough impact assessments are essential to reach them.

This letter does not seek to provide a wish list to reduce reporting requirements. Our comments below aim to reflect ideas for fit-for-purpose real simplification proposals.

As a starting point for this exercise, we suggest the EC follows the objectives it sets to itself in the Better Regulation initiative. Any amendments to existing or upcoming legislative initiatives should:

- not be rushed; instead, the procedure should be purpose-driven and underpinned by strategic planning and quality output
- be based on an independent impact assessment and cost benefit analysis of the existing and upcoming requirements
- be put under public consultation (with appropriate time given to reply)
- be field-tested

In the same vein, we suggest putting 'consistent implementation of EU law' higher on the EC agenda. The Better Regulation initiative states that: *the EC is expected to monitor the implementation and application of adopted initiatives in the Member States*. However, in several instances and mainly as a result of negotiations, too many Member States' options are added in the EC legislative proposals (even in regulations). This has led to: i) a scattered implementation map ii) moving away from the initial purpose of the legislative initiative iii) increased reporting and compliance burden.

Lack of clear strategic planning of policies and frequent changes, notably around reporting requirements, cause operational burden and confusion, especially since stakeholders in the reporting ecosystem have to significantly adapt their internal systems and procedures to moving targets. As an example, stakeholders are already analysing and trying to operationalise the Draft European Sustainability Reporting Standards (ESRS) as per EFRAG's Technical Advice to the EC of November 2022. However, these efforts will need to be revised with the Delegated Acts' consultation publication and then again, upon their finalisation and adoption, so that stakeholders will be ready for their implementation in 2024.

Additional examples that have caused confusion and create inconsistency and difficult planning:

- The EC recently asked EFRAG to prioritise implementation guidance on sector-agnostic standards over sector-specific ones, without clarifying when to restart the latter. Lack of information and transparency can create strong confusion amongst stakeholders and lead to wrong conclusions on whether policy objectives have been abandoned.
- Shortly after this initiative that aimed to simplify and reduce reporting requirements, the EC launched a four-week consultation on the Environmental Delegated Act with a new set of EU taxonomy criteria for economic activities. Instead of simplifying and prioritising, the EC via this initiative is adding further complexity to the requirements.
- Overall, we regret that the Sustainable Finance Disclosure Regulation, the Pillar 3 indicators of the Benchmark Regulation, the Taxonomy Regulation, the Corporate Sustainability Reporting Directive were worked hastily and in silos rather than in a collective way that would have served the broader green agenda. This created confusion, caused many implementation challenges and ultimately increased the reporting burden. Adding the ESRS and time constraints that followed to this mix resulted in stakeholders not being able to cope with the amount of new reporting requirements. The EC should strive for better use of resources and, where necessary, international alignment of reporting standards to avoid overlaps and improve efficiency.

Accountancy Europe had already expressed its views and raised its concerns on the due process of ESRS in a [letter](#) on 29 July 2022. To recall, we underlined that the severe time pressure, associated with the volume and complexity of the standards, as well as the insufficient resources at EFRAG's level compromised the standards' robustness. We also supported a phased-in approach that would have provided sufficient time for companies to proceed with real and impactful transition and thus have minimised last-minute push back.

Whilst EFRAG did an admirable job under difficult circumstances and delivered the first set of Draft ESRS to the EC in November 2022, those standards were never field-tested, which is an important step in every standard setting process. We intend to provide more details on the content as part of the expected public consultation on ESRS Delegated Act. We had provided input in the previous step, which we believe, should have been considered by the EC and could have mitigated the current situation.

To conclude, it is key to ensure that any reductions of reporting requirements will not weaken the related policy objectives. To this end, the process should be robust and not rushed.

We continue to support the European Green Deal objectives and believe that companies of all sizes need to rapidly transform their business models if Europe is to become a green and sustainable economy. Corporate reporting has a role to play in helping companies, financial markets, policymakers, and other stakeholders support and drive change towards more sustainable business models.

Please do not hesitate to contact Olivier Boutellis-Taft at olivier@accountancyeurope.eu to engage further on this matter. We are ready to discuss any of the matters raised in further detail or provide specific ideas on how to reduce the reporting burden in the EU.

Sincerely,



Mark Vaessen
President



Olivier Boutellis-Taft
Chief Executive

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